

# **CBOE FUTURES EXCHANGE, LLC**

## **Rulebook**

BY ACCESSING, OR ENTERING ANY ORDER INTO, THE CBOE SYSTEM, AND WITHOUT ANY NEED FOR ANY FURTHER ACTION, UNDERTAKING OR AGREEMENT, A TRADING PRIVILEGE HOLDER OR AUTHORIZED TRADER AGREES (I) TO BE BOUND BY, AND COMPLY WITH, THE RULES OF THE EXCHANGE, THE RULES OF THE CLEARING CORPORATION AND APPLICABLE LAW, IN EACH CASE TO THE EXTENT APPLICABLE TO IT, AND (II) TO BECOME SUBJECT TO THE JURISDICTION OF THE EXCHANGE WITH RESPECT TO ANY AND ALL MATTERS ARISING FROM, RELATED TO, OR IN CONNECTION WITH, THE STATUS, ACTIONS OR OMISSIONS OF SUCH TRADING PRIVILEGE HOLDER OR AUTHORIZED TRADER. SEE RULE 308(A) AND THE RELATED DEFINITIONS IN THIS RULEBOOK.

Revised as of August 13, 2009

**TABLE OF CONTENTS**

**CBOE FUTURES EXCHANGE, LLC  
RULEBOOK**

	Page
<b>CHAPTER 1 DEFINITIONS.....</b>	<b>1</b>
101. Affiliate .....	1
102. Appeals Committee.....	1
103. Applicable Law .....	1
104. Arbitration Committee .....	1
105. Authorized Trader .....	1
106. Average Price System .....	1
107. Bankruptcy Code .....	1
108. BCC Panel.....	2
109. Block Trade.....	2
110. Board.....	2
111. Business Conduct Committee .....	2
112. Business Day.....	2
113. CBOE.....	2
114. CBOE System .....	2
115. CBOE Workstation .....	2
116. CEA.....	2
117. Chairman of the Board.....	3
118. Class of Options.....	3
119. Clearing Corporation .....	3
120. Clearing Member .....	3
121. Commission .....	3
122. Commission Regulation.....	3
123. Commodity .....	3
124. Complainant.....	3
125. Constitutive Documents.....	4
126. Contract.....	4
127. Control .....	4
128. Customer .....	4
129. Delaware LLC Act.....	4
130. Director of Arbitration .....	4
131. Director of Enforcement .....	4
132. DPM.....	4
133. DPM Designee .....	5
134. Emergency .....	5
135. Exchange.....	6
136. Exchange Act.....	6
137. Exchange Act Regulation .....	6

138.	Exchange of Contract for Related Position.....	6
139.	Executive Committee.....	6
140.	Exercise Price or Strike Price .....	6
141.	Ex Parte Communication .....	6
142.	Expiration Date .....	7
143.	Expiration Month.....	7
144.	FINRA.....	7
145.	Future .....	7
146.	Help Desk.....	7
147.	Market Turner .....	7
148.	Narrow-Based Stock Index Future.....	7
149.	NFA.....	8
150.	Option .....	8
151.	Order .....	8
152.	Passwords.....	8
153.	Premium.....	8
154.	Person.....	8
155.	President.....	8
156.	Related Party .....	8
157.	Respondent.....	9
158.	Responsible Trader .....	9
159.	Rule of the Clearing Corporation.....	9
160.	Rule of the Exchange .....	9
161.	Secretary .....	9
162.	Security Future.....	9
163.	Series of Options.....	9
164.	Single Stock Future.....	9
165.	Specifications Supplement.....	10
166.	Standing Committees .....	10
167.	Subject.....	10
168.	Trading Hours .....	10
169.	Trading Privilege Holder .....	10
170.	Trading Privileges.....	10
171.	Treasurer .....	10
172.	Vice Chairman .....	10
173.	Vice President .....	10

**CHAPTER 2 GOVERNANCE OF THE EXCHANGE.....11**

201.	Management by the Board.....	11
202.	Liability; Indemnification .....	13
203.	Effectiveness of Rules.....	14
204.	Eligibility .....	14
205.	Officers .....	14
206.	Standing Committees .....	14
207.	Executive Committee.....	16
208.	Business Conduct Committee.....	16

209.	Arbitration Committee .....	16
210.	Appeals Committee.....	16
211.	Exchange Committees; Special Committees of the Board .....	16
212.	Power of the Board to Review Exchange Decisions .....	17
213.	Confidentiality .....	18
214.	Conflicts of Interest.....	18
215.	Regulatory Cooperation.....	21
216.	Regulatory Services Agreement with NFA .....	22
<b>CHAPTER 3 MEMBERSHIP AND TRADING PRIVILEGES .....</b>		<b>23</b>
301.	LLC Members.....	23
302.	Trading Privilege Holders.....	23
303.	Authorized Traders .....	23
304.	Eligibility for Trading Privileges.....	24
305.	Application for Trading Privileges .....	25
306.	Dues, Assessments and Fees.....	26
307.	Limitations of Trading Privileges .....	26
308.	Application of Rules and Jurisdiction.....	27
309.	Recording of Conversations.....	27
310.	Notices .....	27
<b>CHAPTER 4 TRADING PROCEDURES AND STANDARDS .....</b>		<b>29</b>
401.	Contracts Traded on CBOE Futures Exchange .....	29
402.	Trading Hours .....	29
403.	Order Entry .....	29
404.	Acceptable Orders.....	30
405.	Modification and Cancellation of Orders .....	31
406.	Execution of Orders by CBOE System.....	31
407.	Crossing Trades .....	34
408.	Market Data; Execution Acknowledgements .....	35
409.	Requirements for Average Price System Transactions.....	37
410.	Application and Closing Out of Offsetting Positions .....	38
411.	Errors of Trading Privilege Holders .....	38
412.	Position Limits .....	39
412A.	Position Accountability.....	42
413.	Price Limits; Final Settlement Prices.....	43
414.	Exchange of Contract for Related Position.....	43
415.	Block Trading .....	45
416.	Error Trades .....	48
417.	Regulatory Halts .....	48
418.	Emergencies.....	49
419.	Limitation of Liability; Legal Proceedings.....	51
420.	Transfers of Positions .....	54
<b>CHAPTER 5 OBLIGATIONS OF TRADING PRIVILEGE HOLDERS .....</b>		<b>56</b>
501.	Books and Records .....	56

502.	Inspection and Delivery .....	56
503.	Minimum Financial and Related Reporting Requirements for Registrants.....	56
504.	Authority of the President to Impose Restrictions.....	57
505.	Treatment of Customer Funds and Securities.....	57
506.	Additional Minimum Financial Requirements .....	57
507.	Registration.....	57
508.	Confirmations .....	58
509.	Customer Statements .....	58
510.	Risk Disclosure Statement.....	58
511.	Fraudulent or Misleading Communications.....	58
512.	Responsibility for Customer Orders .....	58
513.	System Security .....	59
514.	Market Maker Programs .....	60
515.	DPMs .....	60
516.	Customer Margin Requirements for Contracts other than Security Futures.....	64
517.	Customer Margin Requirements for Contracts that are Security Futures.....	67
<b>CHAPTER 6 BUSINESS CONDUCT .....</b>		<b>78</b>
601.	Fraudulent Acts.....	78
602.	Fictitious Transactions.....	78
603.	Market Manipulation .....	78
604.	Adherence to Law .....	78
605.	Sales Practice Rules .....	78
606.	Prohibition of Misstatements .....	79
607.	Use of Trading Privileges .....	79
608.	Acts Detrimental to the Exchange; Acts Inconsistent with Just and Equitable Principles of Trade.....	79
609.	Supervision .....	79
610.	Priority of Customers' Orders.....	79
611.	Trading Against Customers' Orders .....	80
612.	Withholding Orders .....	81
613.	Disclosing Orders.....	81
614.	Pre-Arranged Trades.....	81
615.	Simultaneous Buying and Selling Orders.....	81
<b>CHAPTER 7 DISCIPLINE AND ENFORCEMENT .....</b>		<b>83</b>
701.	Disciplinary Jurisdiction.....	83
702.	Complaint and Investigation.....	83
703.	Expedited Proceeding .....	85
704.	Charges .....	85
705.	Answer .....	86
706.	Hearing.....	86
707.	Summary Proceedings .....	88
708.	Offers of Settlement.....	88

709.	Decision .....	89
710.	Review .....	90
711.	Judgment and Sanction .....	91
712.	Service of Notice.....	91
713.	Extension of Time Limits .....	91
714.	Imposition of Fines for Minor Rule Violations .....	91
<b>CHAPTER 8 ARBITRATION .....</b>		<b>94</b>
801.	Matters Subject to Arbitration; Incorporation by Reference .....	94
802.	Failure to Honor Award or Settlement.....	95
<b>CHAPTER 9 APPEALS.....</b>		<b>96</b>
901.	Matters Subject to Appeal; Incorporation by Reference.....	96
<b>CHAPTER 10 CONTRACTS.....</b>		<b>97</b>
1001.	Contract Specifications .....	97
1002.	Contract Modifications .....	97
<b>CHAPTER 11 CLEARING .....</b>		<b>98</b>
1101.	Clearing Member Guarantee.....	98
1102.	Responsibility of Trading Privilege Holders .....	98
1103.	Clearing Services .....	98
1104.	Rules of the Clearing Corporation .....	99
1105.	Notice of Arbitration.....	99
<b>CHAPTER 12 CBOE VOLATILITY INDEX FUTURES CONTRACT SPECIFICATIONS</b>		<b>100</b>
1201.	Scope of Chapter.....	100
1202.	Contract Specifications .....	100
1203.	Settlement .....	103
1204.	DPM Provisions .....	103
<b>CHAPTER 13 CBOE S&amp;P 500 THREE-MONTH VARIANCE FUTURES CONTRACT SPECIFICATIONS.....</b>		<b>104</b>
1301.	Scope of Chapter.....	104
1302.	Contract Specifications .....	104
1303.	Settlement .....	107
1304.	DPM Provisions .....	107
<b>CHAPTER 14 MINI CBOE VOLATILITY INDEX FUTURES CONTRACT SPECIFICATIONS.....</b>		<b>108</b>
1401.	Scope of Chapter.....	108
1402.	Contract Specifications .....	108
1403.	DPM Provisions .....	111
1404.	Settlement .....	111

<b>CHAPTER 15 RESERVED .....</b>	<b>112</b>
<b>CHAPTER 16 CBOE RUSSELL 2000 VOLATILITY INDEX FUTURES CONTRACT SPECIFICATIONS.....</b>	<b>113</b>
1601. Scope of Chapter.....	113
1602. Contract Specifications .....	113
1603. Settlement .....	116
1604. DPM Provisions .....	116
<b>CHAPTER 17 RESERVED .....</b>	<b>117</b>
<b>CHAPTER 18 SINGLE STOCK FUTURES .....</b>	<b>118</b>
1801. Scope of Chapter.....	118
1802. Contract Specifications .....	118
1803. Delivery.....	121
1804. Emergencies, Acts of God and Acts of Government.....	121
1805. DPM Provisions .....	121
1806. Form of Specifications Supplement.....	122
<b>CHAPTER 19 NARROW-BASED STOCK INDEX FUTURES .....</b>	<b>123</b>
1901. Scope of Chapter.....	123
1902. Contract Specifications .....	123
1903. Delivery.....	129
1904. Emergencies, Acts of God and Act of Government .....	130
1905. DPM Provisions .....	130
1906. Form of Specifications Supplement.....	130
<b>CHAPTER 20 RESERVED .....</b>	<b>131</b>
<b>CHAPTER 21 RESERVED .....</b>	<b>132</b>
<b>CHAPTER 22 RESERVED .....</b>	<b>133</b>
<b>CHAPTER 23 CBOE S&amp;P 500 TWELVE-MONTH VARIANCE FUTURES CONTRACT SPECIFICATIONS.....</b>	<b>134</b>
2301. Scope of Chapter.....	134
2302. Contract Specifications .....	134
2303. Settlement .....	137
2304. DPM Provisions .....	137

## **CHAPTER 1 DEFINITIONS**

### **Scope of Definitions**

Unless otherwise specifically provided in the Rules of the Exchange or the context otherwise requires, the terms defined in this Chapter shall for all purposes of the Rules of the Exchange have the meanings specified herein.

#### **101. Affiliate**

An “Affiliate” of, or a Person “Affiliated” with, another Person is a Person who, directly or indirectly, Controls, is Controlled by, or is under common Control with, such other Person.

#### **102. Appeals Committee**

The term “Appeals Committee” means the appeals committee constituted in accordance with, and with the authority and rights set forth or referred to, in Rule 210.

#### **103. Applicable Law**

The term “Applicable Law” includes, but is not limited to, the CEA, Commission Regulations, margin rules adopted by the Board of Governors of the Federal Reserve System (as amended from time to time) and, to the extent applicable, the Exchange Act and Exchange Act Regulations.

#### **104. Arbitration Committee**

The term “Arbitration Committee” means the arbitration committee constituted in accordance with, and with the authority and rights set forth or referred to in, Rule 209.

#### **105. Authorized Trader**

The term “Authorized Trader” means any natural person who is a Trading Privilege Holder or who is authorized by a Trading Privilege Holder to access the CBOE System.

#### **106. Average Price System**

The term “Average Price System” means any system used by a Trading Privilege Holder that is a registered futures commission merchant to calculate and confirm to its Customers an average price for any Contract when multiple execution prices are received on any Order or series of Orders for such Contract.

#### **107. Bankruptcy Code**

The term “Bankruptcy Code” means Title 11 of the United States Code, as amended from time to time.

**108. BCC Panel**

The term “BCC Panel” has the meaning set forth in Rule 208.

**109. Block Trade**

The term “Block Trade” has the meaning set forth in Rule 415(a).

**110. Board**

The term “Board” means the board of directors of the Exchange constituted in accordance with the Constitutive Documents.

**111. Business Conduct Committee**

The term “Business Conduct Committee” means the business conduct committee of the Exchange constituted in accordance with, and with the authority and rights set forth or referred to in, Rule 208.

**112. Business Day**

The term “Business Day” has the meaning set forth in Rule 402(a).

**113. CBOE**

The term “CBOE” means the Chicago Board Options Exchange, Incorporated, a Delaware corporation (including its successors).

**114. CBOE System**

The term “CBOE System” means the electronic systems administered by or on behalf of the Exchange which perform the functions set out in the Rules of the Exchange, including controlling, monitoring and recording trading through CBOE Workstations.

**115. CBOE Workstation**

The term “CBOE Workstation” means any computer connected directly or indirectly to the CBOE System, including by means of CBOE’s application program interface, for the purpose of trading Contracts.

Amended November 4, 2004 (04-20).

**116. CEA**

The term “CEA” means the Commodity Exchange Act, as amended from time to time.

**117. Chairman of the Board**

The term “Chairman of the Board” means the individual serving as chairman of the board of CBOE from time to time.

**118. Class of Options**

The term “Class of Options” means Options of the same category (*e.g.*, traditional or binary) covering the same underlying Future of commodity.

Adopted February 23, 2009 (09-03).

**119. Clearing Corporation**

The term “Clearing Corporation” means The Options Clearing Corporation, a Delaware corporation (including its successors), or such other clearing organization as the Exchange may designate in the future to provide clearing services with respect to any or all of its Contracts.

**120. Clearing Member**

The term “Clearing Member” means a member of the Clearing Corporation that is a Trading Privilege Holder and that is authorized under the Rules of the Clearing Corporation to clear trades in any or all Contracts.

**121. Commission**

The term “Commission” means the Commodity Futures Trading Commission, and includes any successor agency or authority.

**122. Commission Regulation**

The term “Commission Regulation” means any rule, regulation, order, directive and any interpretation thereof adopted or amended from time to time by the Commission.

**123. Commodity**

The term “Commodity” has the same meaning as that term is defined under the CEA.

Adopted February 23, 2009 (09-03).

**124. Complainant**

The term “Complainant” has the meaning set forth in Rule 702(a).

**125. Constitutive Documents**

The term “Constitutive Documents” means the certificate of formation and the operating agreement of the Exchange, each as amended or otherwise modified from time to time.

**126. Contract**

The term “Contract” means any Future, Option or Security Future.

**127. Control**

The term “Control” means the power to exercise a controlling influence over the management or policies of a Person, unless such power is solely the result of an official position with such Person. Any Person who owns beneficially, directly or indirectly, more than 20% of the voting power in the election of directors of a corporation, or more than 25% of the voting power in the election of directors of any other corporation which directly or through one or more Affiliates owns beneficially more than 25% of the voting power in the election of directors of such corporation, shall be presumed to control such corporation. The terms “controlling” or “controlled” shall have meanings correlative to the foregoing.

**128. Customer**

The term “Customer” means any Person for whom a Trading Privilege Holder carries an account (other than such Trading Privilege Holder or any of its Affiliates) or from whom a Trading Privilege Holder solicits or accepts an Order.

**129. Delaware LLC Act**

The term “Delaware LLC Act” means the Delaware Limited Liability Company Act, as amended from time to time.

**130. Director of Arbitration**

The term “Director of Arbitration” means the individual appointed by the Exchange from time to time to serve as its director of arbitration.

**131. Director of Enforcement**

The term “Director of Enforcement” means the individual appointed by the Exchange from time to time to serve as its director of enforcement.

**132. DPM**

The term “DPM” means any designated primary market maker approved by the Exchange from time to time in accordance with, and with the duties and responsibilities set forth in, Rule 515.

### **133. DPM Designee**

The term “DPM Designee” has the meaning set forth in Rule 515(b)(iii).

### **134. Emergency**

The term “Emergency” means any occurrence or circumstance which requires immediate action and threatens or may threaten the fair and orderly trading in, or the liquidation of or delivery pursuant to, any Contract. An Emergency may include, without limitation, any of the following:

- (a) Any manipulative activity or attempted manipulative activity;
- (b) Any actual, attempted or threatened corner, squeeze, congestion or undue concentration of positions;
- (c) Any circumstance which may materially adversely affect the performance of Contracts, including any failure of the payment system;
- (d) Any action taken by the federal or any foreign government, any other governmental body or any other exchange or trading facility (foreign or domestic), in each case which may have a direct adverse effect on trading on the Exchange;
- (e) Any circumstance which may have a severe, adverse effect upon the physical functions of the Exchange, including fire or other casualty, bomb threats, terrorist acts, substantial inclement weather, power failures, communications breakdowns, computer system breakdowns, malfunctions of plumbing, heating, ventilation and air conditioning systems and transportation breakdowns;
- (f) The bankruptcy or insolvency of any Trading Privilege Holder or the imposition of any injunction or other restraint by any government agency, court or arbitrator upon a Trading Privilege Holder which may affect the ability of that Trading Privilege Holder to perform on its Contracts;
- (g) Any circumstance in which it appears that a Trading Privilege Holder or any other Person has failed to perform its Contracts, is insolvent, or is in such financial or operational condition or is conducting business in such a manner that such Person cannot be permitted to continue in business without jeopardizing the safety of Customer funds, other Trading Privilege Holders, the Exchange or the Clearing Corporation; and
- (h) Any other unusual, unforeseeable and adverse circumstance with respect to which it is impracticable for the Exchange to submit in a timely fashion a reviewable rule to the Commission.

**135. Exchange**

The term “Exchange” means CBOE Futures Exchange, LLC, a Delaware limited liability company (including its successors), and when used with reference to the administration of any Rule of the Exchange means either the Board or the officer, employee, agent, committee or delegee to whom appropriate authority to administer such provision has been delegated.

**136. Exchange Act**

The term “Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time.

**137. Exchange Act Regulation**

The term “Exchange Act Regulation” means any rule, regulation, order, directive and any interpretation thereof adopted or amended from time to time by the Securities and Exchange Commission, including any successor agency or authority.

**138. Exchange of Contract for Related Position**

The term “Exchange of Contract for Related Position” means an exchange of a Contract listed on the Exchange for a Related Position, as that term is defined in Rule 414(f), that is entered into in accordance with the Rules of the Exchange.

Amended March 11, 2005 (05-09); amended February 23, 2009 (09-03).

**139. Executive Committee**

The term “Executive Committee” means the executive committee of the Board, as constituted in accordance with, and with the authority and rights set forth in, Rule 207.

Adopted September 1, 2004 (04-17).

**140. Exercise Price or Strike Price**

The terms “Exercise Price” and “Strike Price” shall be synonymous and mean the price at which a person may purchase or sell the underlying Future or commodity upon exercise of the Option.

Adopted February 23, 2009 (09-03).

**141. Ex Parte Communication**

The term “Ex Parte Communication” means any oral or written communication made without notice to all parties. A written communication is an Ex Parte Communication unless a copy thereof has been delivered to all interested parties. An oral communication is an Ex Parte Communication unless it is made in the presence

of all interested parties other than those who, after receiving adequate prior notice, declined to be present.

**142. Expiration Date**

The term “Expiration Date” means, with respect to any Contract, the day and time set forth in the Rules of the Exchange governing such Contract for the termination or expiration of such Contract.

**143. Expiration Month**

The term “Expiration Month” means, with respect to any Contract, the month and year set forth in the Rules of the Exchange governing such Contract for the termination or expiration of such Contract.

**144. FINRA**

The term “FINRA” means the Financial Industry Regulatory Authority, and includes any successor organization.

Adopted February 23, 2009 (09-03).

**145. Future**

The term “Future” means any contract for the purchase or sale of any commodity for future delivery from time to time traded on or subject to the Rules of the Exchange.

**146. Help Desk**

The term “Help Desk” means the office established by the Exchange to assist Trading Privilege Holders and Authorized Traders in connection with their trading subject to the Rules of the Exchange.

**147. Market Turner**

The term “Market Turner” means any Trading Privilege Holder or Authorized Trader that first enters an Order or quote at a price that is better than the best price previously available, provided such Order or quote is continuously exposed to the market until it is executed. There may be a Market Turner for each price at which a particular Contract trades on any trading day.

**148. Narrow-Based Stock Index Future**

The term “Narrow-Based Stock Index Future” has the meaning set forth in Rule 1901.

Adopted July 26, 2005 (05-20).

**149. NFA**

The term “NFA” means the National Futures Association, and includes any successor organization fulfilling similar functions under the CEA.

Adopted July 26, 2005 (05-20).

**150. Option**

The term “Option” means any commodity option, as that term is defined in Commission Regulation § 1.3(hh), from time to time traded subject to the Rules of the Exchange and issued or subject to issuance by the Clearing Corporation pursuant to the Rules of the Clearing Corporation.

Amended February 24, 2006 (06-04).

**151. Order**

The term “Order” means any Market Order, Limit Order, Cancel Order, Cancel Replace Order, Day Order, Good ‘til Canceled Order, Spread Order or Contingency Order (including any All or None Order, Fill or Kill Order, Immediate or Cancel Order, Stop Order or Stop Limit Order), all having the respective meanings set forth in Rule 404, as well as any other types of Orders that may be approved by the Exchange from time to time.

**152. Passwords**

The term “Passwords” has the meaning set forth in Rule 513(b).

**153. Premium**

The term “Premium” means the amount agreed upon between the purchaser and seller for the purchase of sale of an Option.

Adopted February 23, 2009 (09-03).

**154. Person**

The term “Person” means any natural person, association, partnership, limited liability company, joint venture, trust or corporation.

**155. President**

The term “President” means the individual serving as president of CBOE from time to time.

**156. Related Party**

The term “Related Party” means, with respect to any Trading Privilege Holder: any partner, director, officer, branch manager, employee or agent of such Trading

Privilege Holder (or any Person occupying a similar status or performing similar functions); any Person directly or indirectly Controlling, Controlled by, or under common Control with, such Trading Privilege Holder; or any Authorized Trader of such Trading Privilege Holder.

**157. Respondent**

The term “Respondent” has the meaning set forth in Rule 704(b).

**158. Responsible Trader**

The term “Responsible Trader” has the meaning set forth in Rule 513(a).

**159. Rule of the Clearing Corporation**

The term “Rule of the Clearing Corporation” means the Certificate of Incorporation, the By-laws and any rule, interpretation, stated policy, or instrument corresponding to any of the foregoing, in each case as adopted or amended from time to time by the Clearing Corporation relating to the Exchange or any or all of the Contracts.

**160. Rule of the Exchange**

The term “Rule of the Exchange” means any rule, interpretation, stated policy, or instrument corresponding to any of the foregoing, in each case as adopted or amended from time to time by the Exchange.

**161. Secretary**

The term “Secretary” means the individual appointed by the Board from time to time to serve as secretary of the Exchange.

**162. Security Future**

The term “Security Future” has the meaning set forth in Section 1a(31) of the CEA.

Adopted July 26, 2005 (05-20).

**163. Series of Options**

The term “Series of Options” means options of the same class and the same type (*e.g.*, put or call) with the same strike price and the same Expiration Date.

Adopted February 23, 2009 (09-03).

**164. Single Stock Future**

The term “Single Stock Future” has the meaning set forth in Rule 1801.

Adopted July 26, 2005 (05-20).

**165. Specifications Supplement**

The term “Specification Supplement” has the meaning set forth in Rule 1802.

Adopted July 26, 2005 (05-20).

**166. Standing Committees**

The term “Standing Committees” has the meaning set forth in Rule 206(a).

**167. Subject**

The term “Subject” has the meaning set forth in Rule 702(d).

**168. Trading Hours**

The term “Trading Hours” has the meaning set forth in Rule 402(a).

**169. Trading Privilege Holder**

The term “Trading Privilege Holder” means any Person holding Trading Privileges. Trading Privilege Holder shall be deemed to be members of the Exchange for purposes of the CEA and Commission Regulations thereunder.

**170. Trading Privileges**

The term “Trading Privileges” means a permit conferred by the Exchange on any Person in accordance with Rule 305 to access the CBOE System.

**171. Treasurer**

The term “Treasurer” means the individual appointed by the Board from time to time to serve as treasurer of the Exchange.

**172. Vice Chairman**

The term “Vice Chairman” means the individual serving as vice chairman of the board of CBOE from time to time.

**173. Vice President**

The term “Vice President” means any individual appointed by the Board from time to time to serve as a vice president of the Exchange.

## CHAPTER 2 GOVERNANCE OF THE EXCHANGE

### General

#### 201. Management by the Board

(a) CBOE, the sole limited liability company member of the Exchange, has vested the power to manage, operate and set policies for the Exchange exclusively in the Board. The Board shall consist of the chairman, vice chairman, and president of CBOE, as the persons in the foregoing offices of CBOE may change from time to time, and at least four other individuals elected by CBOE. The individuals elected to the Board by CBOE shall hold office for such term as may be determined by CBOE or until their respective successors are chosen. Members of the Board may be removed from, and substitute or additional members of the Board may be appointed to, the Board, at any time by CBOE. Each member of the Board is designated a “manager” of the Exchange within the meaning of the Delaware LLC Act.

(b) Meetings of the Board shall be held at the principal place of business of the Exchange or at any other place that the Chairman of the Board may determine from time to time. Members of the Board may participate in such meetings by conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at such a meeting. The presence of at least 50% of the members of the Board shall constitute a quorum for the transaction of business; *provided* that members of the Board that are recused with respect to a particular issue nevertheless shall be deemed present for the purpose of determining the existence of a quorum. Board meetings shall be held in accordance with the schedule established by the Board. Special meetings of the Board may be called by the Chairman of the Board, and shall be called by the Secretary upon the written request of any two members of the Board. The Secretary shall give at least one hour’s notice of such meetings to each member of the Board.

(c) Decisions of the Board shall require the approval of a majority of the members of the Board voting at a meeting; *provided* that should the Board be unable to render a decision due to a tie in the vote, then CBOE, as the sole limited liability company member of the Exchange, may make the decision in lieu of the Board. The Board also may make decisions, without holding a meeting, in either of the following ways:

(i) The Board may make decisions by written consent of all of the members of the Board. Any such written consent may be executed in any number of counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts together constituting the same consent. Written consent also may be transmitted by means of “electronic transmission” as described in the Delaware LLC Act.

(ii) The members of the Board may be individually polled to vote on issues (x) requiring prompt action or action prior to the next regularly scheduled Board meeting and (y) where the calling of a special Board meeting, in the opinion of the Chairman of the Board or the President, would be impractical. Any such poll may be conducted by telephone, by means of electronic transmission, and/or in person. An attempt shall be made to contact each Board member in any such poll. A poll reaching at least 50% of the members of the Board shall be sufficient to constitute a quorum of the Board and the approval of a majority of the members of the Board voting in such a poll shall constitute requisite Board action, even if all Board members are not reached in connection with the poll. The results of any such poll shall be reported at the next physical meeting of the Board.

The Board may establish such other rules and procedures not inconsistent with the foregoing for its deliberations as it may deem necessary or desirable.

(d) The Board shall have the power by itself or through agents, and shall be authorized and empowered on behalf and in the name of the Exchange, to carry out all of the objects and purposes of the Exchange and to perform all acts and enter into and perform all acts and other undertakings that it may in its discretion deem necessary or advisable in that regard. A member of the Board acting individually in his or her capacity shall have the power to act for or bind the Exchange to the extent authorized to do so by the Board. The Chairman of the Board, the President and the Secretary have been designated as authorized persons, within the meaning of the Delaware LLC Act, to execute and file any amendments to, or restatements of, the Exchange's certificate of formation with the secretary of state of the State of Delaware and any applicable filings as a foreign limited liability company in any State where such filings may be necessary or desirable. The Board may confer upon any officer of the Exchange elected in accordance with the procedures described in paragraph (e) below, any of the powers of the Board.

(e) The Board shall have the power to elect such officers of the Exchange as it may deem necessary or appropriate from time to time. All officers of the Exchange elected by the Board shall hold office for such terms as may be determined by the Board or until their respective successors are chosen. Any officer may be removed from his or her position as an officer of the Exchange at any time either with or without cause by the Chairman of the Board, the President or the affirmative vote of a majority of the members of the Board then in office. Each of the officers of the Exchange shall have the powers and duties prescribed by the Board and, unless otherwise prescribed by the Board, shall have such further powers and duties as ordinarily pertain to that office.

Amended September 1, 2004 (04-17); February 18, 2005 (05-07) and (05-08).

## **202. Liability; Indemnification**

(a) Neither the CBOE, solely by reason of being the sole limited liability company member of the Exchange, nor any member of the Board or any officer, employee or agent of the Exchange, solely by reason of acting in such capacity (including a Person having more than one such capacity), shall be personally liable for any expenses, liabilities, debts or obligations of the Exchange, except as otherwise provided by the Delaware LLC Act.

(b) The Exchange shall, to the full extent permitted by Applicable Law, indemnify any Person who is or is threatened to be, made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such Person is or was a limited liability company member of the Exchange, a member of the Board, officer, or member of a committee of the Board or the Exchange, or is or was serving at the request of the Exchange as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, for, and hold each such Person harmless against, any and all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him, her or it in connection with such action, suit or proceeding; provided that such indemnification shall not apply to any such Person if a court of competent jurisdiction has made a final determination that such claim resulted directly from the gross negligence, bad faith or willful misconduct of such Person.

(c) Persons not expressly covered by paragraph (b) of this Rule 202, such as those (i) who are or were employees or agents of the Exchange, or are or were serving at the request of the Exchange as employees or agents of another corporation, partnership, joint venture, trust or other enterprise, or (ii) who are or were directors, officers, employees or agents of a constituent corporation absorbed in a consolidation or merger in which the Exchange was the resulting or surviving corporation, or who are or were serving at the request of such constituent corporation as directors, officers, employees or agents of another corporation, partnership, joint venture, trust or other enterprise, may be indemnified to the extent authorized at any time or from time to time by the Board.

(d) The indemnification provided or permitted by this Rule 202 shall not be deemed exclusive of any other rights to which those indemnified may be entitled by Applicable Law or otherwise, and shall continue as to a Person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such Person.

(e) The provisions of this Rule 202 shall be deemed to be a contract between the Exchange and each member of the Board, officer or member of a committee of the Board or the Exchange who serves in any such capacity at any time while this Rule 202 is in effect, and any repeal or modification of any Applicable Law or of this Rule 202 shall not affect any rights or obligations then existing with respect to any state of facts then or theretofore existing or any action, suit or

proceeding theretofore or thereafter brought or threatened based in whole or in part upon any such state of facts.

### **203. Effectiveness of Rules**

Unless otherwise specified by the Board, all Rules of the Exchange and amendments thereto from time to time adopted by the Board shall become effective on such date (after any required filing with, or approval thereof by, the Commission) as may be determined by the Exchange.

### **204. Eligibility**

No Person may serve as a member of the Board, the Business Conduct Committee, any BCC Panel or any other “disciplinary committee,” “arbitration panel” or “oversight panel” (all as defined in Commission Regulation § 1.63) of the Exchange if, in the last three years before the date of determination, such Person was found to have committed any “disciplinary offense” (as defined in Commission Regulation § 1.63), was suspended from trading, had a registration revoked or was suspended from serving on a governing board under federal laws.

### **205. Officers**

The Board shall appoint a President, one or more Vice Presidents, a Secretary, a Treasurer, a Chief Regulatory Officer, a General Counsel and such other officers as it may deem necessary or appropriate from time to time, in each case for such term and on such other conditions as it sees fit. Any officer of the Exchange may be a director, officer or employee of the CBOE.

## **Committees**

### **206. Standing Committees**

(a) The Board shall have such “Standing Committees” as the Board may from time to time appoint.

(b) Except as otherwise specifically provided in these Rules, the members of Standing Committees shall be members of the Board and appointed by the Chairman of the Board, subject to the approval of the Board, as promptly as possible after each annual meeting of the Exchange. Each appointee shall serve for one year or until the due appointment of his or her successor or his or her resignation or removal, with or without cause, by a majority vote of the Board. Subject to the approval of the Board, the Chairman of the Board shall also designate the chairman of each Standing Committee.

(c) Each Standing Committee shall assist in the supervision, management and control of the affairs of the Exchange within its particular area of responsibility. Subject to the control and supervision of the Board, each Standing Committee shall recommend for adoption such Rules of the Exchange or amendments thereto

as it may deem necessary or advisable for the orderly conduct of its business, and administer the Rules of the Exchange within its particular area of responsibility.

(d) Except as may be otherwise provided in the Constitutive Documents, and subject to the authority of the Board, each Standing Committee shall determine the manner, form and time of conducting its proceedings. Each Standing Committee may act at a meeting, through a quorum composed of a majority of all its members then in office, exclusive of ex officio members; provided that a quorum shall not exist unless at least two members of any such Standing Committee are present; provided, further, that members of a Standing Committee that are recused with respect to a particular issue nevertheless shall be deemed present for the purpose of determining the existence of a quorum. The decision of a majority of those voting at a meeting at which a quorum is present shall be the decision of the Standing Committee. Any or all members of any Standing Committee may participate in any meeting thereof by conference telephone or similar communications equipment by means of which all members participating in such meeting can hear each other. Alternatively, each Standing Committee may act without a meeting in either of the following ways:

(i) The Standing Committee may act without a meeting if all of its members consent in writing to the action in question.

(ii) The members of the Standing Committee may be individually polled to vote on issues (x) requiring prompt action or action prior to the next regularly scheduled meeting of the Standing Committee and (y) where the calling of a special meeting of the Standing Committee, in the opinion of the Chairman of the Standing Committee or the President, would be impractical. Any such poll may be conducted by telephone, by means of electronic transmission, and/or in person. An attempt shall be made to contact each member of the Standing Committee in any such poll. A poll reaching at least 50% of the members of the Standing Committee shall be sufficient to constitute a quorum of the Standing Committee and the approval of a majority of the members of the Standing Committee voting in such a poll shall constitute requisite Committee action, even if all members of the Standing Committee are not reached in connection with the poll. The results of any such poll shall be reported at the next physical meeting of the Standing Committee.

(e) In the event of the absence or disqualification of any member of a Standing Committee from any meeting thereof, the Chairman of the Board or the President, in the order of their availability, may appoint another qualified individual to act at the relevant meeting in the place of such absent or disqualified member.

Amended February 18, 2005 (05-08).

## **207. Executive Committee**

The Executive Committee shall consist of the Chairman of the Board, the President and the Vice Chairman. The Executive Committee shall have and may exercise all of the powers and authority of the Board in the management of the business and affairs of the Exchange, except that it shall not have any power or authority to amend the Constitutive Documents, adopt any agreement of merger or consolidation, approve the sale, lease or exchange of all or substantially all of the Exchange's property and assets or approve the dissolution of the Exchange or a revocation of a dissolution.

Adopted September 1, 2004 (04-17).

## **208. Business Conduct Committee**

The functions and responsibilities of the Business Conduct Committee shall be assumed by the business conduct committee of the CBOE, as appointed from time to time pursuant to CBOE Rule 2.1(a). The Business Conduct Committee shall have the authority and rights assigned to it in Chapter 7. The Business Conduct Committee may, in its discretion, designate a panel to act in its place for any and all actions with respect to a particular matter or particular types of matters (each such panel, a "BCC Panel"). Any such BCC Panel shall consist of no fewer than three members of the Business Conduct Committee, each of whom shall be appointed by the chairman of the Business Conduct Committee.

## **209. Arbitration Committee**

The functions and responsibilities of the Arbitration Committee shall be assumed by the arbitration committee of the CBOE, as appointed from time to time pursuant to CBOE Rule 2.1(a). The Arbitration Committee shall have the authority and rights assigned to it in Chapter 8.

## **210. Appeals Committee**

The functions and responsibilities of the Appeals Committee shall be assumed by the appeals committee of the CBOE, as appointed from time to time pursuant to CBOE Rule 2.1(a). The Appeals Committee shall have the authority and rights assigned to it in Chapter 9.

## **211. Exchange Committees; Special Committees of the Board**

(a) The Exchange may create such Exchange committees as it may from time to time deem necessary or advisable. Members of such committees may be members of the Board, Trading Privilege Holders or general partners, shareholders or LLC members (as applicable) or officers or employees of Trading Privilege Holders, Authorized Traders or other individuals who are considered to be qualified, subject to any regulatory requirements. If either the Chairman, Vice Chairman or President is not a member of an Exchange committee, then that individual shall be a non-voting *ex officio* member of such committee. Except as may be otherwise provided in the Constitutive Documents, and subject to the

authority of the Board, each such committee shall determine the manner, form and time of conducting its proceedings. The vote of a majority of the members of any such committee voting at a meeting at which a quorum is present shall be the act of such committee. Alternatively, each such committee may act without a meeting in either of the following ways:

(i) The committee may act without a meeting by written consent of a majority of its members.

(ii) The members of the committee may be individually polled to vote on issues (x) requiring prompt action or action prior to the next regularly scheduled meeting of the committee and (y) where the calling of a special meeting of the committee, in the opinion of the chairman of the committee or the President, would be impractical. Any such poll may be conducted by telephone, by means of electronic transmission, and/or in person. An attempt shall be made to contact each member of the committee in any such poll. A poll reaching at least 50% of the members of the committee shall be sufficient to constitute a quorum of the committee and the approval of a majority of the members of the committee voting in such a poll shall constitute requisite committee action, even if all members of the committee are not reached in connection with the poll. The results of any such poll shall be reported at the next physical meeting of the committee.

(b) In addition to the Standing Committees, the Board may from time to time constitute and appoint, by rule or resolution, special committees of the Board and designate their composition, responsibilities and powers.

(c) The provisions regarding Standing Committees in Rule 206 shall apply to any Exchange committees or special committees of the Board formed pursuant to paragraph (a) or (b) above with any such modifications or adaptations as may be necessary or appropriate under the circumstances.

Amended January 21, 2005 (05-01); February 18, 2005 (05-08).

## **212. Power of the Board to Review Exchange Decisions**

The Board shall have the power and authority to call for review, and to affirm, modify, suspend or overrule, any and all decisions and actions of Standing Committees, Exchange committees and special committees of the Board formed pursuant to Rules 206 through 211; all officers of the Exchange appointed pursuant to Rule 205; and all other employees, representatives, or agents of the Exchange. Where applicable, this Board power and authority shall be subject to specific procedures set forth in the Rules of the Exchange.

Amended February 24, 2006 (06-04).

## Confidentiality and Conflicts of Interest

### 213. Confidentiality

- (a) No member of the Board or any committee established by the Board or the Rules of the Exchange shall use or disclose any material non-public information, obtained in connection with such member's participation in the Board or such committee, for any purpose other than the performance of his or her official duties as a member of the Board or such committee.
- (b) No officer, employee or agent of the Exchange shall (i) trade in any commodity interest or security if such officer, employee or agent has access to material non-public information concerning such commodity interest or security or (ii) disclose to any other Person material non public information obtained in connection with such employee's, officer's or agent's employment, if such employee, officer or agent could reasonably expect that such information may assist another Person in trading any commodity interest or security.
- (c) No Exchange employee shall accept directly or indirectly any gift, gratuity, compensation or any other form of remuneration valued at an amount greater than \$100 annually from any Trading Privilege Holder or any Related Party of a Trading Privilege Holder without the approval of the President.
- (d) For purposes of this Rule 213, the terms "employee," "material information," "non-public information," "related commodity interest" and "commodity interest" shall have the meanings ascribed to them in Commission Regulation § 1.59 and the term "security" shall have the meaning ascribed to it in Section 3(a)(10) of the Exchange Act.

Amended July 26, 2005 (05-20).

### 214. Conflicts of Interest

- (a) *Named Party in Interest Conflict.*
- (i) *Prohibition.* No member of the Board, the Business Conduct Committee, any BCC Panel or any other "disciplinary committee" or "oversight panel" (both as defined in Commission Regulation § 1.69) of the Exchange shall knowingly participate in such body's deliberations or voting in any matter involving a named party in interest where such member (A) is a named party in interest, (B) is an employer, employee or fellow employee of a named party in interest, (C) has any other significant, ongoing business relationship with a named party in interest, excluding relationships limited to executing Futures or Options transactions opposite each other or to clearing Futures or Options transactions through the same Clearing Members or (D) has a family relationship with a named party in interest. For purposes of this clause (i), a "family relationship" exists between a named party in interest and a member if such party is the member's spouse, former spouse, parent,

stepparent, child, sibling, stepbrother, stepsister, grandparent, grandchild, uncle, aunt, nephew, niece or in-law.

(ii) *Disclosure.* Prior to consideration of any matter involving a named party in interest, each member of the deliberating body who does not choose to abstain from deliberations and voting shall disclose to the General Counsel, or his or her designee, whether such member has one of the relationships listed in clause (i) above with a named party in interest.

(iii) *Procedure and Determination.* The General Counsel, or his or her designee, shall determine whether any member of the relevant deliberating body who does not choose to abstain from deliberations and voting is subject to a conflicts restriction under this paragraph (a). Such determination shall be based upon a review of the following information:

(A) information provided by such member pursuant to clause (ii) above; and

(B) any other source of information that is held by and reasonably available to the Exchange.

(b) *Financial Interest in a Significant Action Conflict.*

(i) *Prohibition.* No member of the Board, the Business Conduct Committee, any BCC Panel or any other “disciplinary committee” or “oversight panel” (both as defined in Commission Regulation § 1.69) of the Exchange shall participate in such body’s deliberations and voting on any significant action if such 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 significant action under consideration, as determined pursuant to clause (iii) below. For purposes of this clause (i), the term “significant action” means (A) any action or rule change that addresses a specific Emergency or (B) any change in margin level that are designed to respond to extraordinary market conditions or that otherwise are likely to have a substantial effect on prices in any Contract.

(ii) *Disclosure.* Prior to consideration of any significant action, each member of the deliberating body who does not choose to abstain from deliberations and voting shall disclose to the General Counsel, or his or her designee, position information that is known to such member with respect to any particular month or months that are under consideration, and any other positions which the deliberating body reasonably expects could be affected by the significant action, as follows:

(A) gross positions held at the Exchange in such member’s personal accounts or “controlled accounts,” as defined in Commission Regulation § 1.3(j);

(B) gross positions held at the Exchange in proprietary accounts, as defined in Commission Regulation § 1.17(b)(3), at such member's affiliated firm;

(C) gross positions held at the Exchange in accounts in which such member is a principal, as defined in Commission Regulation § 3.1(a);

(D) net positions held at the Exchange in Customer accounts, as defined in Commission Regulation § 1.17(b)(2), at such member's affiliated firm; and

(E) any other types of positions, whether maintained at the Exchange or elsewhere, held in such member's personal accounts or the proprietary accounts of such member's affiliated firm, that the Exchange reasonably expects could be affected by the significant action.

(iii) *Procedure and Determination.* The General Counsel, or his or her designee, shall determine whether any member of the relevant deliberating body who does not choose to abstain from deliberations and voting is subject to a conflicts restriction under this paragraph (b). Such determination shall be based upon a review of the following information:

(A) the most recent large trader reports and clearing records available to the Exchange;

(B) information provided by such member pursuant to clause (ii) above; and

(C) any other source of information that is held by and reasonably available to the Exchange taking into consideration the exigency of the significant action being contemplated.

(D) Unless the deliberating body establishes a lower position level, a member thereof shall be subject to the prohibition set forth in clause (i) above if the review by the General Counsel, or his or her designee, identifies a position in such member's personal or controlled accounts or accounts in which such member is a principal as specified in subclauses (ii)(A), (C) and (E), in excess of an aggregate number of 10 lots of Futures and Options converted to Futures equivalents, taken together, or a position in the accounts of such member's affiliated firm as specified in subclauses (ii)(B), (D) and (E), in excess of an aggregate number of 100 lots of Futures and Options converted to Futures equivalents, taken together.

(iv) *Deliberation Exemption.* Any member of the Board, the Business Conduct Committee, any BCC Panel or any other "disciplinary

committee” or “oversight panel” (both as defined in Commission Regulation § 1.69) of the Exchange who would otherwise be required to abstain from deliberations and voting pursuant to clause (i) above may participate in deliberations, but not voting, if the deliberating body, after considering the factors specified below, determines that such participation would be consistent with the public interest; *provided, however*, that before reaching any such determination, the deliberating body shall fully consider the position information specified in clause (ii), above, which is the basis for such member’s substantial financial interest in the significant action that is being contemplated. In making its determination, the deliberating body shall consider:

(A) whether such member’s participation in the deliberations is necessary to achieve a quorum; and

(B) whether such member has unique or special expertise, knowledge or experience in the matter being considered.

(c) *Documentation.* The minutes of any meeting to which the conflicts determination procedures set forth in this Rule 214 apply shall reflect the following information:

(i) the names of all members of the relevant deliberating body who attended such meeting in person or who otherwise were present by electronic means;

(ii) the name of any member of the relevant deliberating body who voluntarily recused himself or herself or was required to abstain from deliberations or voting on a matter and the reason for the recusal or abstention, if stated;

(iii) information on the position information that was reviewed for each member of the relevant deliberating body; and

(iv) any determination made in accordance with clause (iv) of paragraph (b) above.

## **Regulatory Cooperation**

### **215. Regulatory Cooperation**

The Exchange may from time to time enter into such agreements with domestic or foreign self-regulatory organizations, associations, boards of trade and their respective regulators providing for the exchange of information and other forms of mutual assistance for financial surveillance, routine audits, market surveillance, investigative, enforcement and other regulatory purposes as the Exchange may consider necessary or appropriate or as the Commission may require. The Exchange is authorized to provide information to any such organization, association, board of trade or regulator

that is a party to an information sharing agreement with the Exchange, in accordance with the terms and subject to the conditions set forth in such agreement.

Amended July 26, 2005 (05-20).

#### **216. Regulatory Services Agreement with NFA**

The Exchange has contracted with NFA to provide certain regulatory services to the Exchange pursuant to a Regulatory Services Agreement. In accordance that Agreement, NFA may perform certain surveillance, investigative, and regulatory functions under the Rules of the Exchange and the Exchange may provide information to NFA in connection with the performance by NFA of those functions.

Adopted April 10, 2006 (06-06).

## **CHAPTER 3 MEMBERSHIP AND TRADING PRIVILEGES**

### **Classes of Interest**

#### **301. LLC Members**

All equity interests in the Exchange shall be held by the LLC members of the Exchange from time to time, and all voting rights related to such interests shall be exercised by such LLC members in accordance with the Rules of the Exchange.

#### **302. Trading Privilege Holders**

Each Trading Privilege Holder shall have the right to access the CBOE System, including the right to place Orders for each of its proprietary accounts and, if otherwise registered in any required capacity (if so required) to place Orders for the accounts of Customers.

Subject to the requirements and procedures set forth in this Chapter 3, Trading Privileges shall be offered to all applicants from time to time approved by the Exchange as eligible to be Trading Privilege Holders, subject to any limitations or restrictions from time to time imposed by the Exchange.

Trading Privileges are non-transferable, non-assignable and may not be sold or leased, except that Trading Privileges acquired by virtue of any membership interest in the CBOE may be transferred, assigned, sold or leased together with such membership interest. Any transfer, assignment, sale or lease of any membership interest in the CBOE shall result in a simultaneous transfer, assignment, sale or lease, as applicable, of the Trading Privileges attached to such membership interest, subject to any requirements prescribed by the Exchange from time to time pursuant to Rule 304(a).

By virtue of obtaining Trading Privileges, a Trading Privilege Holder shall not obtain any equity or other interest in the Exchange, including voting rights or rights to receive any dividends or other distributions, whether arising from a dissolution, merger or consolidation involving the Exchange or otherwise.

Amended May 13, 2004 (04-14); July 26, 2005 (05-20).

#### **303. Authorized Traders**

Each Trading Privilege Holder may from time to time permit one or more individuals to act as its Authorized Traders. Each Authorized Trader shall satisfy such requirements as may be prescribed by the Exchange from time to time. Without limiting the generality of the foregoing, each Trading Privilege Holder shall ensure that (i) none of its Authorized Traders shall be subject to any statutory disqualification (unless an appropriate exemption has been obtained with respect thereto) and (ii) each of its Authorized Traders shall be technically proficient and shall conduct its business in a fair and equitable manner.

## Trading Privilege Holders

### 304. Eligibility for Trading Privileges

(a) Each member of CBOE with trading privileges on CBOE from time to time shall, by virtue of such membership, be eligible to obtain Trading Privileges without any need to satisfy any additional criteria or requirements, except as may be otherwise prescribed by the Exchange from time to time; *provided* that (i) to the extent required by Applicable Law, such member is registered or otherwise permitted by the appropriate regulatory body or bodies to conduct business on the Exchange and (ii) any such member that is not a Clearing Member shall be guaranteed by a Clearing Member in the manner described in Rule 1101.

Each Person that is not, at the time of application, a member of CBOE with trading privileges on CBOE and that wishes to have Trading Privileges in any Contracts must (i) be of good financial standing, (ii) to the extent required by Applicable Law, be registered or otherwise permitted by the appropriate regulatory body or bodies to conduct business on the Exchange, and (iii) if such Person is not a Clearing Member, such Person shall be guaranteed by a Clearing Member in the manner described in Rule 1101. In addition, in each such case, the Exchange may deny (or may condition) the grant of Trading Privileges, or may prevent a Person from becoming associated (or may condition an association) with a Trading Privilege Holder for the same reasons for which the NFA may deny or revoke registration of a futures commission merchant or if such Person:

(i) (A) has a net worth (excluding personal assets) below \$25,000 if such Person is an individual, (B) has a net worth (excluding personal assets) below \$50,000 if such Person is an organization, (C) has financial difficulties involving an amount that is more than 5% of such Person's net worth or (D) has a pattern of failure to pay just debts;

(ii) is unable satisfactorily to demonstrate a capacity to adhere to all applicable Rules of the Exchange, Rules of the Clearing Corporation, Commission Regulations (and, to the extent the Person applies for Trading Privileges with respect to Security Futures, applicable Exchange Act Regulations), including those concerning record-keeping, reporting, finance and trading procedures;

(iii) would bring the Exchange into disrepute; or

(iv) for such other cause as the Exchange reasonably may decide.

(b) The Exchange shall deny the grant of Trading Privileges where an applicant has failed to meet any requirements for such grant.

(c) The Exchange may determine not to permit a Trading Privilege Holder or any Authorized Trader of a Trading Privilege Holder to keep its Trading Privileges or maintain its association with a Trading Privilege Holder, or may

condition such Trading Privileges or association, as the case may be, if such Trading Privilege Holder or Authorized Trader:

(i) fails to meet any of the qualification requirements for Trading Privileges or association after such Trading Privileges or association have been approved;

(ii) fails to meet any condition placed by the Exchange on such Trading Privileges or association; or

(iii) violates any agreement with the Exchange.

(d) Any decision made by the Exchange pursuant to this Rule 304 must be consistent with the provisions of this Rule and the provisions of the CEA.

Any applicant who has been denied Trading Privileges or association with a Trading Privilege Holder or granted only conditional Trading Privileges or association, pursuant to this Rule 304, and any Trading Privilege Holder or Authorized Trader of a Trading Privilege Holder who is not permitted to keep its Trading Privileges or maintain its association with a Trading Privilege Holder or whose Trading Privileges or association are conditioned pursuant to this Rule 304, may appeal the Exchange's decision in accordance with the provisions of Chapter 9. No determination of the Exchange to discontinue or condition a Person's Trading Privileges or association with a Trading Privilege Holder pursuant to this Rule 304 shall take effect until the review procedures under Chapter 9 have been exhausted or the time for review has expired.

Any applicant to become a Trading Privilege Holder who has been denied Trading Privileges pursuant to this Rule 304 shall not be eligible for re-application during the six months immediately following such denial.

Amended September 1, 2004 (04-17); July 26, 2005 (05-20).

### **305. Application for Trading Privileges**

(a) Each applicant for Trading Privileges shall submit an application to the Exchange in a form and manner prescribed by the Exchange. Each applicant shall promptly update the application materials if any of the information provided therein becomes inaccurate or incomplete after the date of submission and prior to any approval of the application. The Exchange shall act upon, and approve or disapprove, any such application without unreasonable delay.

(b) Each Person approved as a Trading Privilege Holder in accordance with paragraph (a) above shall:

(i) pay to the Treasurer any applicable application fees, in such amount as may be prescribed by the Exchange from time to time; and

(ii) agree in writing to abide by the Rules of the Exchange.

(c) Upon satisfaction of the requirements and procedures set forth in paragraphs (a) and (b) above, a Person applying for Trading Privileges shall obtain Trading Privileges. If the application process is not completed within six months of its submission and payment of the required fee, the application shall be deemed to be withdrawn.

(d) Each Trading Privilege Holder that is not registered or notice-registered with the NFA and that is not a CBOE member shall promptly update the following information on file with the Exchange through the submission of application materials by the Trading Privilege Holder and updates to those materials pursuant to this Rule 305(d) if that information becomes inaccurate or incomplete:

- (i) disciplinary history information;
- (ii) executive officer information; and
- (iii) information regarding ownership interests in the Trading Privilege Holder.

Amended February 17, 2004 (04-05); July 26, 2005 (05-20).

### **306. Dues, Assessments and Fees**

(a) The Exchange shall have the sole power to set the dates and amounts of any dues, assessments or fees to be levied on Trading Privilege Holders, which dues, assessments or fees shall be paid to the Exchange when due.

(b) If a Trading Privilege Holder fails to pay when due any Exchange dues, assessments or fees levied on such Trading Privilege Holder, and such payment obligation remains unsatisfied for six consecutive months after its due date, the Exchange may suspend, revoke, limit, condition, restrict or qualify the Trading Privileges of such Trading Privilege Holder as it deems necessary or appropriate.

### **307. Limitations of Trading Privileges**

(a) Notwithstanding anything in Rule 304 to the contrary, the Exchange may at any time revoke, suspend, limit, condition, restrict or qualify the Trading Privileges of any Trading Privilege Holder if, in the sole discretion of the Exchange, such action is in the best interest of the Exchange. Any such sanction imposed on a Trading Privilege Holder pursuant to this paragraph (a) may be appealed by such Trading Privilege Holder in accordance with the provisions of Chapter 9.

(b) If a Clearing Member revokes any authorization granted and guarantee made by it to any Trading Privilege Holder pursuant to Rule 1101(b), such Trading Privilege Holder's Trading Privileges shall be automatically terminated, and such Trading Privilege Holder must obtain another guarantee from a Clearing Member before its Trading Privileges will be reinstated. If such

Trading Privilege Holder fails to obtain such a replacement guarantee within three months from the effective date of the revocation of the guarantee by its previous Clearing Member, its Trading Privileges shall be automatically terminated.

Amended July 26, 2005 (05-20).

### **308. Application of Rules and Jurisdiction**

(a) By accessing, or entering any Order into, the CBOE System, and without any need for any further action, undertaking or agreement, a Trading Privilege Holder or Authorized Trader agrees (i) to be bound by, and comply with, the Rules of the Exchange, the Rules of the Clearing Corporation and Applicable Law, in each case to the extent applicable to it, and (ii) to become subject to the jurisdiction of the Exchange with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Trading Privilege Holder or Authorized Trader.

(b) Any Trading Privilege Holder or Authorized Trader whose Trading Privileges are revoked or terminated, whether pursuant to Rule 307 or Chapter 7, shall remain bound by the Rules of the Exchange, the Rules of the Clearing Corporation and Applicable Law, in each case to the extent applicable to it, and subject to the jurisdiction of the Exchange with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Trading Privilege Holder or Authorized Trader prior to such revocation or termination.

## **Exchange Communications**

### **309. Recording of Conversations**

The Exchange may record conversations between officers, employees or agents of the Exchange, on one hand, and Trading Privilege Holders (including their Related Parties) or Authorized Traders, on the other hand. Any such recordings may be retained by the Exchange in such manner and for such periods of time as the Exchange may deem necessary or appropriate.

### **310. Notices**

The Exchange shall publish a notice with respect to each addition to, or modification of, the Rules of the Exchange, in a form and manner that is reasonably designed to enable each Trading Privilege Holder to become aware of and familiar with, and to implement any necessary preparatory measures to be taken by it with respect to, such addition or modification, prior to the effective date thereof; *provided* that any failure of the Exchange to so publish a notice shall not affect the effectiveness of the addition or modification in question. Each Trading Privilege Holder shall provide its respective Authorized Traders with copies of any such notice. For purposes of publication in accordance with the first sentence of this Rule 310, it shall be sufficient (without limiting the discretion of the Exchange as to any other reasonable means of communication) if a

notice is (a) sent to each Trading Privilege Holder by mail, recognized courier service, facsimile or electronic mail (including by means of a hyperlink included in an electronic mail message), to the address, facsimile number or electronic mail address (as applicable) provided by such Trading Privilege Holder for such purpose and (b) published on the Exchange's website.

## CHAPTER 4 TRADING PROCEDURES AND STANDARDS

### General

#### **401. Contracts Traded on CBOE Futures Exchange**

The Exchange shall determine which Contracts are available for trading subject to the Rules of the Exchange from time to time, and approve rules containing the specifications for such Contracts; *provided* that certifications or applications with respect to such rules shall be submitted to the Commission as required by the CEA and the Commission Regulations thereunder.

#### **402. Trading Hours**

(a) The Exchange shall from time to time determine (i) on which days the Exchange shall be regularly open for business in any Contract (“Business Days”) and (ii) during which hours trading in any Contract may regularly be conducted on such days (“Trading Hours”). Except to the extent expressly permitted by the Rules of the Exchange, no Trading Privilege Holder (including its Authorized Traders) shall make any bid or offer for, or engage in any transaction in, any Contract before or after such hours.

(b) The Exchange may from time to time adopt procedures for the opening or closing of trading in any Contract.

Amended July 26, 2005 (05-20).

### Entry and Execution of Orders

#### **403. Order Entry**

(a) All Orders shall be entered into the CBOE System by electronic transmission through a CBOE Workstation, and the Exchange shall maintain an electronic record of those entries. Each Trading Privilege Holder (including its Authorized Traders) shall be responsible in every respect for any and all Orders entered by it (including its Related Parties) and for compliance by its Related Parties with this Rule 403. Prior to entering any Order, the relevant Related Party shall sign onto the CBOE System by inputting the user identification assigned for such purpose by the Exchange. Each Order must contain the following information: (i) whether such Order is a buy or sell Order; (ii) Order type; (iii) commodity; (iv) contract month; (v) price; (vi) quantity; (vii) account type; (viii) account designation (the number assigned by a Trading Privilege Holder to each of its accounts); (ix) in the case of Orders for Options, strike price, type of option (put or call) and expiration month; and (x) such additional information as may be prescribed from time to time by the Exchange.

(b) With respect to orders received by a Trading Privilege Holder (including its Authorized Traders) which are immediately entered into the CBOE System, no

record needs to be kept by such Trading Privilege Holder, except as may be required pursuant to Rule 501 and Applicable Law. However, if a Trading Privilege Holder (including its Authorized Traders) receives orders which cannot be immediately entered into the CBOE System, such Trading Privilege Holder must prepare an order form in a non-alterable written medium, which shall be time-stamped and include the account designation, date and other required information. Each such form must be retained by the Trading Privilege Holder for at least five years from the time it is prepared. Any such Orders must be entered into the CBOE System, in the order they were received, as soon as they can be entered into the CBOE System.

Amended February 17, 2004 (04-04).

#### **404. Acceptable Orders**

At the discretion of the Exchange, any of the following types of Orders, as well as any other types that may be approved from time to time, may be entered into the CBOE System with respect to any Contract:

- (a) Market Order. A “Market Order” is an order to buy or sell a stated number of Contracts at the best price available on the Exchange.
- (b) Limit Order. A “Limit Order” is an order to buy or sell a stated number of Contracts at a specified price, or at a better price.
- (c) Cancel Order. A “Cancel Order” is an order that cancels, partially or fully, an existing buy or sell order.
- (d) Cancel Replace Order. A “Cancel Replace Order” is an order to cancel an existing buy or sell order and replace it with a new order for a different quantity or price.
- (e) Day Order. A “Day Order” is an order for any Contract that, unless executed, remains as an executable Order in the CBOE System until the end of the Business Day for such Contract on which it is entered.
- (f) Good-’til-Canceled Order. A “Good-’til-Canceled Order” is an order that, unless executed, remains in the CBOE System until it is withdrawn by the Trading Privilege Holder (including its Authorized Traders) who placed it or the Expiration Date of the Contract to which it relates, whichever occurs first.
- (g) Spread Order. A “Spread Order” is an order to simultaneously buy and sell at least two Contracts in a form accommodated by the CBOE System.
- (h) Contingency Orders. A “Contingency Order” is an order that is contingent upon a condition being satisfied while the order remains in the CBOE System, and may be one of the following order types:

(i) *All or None Order.* An “All or None Order” is an order which is to be executed in its entirety at its limit price.

(ii) *Fill or Kill Order.* A “Fill or Kill Order” is an order which is automatically cancelled unless executed in its entirety within a short period of time after its receipt.

(iii) *Immediate or Cancel Order.* An “Immediate or Cancel Order” is a Market Order or Limit Order which is automatically cancelled unless executed in whole or in part within a short period of time after its receipt.

(iv) *Stop Order.* A “Stop Order” is an order to buy or sell when the market for a particular Contract reaches a specified price. A Stop Order to buy becomes a Market Order when the relevant Contract trades or is bid at or above the stop price. A Stop Order to sell becomes a Market Order when the relevant Contract trades or is offered at or below the stop price.

(v) *Stop Limit Order.* A “Stop Limit Order” is an order to buy or sell when the market for a particular Contract reaches a specified price. A Stop Limit Order to buy becomes a Limit Order when the relevant Contract trades or is bid at or above the stop limit price. A Stop Limit Order to sell becomes a Limit Order when the relevant Contract trades or is offered at or below the stop limit price.

#### **405. Modification and Cancellation of Orders**

Any Order that has been entered into the CBOE System may be modified or cancelled unless and until it has been executed. Any such modification or cancellation requires that a Cancel Replace Order or Cancel Order, as the case may be, with respect to the original Order be entered into the CBOE System.

#### **406. Execution of Orders by CBOE System**

(a) General. At the discretion of the Exchange, any of the following base allocation methods shall apply to the execution of Orders (other than Spread Orders) for any Contract by the CBOE System:

(i) *Price-Time Priority.* Under this method, Orders for any Contract are prioritized according to price and time. If at any time there are two or more such Orders at the best price then available, such Orders are executed in the order in which they were received by the CBOE System.

(ii) *Pro Rata Priority.* Under this method, Orders for any Contract are prioritized according to price. If at any time there are two or more such Orders at the best price then available, the executable quantity of Contracts is allocated to such Orders on a *pro rata* basis, taking into

account the relative sizes of such Orders; *provided* that if such *pro rata* method would result in a fraction of a Contract being allocated to any Order, such fraction shall be rounded up (if such fraction is equal to or greater than one-half) or down (if such fraction is less than one-half); *provided, further*, that if rounding in accordance with the immediately preceding proviso would result in a number of Contracts in excess of the executable quantity, the quantity allocated to the Order that was last received by the CBOE System shall be reduced accordingly.

(b) **Priority Overlays.** In addition to the base allocation methods set forth in paragraph (a) above, the Exchange may determine that any or all of the following priority overlays shall apply, in a sequence determined by the Exchange, to the execution of Orders (other than Spread Orders) for any Contract by the CBOE System:

(i) *Public Customer Priority.* If this priority overlay is in effect with respect to any Contract, the highest bid and lowest offer available at any time shall have priority, except that Orders placed by or on behalf of public Customers shall have priority over Orders at the same price placed by or on behalf of non-public Customers. If there are two or more Orders placed by or on behalf of public Customers at the same price, such Orders shall be executed in the order in which they were received by the CBOE System, even if *pro rata* priority is the chosen base allocation method.

(ii) *Market Turner Priority.* If this priority overlay is in effect with respect to any Contract, each Market Turner shall have priority at the highest bid or lowest offer made by it. At any given price, such priority shall remain with the Market Turner for such price. For example, if the market first moves in the same direction as an Order previously placed by a Market Turner, and then moves back to the price previously bid or offered by such Market Turner, then such Market Turner retains its priority at such price.

The Exchange may determine to reduce the Market Turner priority to a percentage of each Order that that is executable against the Market Turner. In such cases, the Market Turner may participate in the balance of an Order, pursuant to the base allocation method in effect under paragraph (a) of this Rule 406, after the Market Turner priority has been applied. To the extent the Market Turner Order bid or offer is not fully exhausted, it shall retain Market Turner priority for subsequent Orders until the conclusion of the trading session.

(iii) *Trade Participation Right Priority.* DPMs may be granted trade participation rights in accordance with any program adopted pursuant to Rule 515, which rights may provide for priority of Orders placed, or quotes made, by such market makers over other Orders or quotes, up to the applicable participation right percentage and/or up to a

specified size. In granting trade participation rights to DPMs, the following principles shall be followed:

(A) The DPM's Order or quote must be at the best available price immediately prior to the execution of the relevant Order.

(B) A DPM may not be allocated a total quantity of Contracts that would be greater than the quantity for which such DPM placed Orders or made quotes at that price.

(C) If both the trade participation right priority and pro rata priority are in effect, the priorities shall interact in one of the following two ways, as specified by the Exchange:

1. the DPM shall receive the allocation resulting from the application of the trade participation right priority or the DPM shall receive the allocation resulting from the application of the pro rata priority, which is greater; or

2. the DPM shall receive the allocation resulting from the application of the trade participation right priority and any further allocation resulting from the subsequent application of the pro rata priority to the DPM's remaining quote /Order size at the best price.

(D) If both the trade participation right priority and the market turner priority are in effect and the DPM is the Market Turner for the relevant price, the market turner priority shall not be applicable.

(E) In determining the parties to a particular trade, a DPM's trade participation right shall be applied against such DPM's bids or offers in accordance with their relative priority.

(c) Particular Order Types. Notwithstanding the general principles described in paragraphs (a) and (b) above, the following shall apply with respect to each of the Order types hereinafter referred to:

(i) *Market Orders and Limit Orders.* Except as otherwise provided in the rules governing a particular Contract, Market Orders are generally afforded execution priority over Limit Orders for such Contract at the same price and on the same side of the market.

(ii) *Cancel Replace Orders.* The modification of an existing Order by means of a Cancel Replace Order affects the priority position of the existing Order, as follows:

(A) If the price of the existing Order is modified, such Cancel Replace Order is placed in priority position behind all Orders of the same type at the same price;

(B) If the quantity of the existing Order is decreased, such Cancel Replace Order is placed in the same priority position as the existing Order; and

(C) If the quantity of the existing Order is increased, such Cancel Replace Order is placed in priority position behind all Orders of the same type at the same price.

(iii) *Contingency Orders.* Regardless of the priority method in place for a particular Contract, all types of Contingency Orders (except for Immediate or Cancel Orders or Stop Limit Orders) are placed last in priority behind all other Orders for such Contract, irrespective of when they are entered into the CBOE System. Accordingly, a Contingency Order that was entered before a Limit Order for the same Contract at the same price is treated as if it were entered after such Limit Order. If priority for Orders placed on behalf of Customers is afforded with respect to a particular Contract, Contingency Orders placed on behalf of Customers have priority over other Contingency Orders, but are placed behind all other Orders, for such Contract.

(d) *Spread Orders.* Spread Orders are not subject to the procedures set forth in this Rule 406, but shall be executed in accordance with procedures adopted by the Exchange from time to time.

(e) *Bunched Orders.* Subject to compliance with Rule 605 and the sales practice rules referred to therein, each Trading Privilege Holder may enter, or permit its Related Parties to enter (as applicable), a bunched Order for more than one discretionary Customer account into the CBOE System by using a designation specific to the allocation group and account controller rather than including each of the individual account numbers in such Order, provided such Trading Privilege Holder has filed or is filing an allocation scheme for such Order in accordance with applicable NFA requirements.

Amended November 4, 2004 (04-20); March 2, 2009 (09-04); June 1, 2009 (09-12).

#### **407. Crossing Trades**

(a) A Trading Privilege Holder or Authorized Trader that wishes to cross two or more original Orders, including without limitation a solicited Order, must first send a request for quote that includes the size of the Orders to be crossed. The request for quote response period and the eligible size for an Order that may be entered pursuant to this Rule 407 shall be determined on a Contract-by-Contract basis and shall be as set forth in the rules governing the relevant Contract.

(b) Within the time period prescribed by the rules governing the relevant Contract, the Trading Privilege Holder or Authorized Trader, as applicable, must expose to the market at least one of the Orders that it intends to cross. The required time period for such exposure shall be as forth in the rules governing such Contract.

(c) If the exposed Order has not been completely filled by the end of the exposure period, then the Trading Privilege Holder or Authorized Trader, as applicable, may enter the opposite Order(s) to cross the balance of the exposed Order.

Amended March 6, 2008 (08-01).

#### **408. Market Data; Execution Acknowledgements**

(a) The Exchange will make information regarding trades completed on the Exchange, Orders (including prices bid or offered) entered on the Exchange and any other matters it may deem appropriate (collectively, "Market Data") available to Trading Privilege Holders and Authorized Traders at such times and in such manner (whether through the CBOE System, a financial information vendor or otherwise) as the Exchange may consider necessary or appropriate from time to time.

(b) Each Trading Privilege Holder and Authorized Trader receiving any Market Data directly through the CBOE System may use such Market Data as provided in this Rule 408. Except as provided in paragraph (c) below, or otherwise as expressly permitted by the Exchange, any such Trading Privilege Holder and Authorized Trader shall receive and use Market Data only for its own internal business activities, and shall not furnish the Market Data, or permit the Market Data to be furnished, in any format to any Person (including any Customer of such Trading Privilege Holder) other than the partners, officers, directors, employees and agents of such Trading Privilege Holder or Authorized Trader. Such receipt and use of Market Data shall also be subject to the following terms and conditions:

(i) The Trading Privilege Holder or Authorized Trader shall furnish to the Exchange reports with respect to access to Market Data and use of Market Data by the Trading Privilege Holder or Authorized Trader of Market Data, and any Customers of the Trading Privilege Holder receiving Market Data from the Trading Privilege Holder, as may be required by the Exchange from time to time. Such reports may include, without limiting the generality of the foregoing, information with respect to the "Devices" on which the Trading Privilege Holder or Authorized Trader displays Market Data and/or the "Authorized Users" who are authorized by the Trading Privilege Holder or Authorized Trader to have access to Market Data. (The term "Device" means any computer, workstation or other item of equipment that is entitled to receive Market Data in visual, audible or other form. The term "Authorized User" means

an individual user (an individual natural Person) who is a partner, officer, director, employee or agent of the Trading Privilege Holder or Authorized Trader or a Customer of the Trading Privilege Holder or a partner, officer, director, employee or agent of the Customer, in each case, who is uniquely identified (by user ID and confidential password or other unambiguous method reasonably acceptable to the Exchange) and authorized by the Trading Privilege Holder or Authorized Trader to have access to Market Data.)

(ii) The Trading Privilege Holder or Authorized Trader acknowledges and agrees that the Market Data is the property of the Exchange until the Exchange places the Market Data in the public domain or authorizes placement of the Market Data in the public domain, and that, but for this Rule 408, the Trading Privilege Holder or Authorized Trader would have no right of access to the Market Data.

(iii) The Trading Privilege Holder or Authorized Trader shall at all reasonable times permit representatives of the Exchange to have access to the locations where the Market Data is received for the purpose of observing the use made of the Market Data and to inspect all equipment and apparatus used in connection therewith.

(iv) The Trading Privilege Holder or Authorized Trader acknowledges and agrees that its access to and use of Market Data is subject to the disclaimers of liability on the part of the Exchange and its Affiliates, their respective directors, committee members, officers, employees, agents and contractors, and index licensors with respect to any index underlying any contract traded on the Exchange, provided for in Rule 418.

(c) Notwithstanding the provisions of paragraph (b) above, any Trading Privilege Holder or Authorized Trader receiving any Market Data directly through the CBOE System may:

(i) Furnish, in the regular course of its business and to its Customers and others with which it does business, in a quantity restricted to that reasonably necessary to enable such Trading Privilege Holder or Authorized Trader to conduct its business, specific items of Market Data directly relating to particular transactions or particular situations occurring in the normal conduct of such Person's business. Any such furnishing must be limited to oral communications (including by telephone), manually sent emails and other communications not capable of permitting any bulk, automated, redissemination of Market Data.

(ii) If such Trading Privilege Holder or Authorized Trader has entered into a Vendor Agreement with the Exchange, redisseminate Market Data to third parties in accordance with the terms of such Vendor Agreement.

- (d) An acknowledgement of each executed Order will be forwarded to the parties on each side of the trade resulting from such Order.

Amended April 19, 2005 (05-12).

#### **409. Requirements for Average Price System Transactions**

A Trading Privilege Holder that is a registered futures commission merchant receiving multiple execution prices on an Order or series of Orders for any Contract may use an Average Price System to calculate and confirm to any Customer an average price for such Contract, provided all of the following requirements are satisfied:

- (a) Such Customer shall have requested such Trading Privilege Holder to use an Average Price System;
- (b) Each individual transaction with respect to such Contract shall be submitted to, and cleared by, the Clearing Corporation at the price at which it was executed;
- (c) Such Trading Privilege Holder shall compute the weighted mathematical average price by (i) multiplying the number of Contracts purchased or sold at each execution price by that price, (ii) adding the results together and (iii) dividing the sum by the total number of Contracts purchased or sold; provided that for any series of Orders, the average price may be computed based on the average price of each Order in that series; provided, further, that a Trading Privilege Holder may confirm to its Customer either the actual average price or an average price rounded up (in the case of a buy Order) or down (in the case of a sell Order) to the closest minimum price fluctuation; provided, further, if the average price computation yields an amount that cannot be expressed in whole one-cent increments, any amount that is less than one cent may be retained by the Trading Privilege Holder;
- (d) Such Trading Privilege Holder shall (i) possess records to support the computations described in paragraph (c) above and the allocations to Customer accounts, (ii) maintain such records in accordance with applicable Commission Regulations and (iii) make such records available for inspection by affected Customers upon request;
- (e) In the case of multiple execution prices on a series of Orders for any Contract, each such Order shall be for the same account or group of accounts and for the same commodity and expiration month (except in the case of a Spread Order, where each leg may be for a different expiration month);
- (f) Such Trading Privilege Holder shall ensure that prices for transactions for any of its proprietary accounts are not averaged with prices for transactions executed on behalf of Customers;
- (g) Such Customer shall have received appropriate disclosure regarding the method used to calculate the average price; and

(h) Such Trading Privilege Holder shall identify each transaction for which the execution price is computed pursuant to an Average Price System on each confirmation statement and monthly statement on which such transaction is reported to the Customer.

#### **410. Application and Closing Out of Offsetting Positions**

Any Trading Privilege Holder of the Exchange that is registered with the Commission as a futures commission merchant must comply with the provisions of Commission Regulation § 1.46.

#### **411. Errors of Trading Privilege Holders**

(a) If a Trading Privilege Holder discovers an error in the handling of an Order for a Customer after the relevant trade is completed, and the Order cannot be executed in the market at a price which is better than or equal to that at which the Order should have been executed, such Trading Privilege Holder shall do one or more of the following:

(i) Execute the Order in the market and make an appropriate cash adjustment to the Customer such that the Customer effectively receives a price that is equal to or better than the price at which its Order should have been executed; or

(ii) Notwithstanding any other provision of these Rules to the contrary, execute a spread transaction in the market where one leg is for such Customer's account and the other leg is for the account of such Trading Privilege Holder; *provided* that, as a result of such spread transaction, the Customer shall receive a price equal to or better than the price at which its Order should have been executed. Any such spread transaction must be reported to the Exchange.

Any violation of this Rule 411 for the purpose of taking advantage of an Order or Orders shall constitute conduct which is inconsistent with just and equitable principles of trade.

(b) This Rule 411 shall not be construed to contravene any instructions received by a Trading Privilege Holder from a Customer with respect to any Order prior to its execution, but shall be construed to permit execution of Orders under the conditions described in paragraph (a) above, without prior instructions from a Customer.

Amended November 4, 2004 (04-20); July 26, 2005 (05-20).

## Position Limits and Accountability, Price Limits, and Final Settlement Prices

### 412. Position Limits

(a) The Exchange shall designate for each Contract whether it is subject to position limits or to position accountability. This Rule 412 governs Contracts that are subject to position limits.

(b) Position limits shall be as established by the Exchange from time to time as permitted by Commission Regulation § 41.25 and other applicable Commission Regulations. Such position limits may be specific to a particular Contract or delivery month or may be established on an aggregate basis among Contracts or delivery months. Except as specified in paragraphs (c) and (d) below, Trading Privilege Holders shall not control, or trade in, any number of Contracts that exceed any position limits so established by the Exchange. Once established, any such position limits shall be deemed to constitute a part of each Trading Privilege Holder's account and clearing agreement. Except as specified in paragraphs (c) and (d) below, no Trading Privilege Holder shall be permitted to enter into any transaction on the Exchange that would cause such Trading Privilege Holder to exceed any position limits.

(c) On the basis of an application to the Exchange in accordance with paragraph (e) below, and such supplemental information as the Exchange may request, the Exchange will determine whether to grant a position limit exemption for a qualified hedge transaction or series of qualified hedge transactions. For purposes of this Rule 412, the term "qualified hedge transaction" shall include any transaction or position in a particular Contract that represents a substitute for transactions to be made or positions to be taken at a later time in the commodity underlying such Contract or in other underlying or related instruments, provided the transaction(s) entered into or position(s) taken on the Exchange are economically appropriate to reduce risks arising from:

(i) any potential change in the value of assets that a Person owns, produces, manufactures, processes or merchandises or anticipates owning, producing, manufacturing, processing or merchandising;

(ii) any potential change in the amount of liabilities that a Person owes or anticipates incurring;

(iii) any potential change in the value of services that a Person provides, purchases or anticipates providing or purchasing; or

(iv) any other good cause shown, as determined by the Exchange in its sole discretion.

(d) On the basis of an application to the Exchange in accordance with paragraph (e) below, and such supplemental information as the Exchange may request, the Exchange will determine whether to grant a position limit exemption for a particular arbitrage transaction or spread transaction or series of arbitrage or

spread transactions.

(e) Any application for a position limit exemption for a qualified hedge transaction, arbitrage transaction or spread transaction, or series of qualified hedge, arbitrage or spread transactions, must be made by the relevant Trading Privilege Holder to the Exchange in such form, and within such time limits, as the Exchange may from time to time prescribe. Without limiting the generality of the foregoing, any such application must include the following:

(i) If a qualified hedge transaction, an arbitrage transaction or a spread transaction, a representation that such transaction or position constitutes a qualified hedge transaction, an arbitrage or a spread transaction, as the case may be, and is not used in an attempt to violate or avoid any Rule of the Exchange;

(ii) If a qualified hedge transaction, a representation that such transaction or position is necessary or advisable as an integral part of the business of such Trading Privilege Holder, which representation shall also include a description of such business;

(iii) If an arbitrage or spread transaction, an undertaking that the prospective arbitrageur or spreader will specify the extent of the Trading Privilege Holder's current or planned activity in the cash market underlying the Contract for which such exemption is requested;

(iv) If an arbitrage or spread transaction, a representation that the positions involved are moved in an orderly manner and not initiated or liquidated in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes;

(v) A representation that such Trading Privilege Holder has complied with any applicable federal requirement relating to hedging, arbitrage or spread transactions, as the case may be;

(vi) A schedule of the maximum number of Contracts, long and short, that such Trading Privilege Holder intends to enter into for hedging, arbitrage or spread transaction purposes, as the case may be;

(vii) An agreement that such Trading Privilege Holder will comply with any additional limits on its trading as the Exchange may from time to time impose; and

(viii) An agreement by such Trading Privilege Holder to promptly submit a supplemental statement explaining any change in circumstances that may affect the nature of its positions.

(f) In determining whether any Trading Privilege Holder has exceeded the position limits established by the Exchange, all positions in accounts for which such Trading Privilege Holder, by power of attorney or otherwise, directly or

indirectly controls trading (whether on a proprietary basis or on behalf of Customers) shall be included. Position limits shall apply to positions held by two or more Trading Privilege Holders acting pursuant to an express or implied agreement or understanding in the same manner as if such positions were held by a single Person.

(g) The application for a position limit exemption must be submitted to and approved by the Exchange before execution of any transaction for which the exemption is requested. In granting any position limit exemption, the Exchange may impose such limitations or conditions upon the grant of the exemption as it may deem necessary or appropriate. Factors to be taken into account by the Exchange in determining whether to limit or condition a position limit exemption may include, among others, the liquidity of the markets involved and the Trading Privilege Holder's financial condition and business circumstances. Any position limit exemption granted by the Exchange for a qualified hedge transaction, arbitrage transaction or spread transaction, or series of qualified hedge, arbitrage or spread transactions, shall remain in effect for the time period designated by the Exchange, unless the exemption is earlier rescinded by the Exchange. The time period for which a position limit exemption may be granted by the Exchange may be up to two years. The Exchange shall have the authority to review and rescind, limit or condition any position limit exemption granted by it at any time in its sole discretion. A Trading Privilege Holder shall promptly submit to the Exchange upon request such supplemental information requested by the Exchange in connection with the review of a position limit exemption granted to the Trading Privilege Holder.

(h) For purposes of paragraph (f) above, "control" exists when the Trading Privilege Holder or Authorized Trader in question makes investment decisions for the account or accounts in question or materially influences, directly or indirectly, the actions of any Person who makes such investment decisions. In addition, "control" will be presumed to exist in the following circumstances:

(i) Among all parties to a joint account who have authority to act on behalf of such account;

(ii) Among all general partners to a partnership account;

(iii) If a Person (A) holds an ownership interest of 10 percent or more in the Person holding the account or accounts in question, or (B) shares in 10 percent or more of the profits or losses related to such account or accounts;

(iv) If the Persons holding the account or accounts in question have common directors or management; or

(v) If a Person has the authority to execute transactions in the account or accounts in question.

Any presumption of control on the basis of the foregoing circumstances can be rebutted by proving that such circumstances do not exist or by showing other circumstances which negate the presumption of control. Initial determinations of "control" shall be made by the Chief Regulatory Officer or his or her designee.

Amended June 6, 2005 (05-17); July 26, 2005 (05-20); October 11, 2007 (07-11).

#### **412A. Position Accountability**

(a) The Exchange shall designate for each Contract whether it is subject to position limits or is subject to position accountability. This Rule 412A governs Contracts that are subject to position accountability.

(b) A Trading Privilege Holder that controls aggregate positions in a Contract in excess of the position accountability levels designated by the Exchange for that Contract shall be subject to the following provisions with respect to position accountability:

(i) The Trading Privilege Holder shall promptly supply to the Exchange such information as the Exchange may request pertaining to the nature and size of the positions, the trading strategy employed with respect to the positions and the Trading Privilege Holder's hedging requirements and activities with respect to the positions;

(ii) The Exchange may require the Trading Privilege Holder (a) not to further increase any positions that are above the applicable position accountability levels, (b) to reduce any positions that are above the applicable position accountability levels, or (c) to comply with any prospective levels or limits prescribed by the Exchange which exceed the size of the positions controlled by the Trading Privilege Holder; and

(iii) Any positions in excess of the applicable position accountability levels must be initiated and liquidated in an orderly manner.

(c) In determining whether any Trading Privilege Holder has exceeded the position accountability levels established by the Exchange, all positions in accounts for which such Trading Privilege Holder, by power of attorney or otherwise, directly or indirectly controls trading (whether on a proprietary basis or on behalf of Customers) shall be included. Position accountability levels shall apply to positions held by two or more Trading Privilege Holders acting pursuant to an express or implied agreement or understanding in the same manner as if such positions were held by a single Person.

(d) For purposes of paragraph (c) above, "control" exists when the Trading Privilege Holder or Authorized Trader in question makes investment decisions for the account or accounts in question or materially influences, directly or indirectly,

the actions of any Person who makes such investment decisions. In addition, "control" will be presumed to exist in the following circumstances:

- (i) Among all parties to a joint account who have authority to act on behalf of such account;
- (ii) Among all general partners to a partnership account;
- (iii) If a Person (A) holds an ownership interest of 10 percent or more in the Person holding the account or accounts in question, or (B) shares in 10 percent or more of the profits or losses related to such account or accounts;
- (iv) If the Persons holding the account or accounts in question have common directors or management; or
- (v) If a person has the authority to execute transactions in the account or accounts in question.

Any presumption of control on the basis of the foregoing circumstances can be rebutted by proving that such circumstances do not exist or by showing other circumstances which negate the presumption of control. Initial determinations of "control" shall be made by the Chief Regulatory Officer or his or her designee.

Adopted October 11, 2007 (07-11).

#### **413. Price Limits; Final Settlement Prices**

- (a) The rules governing a particular Contract shall contain any price limits that apply to trading in such Contract.
- (b) In the case of any Contract that is a cash-settled security futures product (as such term is defined in Section 1a(32) of the CEA), the rules governing such Contract shall establish principles for the determination of final settlement prices that are consistent with Commission Regulation §41.25(b).

Amended July 26, 2005 (05-20).

### **Off-Exchange Transactions**

#### **414. Exchange of Contract for Related Position**

- (a) A bona *fide* Exchange of Contract for Related Position may be entered into with respect to any Contract designated by the Exchange and in accordance with the applicable trading increments set forth in the rules governing such Contract, at a price mutually agreed upon by the parties to such transaction. Each Exchange of Contract for Related Position must contain the following three essential elements:

(i) A transaction in a Contract that is listed on the Exchange and a transaction in a related position or an option on the related position (known as the "Related Position");

(ii) An exchange of Contract for the Related Position that involves an actual transfer of ownership, which must include (x) possession, right of possession, or right to future possession of each leg prior to the exchange, (y) an ability to perform the Exchange of Contract for Related Position, and (z) a transfer of title of the Contract and Related Position upon consummation of the exchange; and

(iii) Separate parties, such that the accounts involved on each side of the Exchange of Contract for Related Position have different beneficial ownership or are under separate control, provided that separate profit centers of a futures commission merchant operating under separate control are deemed to be separate parties for purposes of this Rule 414.

(b) In every Exchange of Contract for Related Position, one party must be the buyer of the Related Position and the seller of the corresponding Contract and the other party must be the seller of the Related Position and the buyer of the corresponding Contract. Further, the quantity of the Related Position traded in an Exchange of Contract for Related Position must correlate to the quantity represented by the Contract portion of the transaction.

(c) Exchange of Contract for Related Position transactions with respect to any Contract may occur during and outside of the Trading Hours set forth in the rules governing such Contract, unless otherwise specified in those rules.

(d) Each Exchange of Contract for Related Position shall be designated as such, and cleared through the Clearing Corporation as if it were a transaction executed through the CBOE System.

(e) Each Clearing Member involved in any Exchange of Contract for Related Position shall either maintain records evidencing compliance with the criteria set forth in this Rule 414 or be able to obtain such records from its Customer involved in the Exchange of Contract for Related Position. Upon request, each such Clearing Member shall provide to the Exchange documentation related to Exchange of Contract for Related Position transactions.

(f) For purposes of this Rule 414, the term "Related Position" shall include, but not be limited to, a security, an option, a Contract, any commodity as that term is defined by the CEA, or a group or basket of any of the foregoing. The Related Position being exchanged need not be the same as the underlying of the Contract transaction being exchanged, but the Related Position must have a high degree of price correlation to the underlying of the Contract transaction so that the Contract transaction would serve as an appropriate hedge for the Related Position.

(g) The seller of the Contract leg of an Exchange of Contract for Related Position transaction is obligated to call the Help Desk after the transaction is

negotiated to notify the Exchange of the terms of the transaction. This notification to the Help Desk shall occur without delay and in no event later than ten minutes after the transaction is negotiated if the transaction occurs during the Trading Hours for the Contract leg of the transaction, unless otherwise specified in the rules governing the relevant Contract. If the transaction occurs outside of the Trading Hours for the Contract leg of the transaction, this notification to the Help Desk must occur no later than ten minutes from the time that regular trading next commences on the Exchange. The notification to the Help Desk shall include (i) the identity, contract month, price or premium, quantity, and time of execution of the relevant Contract leg, (ii) the counterparty Clearing Member, and (iii) the identity, quantity and price of the Related Position. The Help Desk will provide the caller a Trade Identification ("Trade ID") for the Exchange of Contract for Related Position transaction and report the Contract leg to the CBOE System. After reporting the Exchange of Contract for Related Position transaction to the Help Desk, the buyer and seller of the Contract leg must each complete and transmit the prescribed Exchange of Contract for Related Position Reporting Form via facsimile or e-mail to the Help Desk. Both sides must include the Trade ID given by the Help Desk to the seller of the Contract leg. It is the responsibility of the buying and selling parties to effect any subsequent allocations or necessary updates to non-critical matching fields utilizing a post-trade processing system designated by the Exchange.

Amended November 4, 2004 (04-20); January 21, 2005 (05-02); March 11, 2005 (05-09); March 28, 2005 (05-11); September 26, 2006 (06-13); February 23, 2009 (09-03).

#### **415. Block Trading**

(a) If and to the extent permitted by the rules governing the applicable Contract, Trading Privilege Holders may enter into transactions outside the CBOE System, at prices mutually agreed, provided all of the following conditions are satisfied (such transactions, "Block Trades"):

(i) Each buy or sell order underlying a Block Trade must (A) state explicitly that it is to be, or may be, executed by means of a Block Trade and (B) be for at least such minimum number of Contracts as will from time to time be specified by the Exchange; *provided* that only (x) a commodity trading advisor registered under the CEA, (y) an investment adviser registered as such with the Securities and Exchange Commission that is exempt from regulation under the CEA and Commission Regulations thereunder and (z) any Person authorized to perform functions similar or equivalent to those of a commodity trading advisor in any jurisdiction outside the United States of America, in each case with total assets under management exceeding US\$25 million, may satisfy this requirement by aggregating orders for different accounts that are under management or control by such commodity trading advisor, investment adviser, or other Person. Other than as provided in the foregoing sentence, orders for different accounts may not be aggregated to satisfy Block Trade size requirements. For purposes of this Rule, if the Block Trade is executed as a spread order (as defined in Rule 404(g)) or as

a strip (*i.e.*, a transaction with legs in multiple contract months that are exclusively for the purchase or exclusively for the sale of a Contract), the total quantity of the transaction and the quantity of each leg of the transaction must meet any designated minimum sizes applicable to those types of transactions that are set forth in the rules governing the relevant Contract.

(ii) Each party to a Block Trade must qualify as an “eligible contract participant” (as such term is defined in Section 1a(12) of the CEA); *provided* that, if the Block Trade is entered into on behalf of Customers by (A) a commodity trading advisor registered under the Act, (B) an investment adviser registered as such with the Securities and Exchange Commission that is exempt from regulation under the Act and Commission Regulations thereunder or (C) any Person authorized to perform functions similar or equivalent to those of a commodity trading advisor in any jurisdiction outside the United States of America, in each case with total assets under management exceeding US\$25 million, then only such commodity trading advisor or investment adviser, as the case may be, but not the individual Customers, need to so qualify.

(b) 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, at the relevant time, of orders in the order book for the same Contract, the same contract on other markets and similar or related contracts on the Exchange and other markets, including without limitation the underlying cash and futures markets; (iii) the prices and sizes, at the relevant time, of transactions in the same Contract, the same contract on other markets and similar or related contracts on the Exchange and other markets, including without limitation the underlying cash and futures markets; (iv) the circumstances of the parties to the Block Trade; and (v) whether the Block Trade is executed as a spread order or as a strip.

The following guidelines shall apply in determining whether the execution price of a Block Trade that is not executed as a spread order or as a strip is “fair and reasonable.” These guidelines are general and may not be applicable in each instance. Whether the execution price of a Block Trade is “fair and reasonable” depends upon the particular facts and circumstances.

In the event the quantity present in the order book is greater or equal to the quantity needed to fill an order of the size of the Block Trade, it would generally be expected that the Block Trade price would be better than the price present in the order book. In the event the quantity present in the order book is less than the quantity needed to fill an order of the size of the Block Trade, it would generally be expected that the Block Trade price would be relatively close to the price present in the order book and that the amount of the differential between the two prices would be smaller to the extent that the differential between the quantity present in the order book and the Block Trade quantity is smaller.

(c) Block Trades with respect to any Contract may occur during and outside of the Trading Hours set forth in the rules governing such Contract, unless otherwise specified in those rules. Each party to a Block Trade shall comply with all applicable Rules of the Exchange other than those which by their terms only apply to trading through the CBOE System.

(d) Each Block Trade shall be designated as such, and cleared through the Clearing Corporation as if it were a transaction executed through the CBOE System. The Exchange will publicize information identifying the trade as a Block Trade and identifying the relevant Contract, contract month, price or premium, quantity for each Block Trade and, if applicable, the underlying commodity, whether the transaction involved a put or a call and the strike price immediately after such information has been reported to the Exchange.

(e) Each Trading Privilege Holder that is party to a Block Trade shall record the following details on its order ticket: the Contract (including the delivery or expiry month) to which such Block Trade relates; the number of Contracts traded; the price of execution or premium; the time of execution; the identity of the counterparty; and, if applicable, details regarding the Customer for which the Block Trade was executed, the underlying commodity, whether the transaction involved a put or a call and the strike price. Upon request by the Exchange, such Trading Privilege Holder shall produce satisfactory evidence, including the order ticket referred to in the preceding sentence, that the Block Trade meets the requirements set forth in this Rule 415.

(f) Each Trading Privilege Holder executing a side of a Block Trade must have at least one designated person pre-authorized to report Block Trades. Only designated persons of Trading Privilege Holders with a clearing relationship at the Clearing Corporation will be allowed to report a Block Trade.

(g) The seller is obligated to call the Help Desk without delay, and in no event later than ten minutes after a Block Trade is negotiated to notify the Exchange of the terms of the trade if the transaction occurs during the Trading Hours for the relevant Contract, unless otherwise specified in the rules governing the relevant Contract. If the transaction occurs outside of the Trading Hours for the relevant Contract, notification to the Help Desk must occur no later than ten minutes from the time that regular trading next commences on the Exchange. The notification to the Help Desk with respect to a Block Trade shall include the relevant Contract, contract month, price or premium, quantity, time of execution, counterparty Clearing Member and, if applicable, the underlying commodity, whether the transaction involved a put or a call and the strike price, as well as any other information that is required to be set forth in the prescribed Block Trade Reporting Form. If the transaction is executed as a spread order, such as when one party is rolling a position into the next contract month, the seller of the month closest to expiration is responsible for reporting the entire transaction to the Help Desk. The Help Desk will provide the caller a Trade Identification ("Trade ID") for the Block Trade and report both sides of the trade to the CBOE System. After reporting the Block Trade to the Help Desk, the buyer and seller must each

complete and transmit the prescribed Block Trade Reporting Form via facsimile or e-mail to the Help Desk. Both sides must include the Trade ID given by the Help Desk to the seller for the Block Trade. It is the responsibility of the buying and selling Trading Privilege Holders to effect any subsequent allocations or necessary updates to non-critical matching fields utilizing a post-trade processing system designated by the Exchange.

(h) A Trading Privilege Holder may execute an Order placed for a non-discretionary Customer account by means of a Block Trade only if the Customer has previously consented thereto.

(i) The Help Desk may review a Block Trade for compliance with the requirements of this Rule and may determine not to permit the Block Trade to be consummated if the Help Desk determines that the Block Trade does not conform with those requirements.

(j) The posting of a Block Trade by the Help Desk does not constitute a determination by the Exchange that the Block Trade was effected in conformity with the requirements of this Rule. A Block Trade that is posted by the Help Desk which does not conform to the requirements of this Rule shall be processed and given effect but will be subject to appropriate disciplinary action in accordance with the Rules of the Exchange.

(k) Any Block Trade in violation of the requirements of this Rule shall constitute conduct which is inconsistent with just and equitable principles of trade.

Amended February 17, 2004 (04-01); March 26, 2004 (04-08); May 13, 2004 (04-12); March 28, 2005 (05-11); July 26, 2005 (05-20); July 31, 2007 (07-08); June 3, 2009 (09-13).

## **Special Circumstances**

### **416. Error Trades**

Any error trades shall be resolved in accordance with the policies and procedures from time to time adopted by the Exchange.

### **417. Regulatory Halts**

(a) Trading in a Single Stock Future shall be halted at all times that a “regulatory halt” (as defined in Commission Regulation § 41.1(1)) has been instituted for the security underlying such Single Stock Future.

(b) Trading in a Narrow-Based Stock Index Future shall be halted at all times that a “regulatory halt” (as defined in Commission Regulation § 41.1(1)) has been instituted for one or more of the securities that constitute 50% or more of the market capitalization of the “narrow-based security index” (as such term is defined in Section 1a(25) of the CEA) underlying such Narrow-Based Stock Index Future.

Adopted July 26, 2005 (05-20).

#### **418. Emergencies**

(a) General. If the President, or any individual designated by the President and approved by the Board, determines that an Emergency exists, the President or such designee, as the case may be, may take or place into immediate effect a temporary Emergency action or rule. Any such action or rule may provide for, or may authorize the Exchange, the Board or any committee thereof to undertake actions necessary or appropriate to respond to the Emergency, including such actions as:

- (i) limiting trading to liquidation only, in whole or in part;
- (ii) extending or shortening, as applicable, the Expiration Date or Expiration Month of any Contract;
- (iii) extending the time of delivery, changing delivery points or the means of delivery provided in the rules governing any Contract;
- (iv) imposing or modifying position or price limits with respect to any Contract;
- (v) ordering the liquidation of Contracts, the fixing of a settlement price or any reduction in positions;
- (vi) ordering the transfer of Contracts, and the money, securities, and property securing such Contracts, held on behalf of Customers by any Trading Privilege Holder to one or more other Trading Privilege Holders willing to assume such Contracts or obligated to do so;
- (vii) extending, limiting or changing hours of trading;
- (viii) declaring a fast market in a Contract;
- (ix) temporarily increasing the Threshold Width for a Contract;
- (x) suspending or curtailing trading in any or all Contracts or modifying circuit breakers;
- (xi) requiring Clearing Members, Trading Privilege Holders or Customers to meet special margin requirements; or
- (xii) modifying or suspending any provision of the Rules of the Exchange or the Rules of the Clearing Corporation.

(b) Physical Emergency. If the President, or any individual designated by the President and approved by the Board, determines that the physical functions of the Exchange are, or are threatened to be, severely and adversely affected by a Physical Emergency (such as a fire or other casualty, bomb threats, terrorist acts,

substantial inclement weather, power failures, communications breakdowns, computer system breakdowns, screen-based trading system breakdowns or transportation breakdowns), such Person may take any action that he or she may deem necessary or appropriate to respond to such Physical Emergency, including such actions as:

- (i) closing the Exchange;
  - (ii) delaying the opening of trading in one or more Contracts;
- or
- (iii) suspending trading in or extending trading hours for one or more Contracts.

(c) In the event that any Emergency or Physical Emergency action has been taken pursuant to paragraph (a) or (b) above, any Person who is authorized to take such action may order the removal of any restriction previously imposed based upon a determination by such Person that the Emergency or Physical Emergency that gave rise to such restriction no longer exists or has sufficiently abated to permit the functions of the Exchange to continue in an orderly manner. Any Emergency or Physical Emergency action placed into effect in accordance with paragraph (a) or (b) above may be reviewed by the Board at any time and may be revoked, suspended or modified by the Board. Any rule placed into effect in accordance with paragraph (a) above may remain in effect for up to 30 Business Days, after which time it must be approved by the Board to remain in effect. Any such rule shall be reviewed by the Board as soon as practicable under the circumstances, and may be revoked, suspended or modified by the Board.

(d) Notification and Recording. The Exchange will telephonically notify the Commission of: (i) any rule placed into effect pursuant to paragraph (a) above as soon as practicable after the decision is made to implement the rule and (ii) any action taken in response to an Emergency or Physical Emergency pursuant to paragraphs (a) or (b) above (other than the declaration of a fast market in a Contract) as soon as practicable after the action is taken. The Exchange will submit to the Commission any rule placed into effect pursuant to paragraph (a) above in accordance with Commission Regulation § 40.6. The decision-making process with respect to, and the reasons for, any action taken pursuant to this Rule 418 will be recorded in writing.

(e) Conflicts of Interest. The conflict of interest provisions set forth in Rule 214(b) and the related documentation requirements set forth in Rule 214(c) shall apply, with any such modifications or adaptations as may be necessary or appropriate under the circumstances, to the taking of any action under this Rule 418 by the President, or his or her designee.

Amended May 13, 2004 (04-14); May 15, 2008 (08-05); June 18, 2008 (08-06); October 9, 2008 (08-07); January 12, 2009 (09-01).

## Limitation of Liability

### 419. Limitation of Liability; Legal Proceedings

EXCEPT AS OTHERWISE PROVIDED, AND EXCEPT IN INSTANCES WHERE THERE HAS BEEN A FINDING OF FRAUD OR WANTON OR WILLFUL MISCONDUCT, IN WHICH CASE THE PARTY FOUND TO HAVE ENGAGED IN SUCH CONDUCT CANNOT AVAIL ITSELF OF THE PROTECTIONS IN THIS RULE 419, NEITHER THE EXCHANGE (INCLUDING ITS AFFILIATES) NOR ANY OF ITS DIRECTORS, COMMITTEE MEMBERS, OFFICERS, EMPLOYEES, AGENTS OR CONTRACTORS SHALL BE LIABLE TO ANY OTHER PERSON, INCLUDING ANY TRADING PRIVILEGE HOLDER, AUTHORIZED TRADER OR CUSTOMER, FOR ANY LOSSES, DAMAGES, COSTS, EXPENSES OR CLAIMS (INCLUDING LOSS OF PROFITS, LOSS OF USE, DIRECT, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES) (COLLECTIVELY, "LOSSES"), ARISING FROM (A) ANY FAILURE OR MALFUNCTION OF, INCLUDING ANY INABILITY TO ENTER OR CANCEL ORDERS INTO, THE CBOE SYSTEM OR ANY EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE CBOE SYSTEM, (B) ANY FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY OR TERMINATION, OR ANY OTHER CAUSE, IN CONNECTION WITH THE FURNISHING, PERFORMANCE, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF THE CBOE SYSTEM OR ANY EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE CBOE SYSTEM OR (C) ANY ACTION TAKEN OR OMITTED TO BE TAKEN IN RESPECT TO THE BUSINESS OF THE EXCHANGE, EXCEPT, IN EACH CASE, TO THE EXTENT THAT SUCH LOSSES ARE ATTRIBUTABLE TO THE WILLFUL MISCONDUCT, GROSS NEGLIGENCE OR CRIMINAL ACTS OF THE EXCHANGE (INCLUDING ITS AFFILIATES) OR ITS DIRECTORS, COMMITTEE MEMBERS, OFFICERS, EMPLOYEES, AGENTS OR CONTRACTORS ACTING WITHIN THE SCOPE OF THEIR RESPECTIVE AUTHORITY. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, AND SUBJECT TO THE SAME EXCEPTION, THE EXCHANGE SHALL HAVE NO LIABILITY TO ANY PERSON FOR ANY LOSSES THAT RESULT FROM ANY ERROR, OMISSION OR DELAY IN CALCULATING OR DISSEMINATING ANY CURRENT OR CLOSING VALUE OR ANY REPORTS OF TRANSACTIONS IN OR QUOTATIONS FOR CONTRACTS, INCLUDING UNDERLYING SECURITIES. THE FOREGOING SHALL APPLY REGARDLESS OF WHETHER A CLAIM ARISES IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE.

THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS PROVIDED BY THE EXCHANGE (INCLUDING ITS AFFILIATES) RELATING TO THE CBOE SYSTEM OR ANY EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE CBOE SYSTEM, INCLUDING WARRANTIES OF MERCHANTABILITY AND WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE OR USE. THE SERVICES OF THE EXCHANGE ARE BEING PROVIDED ON AN "AS IS" BASIS AT EACH TRADING PRIVILEGE HOLDER'S SOLE RISK. NEITHER THE EXCHANGE (INCLUDING

ITS AFFILIATES) NOR ITS DIRECTORS, COMMITTEE MEMBERS, OFFICERS, EMPLOYEES, AGENTS OR CONTRACTORS MAKE ANY WARRANTY WITH RESPECT TO, AND NO SUCH PARTY SHALL HAVE ANY LIABILITY TO ANY TRADING PRIVILEGE HOLDER FOR, THE ACCURACY, TIMELINESS, COMPLETENESS, RELIABILITY, PERFORMANCE OR CONTINUED AVAILABILITY OF THE CBOE SYSTEM OR THE EXCHANGE, FOR DELAYS, OMISSIONS OR INTERRUPTIONS THEREIN OR THE CREDITWORTHINESS OF ANY OTHER TRADING PRIVILEGE HOLDER. THE EXCHANGE (INCLUDING ITS AFFILIATES) SHALL HAVE NO DUTY OR OBLIGATION TO VERIFY ANY INFORMATION DISPLAYED ON THE CBOE SYSTEM OR OTHERWISE. EACH TRADING PRIVILEGE HOLDER ACKNOWLEDGES AND AGREES THAT THE EXCHANGE (INCLUDING ITS AFFILIATES) DOES NOT AND SHALL NOT SERVE AS THE PRIMARY BASIS FOR ANY DECISIONS MADE BY ANY TRADING PRIVILEGE HOLDER AND THAT THE EXCHANGE (INCLUDING ITS AFFILIATES) IS NOT AN ADVISOR OR FIDUCIARY OF ANY TRADING PRIVILEGE HOLDER.

ANY DISPUTE ARISING OUT OF THE USE OF THE CBOE SYSTEM OR EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE CBOE SYSTEM IN WHICH THE EXCHANGE (INCLUDING ITS AFFILIATES) OR ANY OF ITS DIRECTORS, COMMITTEE MEMBERS, OFFICERS, EMPLOYEES, AGENTS OR CONTRACTORS IS A PARTY SHALL BE SUBJECT TO THE LAWS OF THE STATE OF ILLINOIS. ANY ACTIONS, SUITS OR PROCEEDINGS AGAINST ANY OF THE ABOVE MUST BE BROUGHT, WITHIN TWO YEARS FROM THE TIME THEY FIRST ARISE, IN A FEDERAL COURT LOCATED IN COOK COUNTY, ILLINOIS, OR IF THE REQUIREMENTS FOR FEDERAL SUBJECT MATTER JURISDICTION ARE NOT MET, IN A STATE COURT LOCATED IN COOK COUNTY, ILLINOIS. THIS PROVISION SHALL IN NO WAY CREATE A CAUSE OF ACTION AND SHALL NOT AUTHORIZE AN ACTION THAT WOULD OTHERWISE BE PROHIBITED BY THE RULES OF THE EXCHANGE.

NO TRADING PRIVILEGE HOLDER OR PERSON ASSOCIATED WITH A TRADING PRIVILEGE HOLDER SHALL INSTITUTE A LAWSUIT OR OTHER LEGAL PROCEEDING AGAINST THE EXCHANGE OR ANY DIRECTOR, COMMITTEE MEMBER, OFFICER, EMPLOYEE, AGENT OR CONTRACTOR OF THE EXCHANGE (INCLUDING ITS AFFILIATES), FOR ACTIONS TAKEN OR OMITTED TO BE TAKEN IN CONNECTION WITH THE OFFICIAL BUSINESS OF THE EXCHANGE (INCLUDING ITS AFFILIATES). THIS PROVISION SHALL NOT APPLY TO APPEALS OF DISCIPLINARY ACTIONS OR OTHER ACTIONS BY THE EXCHANGE AS PROVIDED FOR IN THESE RULES.

ANY TRADING PRIVILEGE HOLDER OR PERSON ASSOCIATED WITH A TRADING PRIVILEGE HOLDER WHO FAILS TO PREVAIL IN A LAWSUIT OR OTHER LEGAL PROCEEDING INSTITUTED BY SUCH PERSON AGAINST THE EXCHANGE (INCLUDING ITS AFFILIATES) OR ANY OF ITS DIRECTORS, COMMITTEE MEMBERS, OFFICERS, EMPLOYEES, AGENTS OR CONTRACTORS, AND RELATED TO THE BUSINESS OF THE EXCHANGE,

SHALL PAY TO THE EXCHANGE ALL REASONABLE EXPENSES, INCLUDING ATTORNEYS' FEES, INCURRED BY THE EXCHANGE IN THE DEFENSE OF SUCH PROCEEDING TO THE EXTENT THAT SUCH EXPENSES EXCEED FIFTY THOUSAND DOLLARS (\$50,000.00). THIS PROVISION SHALL NOT APPLY TO DISCIPLINARY ACTIONS BY THE EXCHANGE, ADMINISTRATIVE APPEALS OF EXCHANGE ACTIONS OR IN ANY SPECIFIC INSTANCE WHERE THE BOARD HAS GRANTED A WAIVER OF THIS PROVISION.

NO INDEX LICENSOR WITH RESPECT TO ANY INDEX UNDERLYING A CONTRACT TRADED ON THE EXCHANGE AND NO AFFILIATE OF SUCH INDEX LICENSOR MAKES ANY WARRANTY, EXPRESS OR IMPLIED, AS TO THE RESULTS TO BE OBTAINED BY ANY PERSON FROM THE USE OF SUCH INDEX, ANY OPENING, INTRA-DAY OR CLOSING VALUE THEREFOR, OR ANY DATA INCLUDED THEREIN OR RELATING THERETO, IN CONNECTION WITH THE TRADING OF ANY CONTRACT BASED THEREON OR FOR ANY OTHER PURPOSE. THE INDEX LICENSOR AND ITS AFFILIATES SHALL OBTAIN INFORMATION FOR INCLUSION IN, OR FOR USE IN THE CALCULATION OF, SUCH INDEX FROM SOURCES THEY BELIEVE TO BE RELIABLE, BUT THE INDEX LICENSOR AND ITS AFFILIATES DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INDEX, ANY OPENING, INTRA-DAY OR CLOSING VALUE THEREFOR, OR ANY DATA INCLUDED THEREIN OR RELATED THERETO. THE INDEX LICENSOR AND ITS AFFILIATES HEREBY DISCLAIM ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO SUCH INDEX, ANY OPENING, INTRA-DAY, OR CLOSING VALUE THEREFOR, ANY DATA INCLUDED THEREIN OR RELATING THERETO, OR ANY CONTRACT BASED THEREON. THE INDEX LICENSOR AND ITS AFFILIATES SHALL HAVE NO LIABILITY FOR ANY DAMAGES, CLAIMS, LOSSES (INCLUDING ANY INDIRECT OR CONSEQUENTIAL LOSSES), EXPENSES, OR DELAYS, WHETHER DIRECT OR INDIRECT, FORESEEN OR UNFORESEEN, SUFFERED BY ANY PERSON ARISING OUT OF ANY CIRCUMSTANCE OR OCCURRENCE RELATING TO THE PERSON'S USE OF SUCH INDEX, ANY OPENING, INTRA-DAY OR CLOSING VALUE THEREFOR, ANY DATA INCLUDED THEREIN OR RELATING THERETO, OR ANY CONTRACT BASED THEREON, OR ARISING OUT OF ANY ERRORS OR DELAYS IN CALCULATING OR DISSEMINATING SUCH INDEX. FOR PURPOSES OF THIS RULE 419, THE TERM "INDEX LICENSOR" INCLUDES ANY PERSON THAT GRANTS THE EXCHANGE A LICENSE TO USE AN INDEX IN CONNECTION WITH THE TRADING ON THE EXCHANGE OF A CONTRACT BASED ON THE INDEX AND ANY PERSON DESIGNATED BY THE EXCHANGE AS THE SOURCE FOR CALCULATING AND/OR REPORTING THE LEVEL OF AN INDEX UNDERLYING A CONTRACT TRADED ON THE EXCHANGE, AND ALSO INCLUDES, WITH RESPECT TO ANY INDEX OF WHICH THE EXCHANGE OR AN AFFILIATE OF THE EXCHANGE IS THE PROPRIETOR OR FOR WHICH THE EXCHANGE OR AN AFFILIATE OF THE EXCHANGE CALCULATES AND/OR REPORTS LEVELS OF THE INDEX, THE EXCHANGE ITSELF AND ITS AFFILIATES.

NOTWITHSTANDING ANY OF THE FOREGOING PROVISIONS, THIS RULE 419 SHALL IN NO WAY LIMIT THE LIABILITY OF ANY PERSON ARISING FROM ANY VIOLATION BY SUCH PERSON OF THE CEA OR THE COMMISSION REGULATIONS THEREUNDER.

Amended February 17, 2004 (04-03).

## Miscellaneous

### 420. Transfers of Positions

- (a) Existing trades may be transferred either on the books of a Clearing Member or from one Clearing Member to another Clearing Member to:
  - (i) correct errors in an existing Contract, provided that the original trade documentation confirms the error;
  - (ii) transfer an existing Contract from one account to another where no change in ownership is involved; or
  - (iii) transfer an existing Contract through operation of law from death or bankruptcy.
- (b) Upon written request, the Exchange may, in its sole discretion, allow the transfer of a position:
  - (i) as a result of a merger, asset purchase, consolidation, or similar non-recurring transaction for a Person; or
  - (ii) if the President or his designee determines that allowing the transfers would be in the interest of preserving an orderly market, the protection of market participants, or the best interest of the Exchange or is otherwise warranted due to unusual or extenuating circumstance.
- (c) The transfer of positions pursuant to this Rule may be effected at the:
  - (i) original trade prices of the positions that appear on the books of the transferring Clearing Member, in which case the records of the transfer must indicate the original trade dates for the positions;
  - (ii) mark-to-market prices of the positions on the day of the transfer;
  - (iii) mark-to-market prices of the positions on the trading day prior to the transfer; or
  - (iv) the then current market price of the positions.

Each Clearing Member that is a party to a transfer of positions must make and retain records stating the nature of the transaction; the date of the transfer; the

transfer prices and the date of those prices (including the “as of date,” if applicable); the name of the counter-party Clearing Member; and any other information required by the Clearing Corporation.

Adopted November 4, 2004 (04-20). Amended April 8, 2008 (08-03); March 20, 2009 (09-10).

**CHAPTER 5**  
**OBLIGATIONS OF TRADING PRIVILEGE HOLDERS**

**Recordkeeping**

**501. Books and Records**

(a) Each Trading Privilege Holder and Clearing Member shall prepare and keep current all books, ledgers and other similar records required to be kept by it pursuant to the CEA, Commission Regulations, the Exchange Act, Exchange Act Regulations, and the Rules of the Exchange, and shall prepare and keep current such other books and records and adopt such forms as the Exchange may from time to time prescribe. Such books and records shall be made available to the Exchange upon request.

(b) With respect to each order, bid, offer or other message transmitted to the CBOE System by an Authorized Trader of a Trading Privilege Holder, the Trading Privilege Holder shall keep a record of which Authorized Trader of the Trading Privilege Holder caused that order, bid, offer or other message to be transmitted to the CBOE System.

Amended February 17, 2004 (04-04); July 26, 2005 (05-20).

**502. Inspection and Delivery**

Each Trading Privilege Holder and Clearing Member shall keep all books and records required to be kept by it pursuant to the Rules of the Exchange for a period of five years from the date on which they are first prepared, unless otherwise provided in the Rules of the Exchange or required by law. Such books and records shall be readily accessible during the first two years of such five-year period. During such five-year period, all such books and records shall be made available for inspection by, and copies thereof shall be delivered to, the Exchange and its authorized representatives upon request.

**Financial Requirements**

**503. Minimum Financial and Related Reporting Requirements for Registrants**

Each Trading Privilege Holder and Clearing Member that is registered with any self-regulatory association shall comply with the provisions of Applicable Law relating to minimum financial and related reporting and recordkeeping requirements. A copy of any notice or written report that a Trading Privilege Holder or Clearing Member is required to file with the Commission pursuant to Commission Regulation § 1.12 or, if applicable, with the Securities and Exchange Commission pursuant to Exchange Act Regulation § 17a-11 shall be concurrently provided to the Exchange. A Trading Privilege Holder or Clearing Member that violates any of the aforementioned Commission Regulations or Exchange Act Regulations shall be deemed to have violated this Rule 503.

#### **504. Authority of the President to Impose Restrictions**

Whenever a Trading Privilege Holder or Clearing Member is subject to the early warning requirements set forth in Commission Regulation § 1.12 or, if applicable, Exchange Act Regulation § 17a-11, the President, or his or her designee, may impose such conditions or restrictions on the business and operations of such Trading Privilege Holder or Clearing Member, as the case may be, as the President, or his or her designee, may deem necessary or appropriate for the protection of Customers, other Trading Privilege Holders, other Clearing Members or the Exchange.

#### **505. Treatment of Customer Funds and Securities**

Any Trading Privilege Holder or Clearing Member that is required to be registered with any self-regulatory association shall comply with the provisions of Applicable Law relating to the treatment of Customer funds and the maintenance of books and records with respect thereto. A Trading Privilege Holder or Clearing Member that violates any of the aforementioned Commission Regulations or Exchange Act Regulations shall be deemed to have violated this Rule 505.

#### **506. Additional Minimum Financial Requirements**

(a) In addition to the minimum financial requirements that a Trading Privilege Holder or Clearing Member that is registered with the NFA as a futures commission merchant or introducing broker must satisfy, each Trading Privilege Holder and Clearing Member shall be required to satisfy such minimum financial requirements, and comply with such obligations related thereto, as may be established from time to time by the Exchange.

(b) Each Trading Privilege Holder and Clearing Member must notify the President, or his or her designee, immediately upon becoming aware that it fails to satisfy the minimum financial requirements applicable to it.

(c) Unless and until a Trading Privilege Holder or Clearing Member, as the case may be, is able to demonstrate to the Exchange that it is in compliance with the minimum financial requirements applicable to it, such Trading Privilege Holder or Clearing Member may not engage in any transactions subject to the Rules of the Exchange, except for the purpose of closing open positions.

### **Customer Protection**

#### **507. Registration**

(a) No Trading Privilege Holder or Clearing Member of the Exchange (including any Person that is affiliated with such Trading Privilege Holder or Clearing Member), may solicit or accept from any other Person an Order for the purchase or sale of a Contract, unless such Trading Privilege Holder or Clearing Member, or its respective affiliated Person, as the case may be, is registered in any required capacity in accordance with Applicable Law.

(b) Any Trading Privilege Holder or Clearing Member that is required to be registered as a futures commission merchant, an introducing broker, a broker or a dealer shall comply with the provisions of Commission Regulations § 155.3, § 155.4 or § 41.42(a) or Exchange Act Regulation § 15c3-3, as applicable.

Amended July 26, 2005 (05-20).

#### **508. Confirmations**

Each Trading Privilege Holder and Clearing Member that enters into a trade on behalf of a Customer shall promptly furnish, or cause to be furnished, to such Customer, no later than the Business Day immediately following the day on which such trade is entered into, a written confirmation of such trade in such form as the Exchange may from time to time prescribe, indicating the Contract bought or sold, the price, quantity, time of execution and such other information as the Exchange may require.

#### **509. Customer Statements**

Each Trading Privilege Holder and Clearing Member that enters into trades on behalf of Customers shall furnish, or cause to be furnished, as soon as practicable after the end of each month, a monthly statement of account to each of its Customers in accordance with applicable Commission Regulations or Exchange Act Regulations.

Amended July 26, 2005 (05-20).

#### **510. Risk Disclosure Statement**

In accordance with applicable requirements of the NFA (in the case of any Trading Privilege Holder or Clearing Member that is registered with the NFA) or the FINRA (in the case of any Trading Privilege Holder or Clearing Member that is registered with the FINRA), each Trading Privilege Holder or Clearing Member, as the case may be, shall provide its Customers with a written disclosure statement in the form approved by the Exchange for purposes of Commission Regulation § 1.55, §33.7 or § 41.41(b), as applicable, and any other disclosure statement from time to time required by the Exchange.

Amended November 4, 2004 (04-20); July 26, 2005 (05-20); February 23, 2009 (09-03).

#### **511. Fraudulent or Misleading Communications**

No Trading Privilege Holder or Clearing Member shall make any fraudulent or misleading communications relating to the purchase or sale of any Contract.

#### **512. Responsibility for Customer Orders**

Trading Privilege Holders and Clearing Members handling Orders for Customers shall exercise due diligence in the handling and execution of such Orders. Failure to act with due diligence shall constitute negligence.

Trading Privilege Holders and Clearing Members are prohibited from directly or indirectly guaranteeing the execution of an Order or any of its terms such as the quantity or price; *provided* that this sentence shall not be construed to prevent a Trading Privilege Holder or Clearing Member from assuming or sharing in any losses resulting from an error or the mishandling of an Order.

No Trading Privilege Holder or Clearing Member shall adjust the price at which an Order was executed, nor shall it be held responsible for executing or failing to execute an Order unless such Trading Privilege Holder or Clearing Member, as the case may be, was negligent or is settling a *bona fide* dispute regarding negligence, or as otherwise permitted by the policies and procedures referred to in Rule 416.

## **System Security**

### **513. System Security**

(a) Each Trading Privilege Holder shall at all times have at least one employee or agent (the “Responsible Trader”) designated as its administrator with respect to the use of the CBOE System by such Trading Privilege Holder (including its Authorized Traders). The Exchange may prescribe such qualification standards for Responsible Traders as it may from time to time determine necessary or advisable. Among other things, each Responsible Trader shall (i) have full control over access to the CBOE System by the Trading Privilege Holder (including its Authorized Traders) represented by such Responsible Trader and (ii) be able to access, and, if required, modify and withdraw, any and all Orders placed, or purported to be placed, by such Trading Privilege Holder (including its Authorized Traders). The Responsible Trader or Responsible Traders of any Trading Privilege Holder shall also be solely responsible for any and all communications between the Exchange and such Trading Privilege Holder, and any and all notices or other communications sent to such Responsible Trader or Responsible Traders by the Exchange shall be binding on such Trading Privilege Holder. Each Trading Privilege Holder shall notify the Exchange promptly of any change regarding any of its Responsible Traders.

(b) Each Trading Privilege Holder shall be solely responsible for controlling and monitoring the use of all user identification codes and passwords to access the CBOE System (collectively, “Passwords”) issued to its Responsible Trader or Responsible Traders by the Exchange, shall provide the Passwords only to its Authorized Traders, and shall notify the Exchange promptly upon becoming aware of any unauthorized disclosure or use of the Passwords or access to the Exchange or of any other reason for deactivating Passwords. Each Trading Privilege Holder shall be bound by any actions taken through the use of its Passwords (other than any such actions resulting from the fault or negligence of the Exchange), including the execution of transactions, whether or not such actions were authorized by such Trading Privilege Holder or any of its directors, officers or employees.

(c) Each Trading Privilege Holder shall be solely responsible for ensuring that the connection point for any CBOE Workstation is in the United States, except as

otherwise expressly permitted by the Exchange. To the extent necessary to ensure the operational integrity of the CBOE System, the Exchange may at any time limit the locations of any or all CBOE Workstations to specified locations, and each Trading Privilege Holder shall ensure prompt compliance by itself and its Authorized Traders with any such limitation.

## **Market Making**

### **514. Market Maker Programs**

The Exchange may from time to time adopt one or more programs under which one or more Trading Privilege Holders or Authorized Traders may be designated as market makers with respect to one or more Contracts, and may be granted certain benefits in return for assuming obligations in order to provide liquidity and orderliness in the market or markets for such Contract or Contracts. Any such program may provide for any or all of the following:

- (a) qualifications, including any minimum net capital requirements, that any such market maker must satisfy;
- (b) the procedure by which Trading Privilege Holders or Authorized Traders may seek and receive designation as market makers;
- (c) the obligations of such market makers, including any applicable minimum bid and offer commitments; and
- (d) the benefits accruing to such market makers, including priority in the execution of transactions effected by Trading Privilege Holders or Authorized Traders in their capacity as market makers, reduced transaction fees or the receipt of compensatory payments from the Exchange.

### **515. DPMs**

(a) Without limiting the generality of Rule 514, the Exchange may from time to time approve such number of Trading Privilege Holders as DPMs, and allocate to such DPMs such number and types of Contracts, as it may deem necessary or appropriate. Any and all such approvals or allocations may be reviewed, conditioned or terminated at any time in accordance with this Rule 515.

(b) A Trading Privilege Holder desiring to act as a DPM shall file an application with the Exchange in such form as the Exchange may from time to time prescribe. DPMs shall be selected by the Exchange from among the applications from time to time on file with the Exchange, based on the Exchange's judgment as to which applicant or applicants is or are most qualified to perform the functions of a DPM. Factors to be considered in making such selection may include, but are not limited to, any one or more of the following:

- (i) the adequacy of each applicant's capital;

- (ii) each applicant's operational capacity;
  - (iii) the trading experience of, and observance of generally accepted standards of conduct by, each applicant and its Related Parties, in particular the individual or individuals who would represent such applicant in its capacity as a DPM (each, a "DPM Designee");
  - (iv) the number and experience of support personnel of each applicant who will be performing functions related to its DPM business;
  - (v) if applicable, the regulatory history of, and history of adherence to the Rules of the Exchange, rules of other self-regulatory organizations and Applicable Law by, each applicant and its Related Parties, in particular its DPM Designees;
  - (vi) the willingness and ability of each applicant to promote the Exchange as the marketplace of choice;
  - (vii) the market performance commitments of each applicant;
  - (viii) if applicable, any performance evaluations conducted pursuant to the Rules of the Exchange or rules of other self-regulatory organizations; and
  - (ix) in the event that one or more Related Parties of any applicant are or were at any time Related Parties of any other DPM, adherence by such other DPM to the requirements set forth in the Rules of the Exchange regarding responsibilities and obligations of DPMs during the time period while such Related Party or Related Parties held such position or positions with such other DPM.
- (c) In approving any applicant as a DPM, the Exchange may place one or more conditions or limitations on the approval, including but not limited to:
- (i) conditions concerning the capital, operations or personnel of such applicant, satisfaction of market performance commitments or benchmarks by such applicant, and the number or types of Contracts which may be allocated to such applicant; and
  - (ii) limitations regarding the time period for which such applicant is approved as a DPM (which time period may be subsequently extended by the Exchange at its sole discretion).
- (d) Each Trading Privilege Holder approved as a DPM shall retain such status until (x) it resigns as a DPM and the Exchange relieves such Trading Privilege Holder of its obligations to act as a DPM, (y) the Exchange suspends or terminates such DPM's status or (z) if applicable, the time period referred to in paragraph (c)(ii) above expires. In any of the foregoing circumstances, the Exchange shall have discretion to do one or both of the following:

(i) approve an interim DPM, pending the final approval of a new DPM pursuant to the regular procedures for DPM approval; and

(ii) allocate on an interim basis to one or more other DPMs the Contracts that were allocated to the DPM whose status is affected by such circumstances, pending a final allocation of such Contracts pursuant to paragraph (e) below.

Neither an interim approval nor an allocation made pursuant to this paragraph (d) shall constitute a prejudgment with respect to the final approval or allocation.

(e) In allocating Contracts to DPMs approved in accordance with paragraphs (b) and (c) above, the Exchange may: (i) consider any relevant information, including but not limited to performance, volume, capacity, market performance commitments, operational factors, efficiency, competitiveness and recommendations of committees of the Board or of the Exchange; (ii) place one or more conditions or limitations of the type specified in paragraph (c) above on the approval; or (iii) allocate any Contract to more than one DPM, such that the different DPMs serve at the same time but with respect to different contract months or in different time zones, or such that each of the DPMs serves as the DPM for such Contract on a rotating basis.

(f) No DPM may sell, transfer or assign any of its rights or obligations as a DPM (including but not limited to its allocation of any Contracts by virtue of its status as a DPM) without the prior written approval of such sale, transfer or assignment (including but not limited to the approval of the Person to which such rights, obligations or allocation are intended to be sold, transferred or assigned) by the Exchange. Any purported sale, transfer or assignment in violation of the foregoing sentence shall be void from the outset. For purposes of this paragraph (f), the following transactions shall be deemed to constitute a transfer of a DPM's rights or obligations:

(i) any sale, transfer or assignment of five percent of the equity or profits or losses of a DPM (or any series of smaller changes that in the aggregate amount to a change of at least such percentage); *provided* that any sale, transfer or assignment of an interest of less than such percentage may be found by the Exchange to constitute a transfer of a DPM's rights or obligations if the particular facts and circumstances warrant such a determination;

(ii) any change in, or transfer of, Control of a DPM; and

(iii) any merger, sale of assets or other business combination or reorganization involving a DPM.

(g) The Exchange may from time to time evaluate a DPM's performance with respect to, among other things, one or more of the following: quality of markets, market share (taking into account all contracts similar to the relevant Contract or Contracts), administrative factors and observance of ethical standards. In this

connection, the Exchange may consider any relevant information, including but not limited to market share and trading data, a DPM's regulatory history and such other factors and data as may be pertinent under the circumstances.

(h) The Exchange may terminate, place conditions upon or otherwise limit a Trading Privilege Holder's approval to act as a DPM or a DPM's allocation of Contracts, under any one or more of the following circumstances:

(i) if the Exchange finds in connection with an evaluation under paragraph (g) above that such Trading Privilege Holder's performance as a DPM has been unsatisfactory;

(ii) if such Trading Privilege Holder becomes subject to a material financial, operational or personnel change;

(iii) if such Trading Privilege Holder fails to (A) comply with any conditions previously placed upon its approval as a DPM or its allocation of Contracts or (B) perform its obligations under paragraph (j) below; or

(iv) if for any reason such Trading Privilege Holder is no longer eligible for approval as a DPM or to be allocated a particular number or type of Contracts.

(i) Each applicant for approval as a DPM pursuant to paragraph (b) above shall be given an opportunity to present any matter which it wishes the Exchange to consider in conjunction with the application. Prior to taking any remedial action against a DPM pursuant to paragraph (h) above, such DPM shall be given notice thereof and an opportunity to present any matter which it wishes the Exchange to consider in determining whether to take such action. The Exchange may require that any presentation under this paragraph (i) be made partially or entirely in writing, and may require the submission of additional information from any Person wishing to make a presentation under this paragraph (i). Formal rules of evidence shall not apply to any proceeding involving such a presentation. Notwithstanding the foregoing, the Exchange shall have the authority to immediately terminate, condition or otherwise limit a Trading Privilege Holder's approval to act as a DPM in accordance with subparagraph (h)(ii) above, without prior notice or opportunity to make a presentation under this paragraph (i), if the financial, operational or personnel change in question warrants such action.

(j) DPMs shall have such rights and obligations as the Exchange may specify in connection with their approval or prescribe from time to time in policies or procedures.

Amended May 13, 2004 (04-11); July 26, 2005 (05-20).

## 516. Customer Margin Requirements for Contracts other than Security Futures

(a) *Scope of Rule.* This Rule 516 shall apply to positions resulting from transactions in Contracts other than Security Futures, traded on the Exchange or subject to the Rules of the Exchange, to the extent that such positions are held by Clearing Members and, if applicable, Trading Privilege Holders on behalf of Customers in futures accounts (as such term is defined in Commission Regulation § 1.3(vv) and Exchange Act Regulation 15c3-3(a)). No Clearing Member or, if applicable, Trading Privilege Holder may effect a transaction or carry a position in a Contract other than Security Futures in the account of a Customer, whether or not such Customer is a Trading Privilege Holder, without proper and adequate margin in accordance with this Rule 516 and all other applicable Rules of the Exchange.

In addition, Clearing Members and, if applicable, Trading Privilege Holders must adhere to the procedures set forth in the "Margins Handbook" issued by the Joint Audit Committee. In the event the Margins Handbook is inconsistent with the Rules of the Exchange, the Rules of the Exchange shall have precedence. Terms used in this Rule 516 that are not defined in the Rules of the Exchange shall have the meanings set forth in the Margins Handbook.

(b) *Computation of Margin Requirements.* Clearing Members and, if applicable, Trading Privilege Holders must employ a risk-based portfolio margining system acceptable to the Exchange, such as the Standard Portfolio Analysis of Risk (SPAN®)\* margin system, to compute margin requirements on the applicable Contracts. The margin requirements imposed by this Rule 516 are the minimum requirements. Clearing Members and, if applicable, Trading Privilege Holders may impose higher rates and/or more stringent requirements.

(c) *Margin Rates.* The Exchange shall determine the rates used to derive initial and maintenance margin requirements for any Contract. In the event of a change in the margin requirement levels required by the Exchange, such change shall apply to both new and existing positions. The Exchange shall have the authority to apply different margin rates or margin requirement levels to different types of accounts at its discretion.

(d) *Acceptable Margin Deposits.* Clearing Members and, if applicable, Trading Privilege Holders may accept from Customers as margin the following: cash currencies of any denomination, readily marketable securities (as defined by Exchange Act Rule 15c3-1(c)(11) and applicable Securities and Exchange Commission interpretations), money market mutual funds allowable under Commission Regulation § 1.25, and letters of credit issued by a bank or trust company.

Securities that have been issued by the Customer or an affiliate of the Customer shall not be accepted as margin unless the Clearing Member or Trading Privilege Holder files a petition with, and receives permission from, the Exchange. Bank-issued and trust-issued letters of credit must be drawable in the United States and

in a form acceptable to the Exchange. Letters of credit in a form approved by the Clearing Corporation are deemed a form acceptable to the Exchange. Letters of credit issued by the Customer, an affiliate of the Customer, the Clearing Member, an affiliate of the Clearing Member, or, if applicable, the Trading Privilege Holder or an affiliate of the Trading Privilege Holder shall not be accepted by Clearing Members or Trading Privilege Holders as margin. All Customer assets accepted by Clearing Members and, if applicable, Trading Privilege Holders as margin deposits must be and remain unencumbered by third party liens against the depositing Customer. Cash currency margin deposits shall be valued at market value, unless the Exchange has prescribed otherwise. Clearing Members and, if applicable, Trading Privilege Holders must comply with Commission Regulation § 1.49 when accepting and holding foreign currencies as a margin deposit on any Contract. All other margin deposits shall be valued at an amount not to exceed market value less applicable deductions, as set forth in Exchange Act Rule 15c3-1.

(e) *Order Acceptance.* Clearing Members and, if applicable, Trading Privilege Holders shall not accept orders for an account unless sufficient margin is on deposit in the account or is forthcoming within a reasonable period of time. In the event an account has been subject to a margin call for an unreasonable time, Clearing Members and, if applicable, Trading Privilege Holders are only permitted to accept orders that reduce the margin requirements of positions existing in the account. In the event an account has been in debit for an unreasonable time, Clearing Members and, if applicable, Trading Privilege Holders are not permitted to accept orders.

(f) *Margin Calls.* Calls for margin in the amount necessary to reach the initial margin equity requirement must be issued: (i) when margin equity in an account initially falls below the maintenance margin requirement, and (ii) subsequently, when the sum of margin equity plus existing margin calls in an account is less than the maintenance margin requirement. Such calls must be made within one business day after the occurrence of the event that gives rise to the call. A Clearing Member and, if applicable, Trading Privilege Holder may, at any time, at its discretion, call for additional margin. A Clearing Member and, if applicable, Trading Privilege Holder is not required to call for or collect margin for day trades.

(g) *Reduction/Deletion of Margin Calls.* A margin call may be reduced only through the receipt of margin deposits permitted pursuant to Rule 516(d). A margin call may be deleted through: (i) the receipt of margin deposits permitted under Rule 516(d) that equals or exceeds the amount of the total margin call, or (ii) inter-day favorable market movements and/or the liquidation of positions, provided that margin equity in the account is equal to or greater than the initial margin requirement. The oldest outstanding margin call shall be reduced first.

(h) *Margin Call Records.* Clearing Members and, if applicable, Trading Privilege Holders must maintain written records of all margin calls made, reduced and deleted.

(i) *Release of Margin Deposits.* Clearing Members and, if applicable, Trading Privilege Holders may release margin deposits to a Customer only if such deposits are in excess of the initial margin requirements.

(j) *Loans to Customers.* Clearing Members and, if applicable, Trading Privilege Holders may not extend loans to Customers to use as a margin deposit unless such loans are secured, as defined in Commission Regulation §1.17(c)(3), and the proceeds of such loans are treated in accordance with Commission Regulation §1.30.

(k) *Aggregation of Accounts and Positions.* For margin purposes, Clearing Members and, if applicable, Trading Privilege Holders may aggregate Customer accounts having identical ownership within the same classification of Customer segregated, Customer secured, and nonsegregated.

(l) *Hedge Rate Eligibility.* When extending hedge margin rates, Clearing Members and, if applicable Trading Privilege Holders must have reasonable support that such rates are being applied to bona-fide hedge and risk management positions, as defined by Rule 412.

(m) *Omnibus Accounts.*

(i) Margin shall be collected on a gross basis in the case of a foreign or domestic omnibus account.

(ii) Maintenance margin requirements shall serve as both the initial and maintenance margin requirements in the case of omnibus accounts.

(iii) Written instructions from foreign and domestic omnibus accounts shall be obtained and maintained for positions entitled to spread or hedge margin rates.

(n) *Liquidation of Accounts.* In the event a margin call is not met within a reasonable time (for purposes of Rule 516(n), one hour is deemed to be a reasonable time), the Customer's trades, or a sufficient portion thereof, may be closed-out in order to attain the required margin status. A determination as to when and under what circumstances liquidation may occur is at the full discretion of the Clearing Member or, if applicable, Trading Privilege Holder.

(o) *Failure to Maintain Margin Requirements.* The Exchange may direct a Clearing Member or, if applicable, Trading Privilege Holder to immediately liquidate all or part of a Customer's positions to eliminate a margin deficiency if the Clearing Member or Trading Privilege Holder has failed to maintain margin requirements for the account in accordance with Rule 516.

\* "SPAN" is a registered trademark of Chicago Mercantile Exchange Inc., used herein under license. Chicago Mercantile Exchange Inc. assumes no liability in connection with the use of SPAN by any person or entity.

Adopted February 17, 2004 (04-02). Amended March 26, 2004 (04-07); May 13, 2003 (04-13); July 26, 2005 (05-20).

### **517. Customer Margin Requirements for Contracts that are Security Futures**

(a) *Scope of Rule.* This Rule 517 shall apply to positions resulting from transactions in Security Futures, traded on the Exchange or subject to the Rules of the Exchange to the extent that such positions are held by Clearing Members or, if applicable, Trading Privilege Holders on behalf of Customers in futures accounts (as such term is defined in Commission Regulation § 1.3(vv) and Exchange Act Regulation 15c3-3(a)), with paragraph (n) of this Rule 517 also applying to such positions held in securities accounts (as such term is defined in Commission Regulation 1.3(wv) and Exchange Act Regulation 15c3-3(a)). As used in this Rule 517, the term “Customer” does not include (i) any exempted person (as such term is defined in Commission Regulation § 41.43(a)(9) and Exchange Act Regulation 401(a)(9)) and (ii) any Market Maker (as such term is defined in paragraph (n) below). Nothing in this Rule 517 shall alter the obligation of each Clearing Member and, if applicable, Trading Privilege Holder to comply with Applicable Law relating to customer margin for transactions in Security Futures, including without limitation Commission Regulations §§ 41.42 through 41.49 or Rules 400 through 406 under the Exchange Act, as applicable (including in each case any successor regulations or rules).

(b) *Margin System.* The Standard Portfolio Analysis of Risk (SPAN<sup>®</sup>)\* is the margin system adopted by the Exchange. SPAN<sup>®</sup> generated margin requirements shall constitute Exchange margin requirements. All references to margin in the Rules of the Exchange shall be to margin computed on the basis of SPAN<sup>®</sup>. Margin systems other than SPAN<sup>®</sup> may be used to meet Exchange margin requirements if the relevant Clearing Member or, if applicable, Trading Privilege Holder can demonstrate that its margin system will result in margin requirements that are in all cases equal to or greater than the corresponding requirements determined on the basis of SPAN<sup>®</sup>.

(c) *Margin Rate.* The Exchange will set and publish the initial and maintenance margin rates to be used in determining Exchange margin requirements; *provided* that in no case shall the required margin for any long or short position held by a Clearing Member or, if applicable, Trading Privilege Holder on behalf of a Customer be less than the rate from time to time determined by the Commission and the Securities and Exchange Commission for purposes of Commission Regulation § 41.45(b)(1) and Rule 403(b)(1) under the Exchange Act unless a lower margin level is available for such position pursuant to paragraph (m) below.

(d) *Acceptable Margin Deposits.*

(i) Clearing Members and, if applicable, Trading Privilege Holders may accept from their Customers as margin deposits of cash,

margin securities (subject to the limitations set forth in the following sentence), exempted securities, any other assets permitted under Regulation T of the Board of Governors of the Federal Reserve System (as in effect from time to time) to satisfy a margin deficiency in a securities margin account, and any combination of the foregoing, each as valued in accordance with Commission Regulation § 41.46(c) and (e) or Rule 404(c) and (e) under the Exchange Act, as applicable. Shares of a money market mutual fund that meet the requirements of Commission Regulations § 1.25 and § 41.46(b)(2) and Rule 404(b)(2) under the Exchange Act, as applicable, may be accepted as a margin deposit from a Customer for purposes of this Rule 517.

(ii) A Clearing Member or, if applicable, Trading Privilege Holder shall not accept as margin from any Customer securities that have been issued by such Customer or an Affiliate of such Customer unless such Clearing Member or Trading Privilege Holder files a petition with and receives permission from the Exchange for such purpose.

(iii) All assets deposited by a Customer to meet margin requirements must be and remain unencumbered by third party claims against the depositing Customer.

(iv) Except to the extent prescribed otherwise by the Exchange, cash margin deposits shall be valued at market value and all other margin deposits shall be valued at an amount not to exceed that set forth in Commission Regulation § 41.46(c) and (e) or Rule 404(c) and (e) under the Exchange Act, as applicable (including in each case any successor regulations or rules).

(e) *Acceptance of Orders.* Clearing Members and, if applicable, Trading Privilege Holders may accept Orders for a particular Customer account only if sufficient margin is on deposit in such account or is forthcoming within a reasonable period of time (which shall be no more than five Business Days, although the relevant Clearing Member or, if applicable, Trading Privilege Holder may deem one hour to be a reasonable period of time). For a Customer account that has been subject to calls for margin for an unreasonable period of time, Clearing Members and, if applicable, Trading Privilege Holders may only accept Orders that, when executed, will reduce the margin requirements resulting from the existing positions in such account. Clearing Members and, if applicable, Trading Privilege Holders may not accept Orders for a Customer account that would liquidate to a deficit or that has a debit balance.

(f) *Margin Calls.* Clearing Members and, if applicable, Trading Privilege Holders must call for margin from a particular Customer:

(i) when the margin equity on deposit in such Customer's account falls below the applicable maintenance margin requirement; or

(ii) subsequently, when the margin equity on deposit in such Customer's account, together with any outstanding margin calls, is less than the applicable maintenance margin requirement.

Any such call must be made within one Business Day after the occurrence of the event giving rise to such call. Clearing Members and, if applicable, Trading Privilege Holders may call for additional margin at their discretion.

Clearing Members and, if applicable, Trading Privilege Holders shall reduce any call for margin only to the extent that margin deposits permitted under paragraph (d) above are received in the relevant account. Clearing Members and, if applicable, Trading Privilege Holders may delete any call for margin only if (i) margin deposits permitted under paragraph (d) above equal to or in excess of the deposits called are received in the relevant account or (ii) inter-day favorable market movements or the liquidation of positions result in the margin on deposit in the relevant account being equal to or greater than the applicable initial margin requirement. In the event of any such reduction or deletion, the oldest outstanding margin call shall be reduced or deleted first.

Clearing Members and, if applicable, Trading Privilege Holders, shall maintain written records of any and all margin calls issued, reduced or deleted by them.

(g) *Disbursements of Excess Margin.* Clearing Members and, if applicable, Trading Privilege Holders may release to Customers margin on deposit in any account only to the extent that such margin is in excess of the applicable initial margin requirement under this Rule 517 and any other applicable margin requirement.

(h) *Loans to Customers.* Clearing Members and, if applicable, Trading Privilege Holders may not extend loans to Customers for margin purposes unless such loans are secured within the meaning of Commission Regulation § 1.17(c)(3). The proceeds of any such loan must be treated in accordance with Commission Regulation § 1.30.

(i) *Aggregation of Accounts and Positions.* For purposes of determining margin requirements under this Rule 517, Clearing Members and, if applicable, Trading Privilege Holders shall aggregate accounts under identical ownership if such accounts fall within the same classifications of customer segregated, customer secured, special reserve account for the exclusive benefit of customers and non-segregated for margin purposes. Clearing Members and, if applicable, Trading Privilege Holders may compute margin requirements for identically owned concurrent long and short positions on a net basis.

(j) *Omnibus Accounts.* Clearing Members and, if applicable, Trading Privilege Holders shall collect margin on a gross basis for positions held in domestic and foreign omnibus accounts. For omnibus accounts, initial margin requirements shall equal the corresponding maintenance margin requirements. Clearing Members and, if applicable, Trading Privilege Holders shall obtain and

maintain written instructions from domestic and foreign omnibus accounts for positions that are eligible for offsets pursuant to paragraph (m) below.

(k) *Liquidation of Positions.* If a Customer fails to comply with a margin call required by Commission Regulations §§ 41.42 through 41.49 or Rules 400 through 406 under the Exchange Act, as applicable, within a reasonable period of time (which shall be no more than five Business Days, although the relevant Clearing Member or, if applicable, Trading Privilege Holder may deem one hour to be a reasonable period of time), the relevant Clearing Member or, if applicable, Trading Privilege Holder may liquidate positions in such Customer's account to ensure compliance with the applicable margin requirements.

(l) *Failure to Maintain Required Margin.* If a Clearing Member or, if applicable, Trading Privilege Holder fails to maintain sufficient margin for any Customer account in accordance with this Rule 517, the Exchange may direct such Clearing Member or Trading Privilege Holder to immediately liquidate all or any part of the positions in such account to eliminate the deficiency.

(m) *Offsetting Positions.* For purposes of Commission Regulation § 41.45(b)(2) and Rule 403(b)(2) under the Exchange Act, the initial and maintenance margin requirements for offsetting positions involving Security Futures, on the one hand, and related positions, on the other hand, are set at the levels specified in Schedule A to this Chapter 5.

(n) *Exclusion for Market Makers.*

(i) A Person shall be a "Market Maker" for purposes of this Rule 517, and shall be excluded from the requirements set forth in Commission Regulations §§ 41.42 through 41.49 and Rules 400 through 406 under the Exchange Act, as applicable, in accordance with Commission Regulation § 41.42(c)(2)(v) and Rule 400(c)(2)(v) under the Exchange Act with respect to all trading in Security Futures for its own account, if such Person is a Trading Privilege Holder or Authorized Trader that is registered with the Exchange as a dealer (as such term is defined in Section 3(a)(5) of the Exchange Act) in Security Futures.

(ii) Each Market Maker shall:

(A) be registered as a floor trader or a floor broker with the Commission under Section 4f(a)(1) of the CEA or as a dealer with the Securities and Exchange Commission (or any successor agency or authority) under Section 15(b) of the Exchange Act;

(B) maintain records sufficient to prove compliance with the requirements set forth in this paragraph (n) and Commission Regulation § 41.42(c)(2)(v) or Rule 400(c)(2)(v) under the Exchange Act, as applicable, including without limitation trading account statements and other financial records sufficient to detail activity; and

(C) hold itself out as being willing to buy and sell Security Futures for its own account on a regular or continuous basis.

A Market Maker satisfies condition (C) above if:

(1) such Market Maker: (x) provides continuous two-sided quotations throughout the trading day for all delivery months of Security Futures representing a meaningful proportion of the total trading volume on the Exchange from Security Futures in which that Market Maker is designated as a Market Maker, subject to relaxation during unusual market conditions as determined by the Exchange (such as a fast market in either a Security Future or a security underlying such Security Future) at which times such Market Maker must use its best efforts to quote continuously and competitively; and (y) when providing quotations, quotes with a maximum bid/ask spread of no more than the greater of \$0.20 or 150% of the bid/ask spread in the primary market for the security underlying each Security Future; or

(2) such Market Maker: (x) responds to at least 75% of the requests for quotation for all delivery months of Security Futures representing a meaningful proportion of the total trading volume on the Exchange from Security Futures in which that Market Maker is designated as a Market Maker, subject to relaxation during unusual market conditions as determined by the Exchange (such as a fast market in either a Security Future or a security underlying such Security Future) at which times such Market Maker must use its best efforts to quote competitively; and (y) when responding to requests for quotation, quotes within five seconds with a maximum bid/ask spread of no more than the greater of \$0.20 or 150% of the bid/ask spread in the primary market for the security underlying each Security Future.

For purposes of clauses (1) and (2) above, beginning on the 181<sup>st</sup> calendar day after the commencement of trading of Security Futures, a “meaningful proportion of the total trading volume on the Exchange from Security Futures in which that Market Maker is designated as a Market Maker” shall mean a minimum of 20% of such trading volume.

(iii) Any Market Maker that fails to comply with the Rules of the Exchange, Commission Regulations §§ 41.42 through 41.49 or Rules 400 through 406 under the Exchange Act, as applicable, shall be subject to disciplinary action in accordance with Chapter 7. Appropriate sanctions in the case of any such failure shall include, without limitation, a revocation of such Market Maker’s registration as a dealer in Security Futures pursuant to clause (i) above.

\* "SPAN" is a registered trademark of Chicago Mercantile Exchange Inc., used herein under license. Chicago Mercantile Exchange Inc. assumes no liability in connection with the use of SPAN by any person or entity.

Adopted July 26, 2005 (05-20).

## Schedule A to Chapter 5

### Margin Levels for Offsetting Positions

	DESCRIPTION OF OFFSET	SECURITY UNDERLYING THE SECURITY FUTURE	INITIAL MARGIN REQUIREMENT	MAINTENANCE MARGIN REQUIREMENT
<b>1</b>	<b>Long security future (or basket of security futures representing each component of a narrow-based securities index<sup>1</sup>) and long put option<sup>2</sup> on the same underlying security (or index)</b>	Individual stock or narrow-based security index	20% of the current market value of the long security future, plus pay for the long put in full.	The lower of: (1) 10% of the aggregate exercise price <sup>3</sup> of the put plus the aggregate put out-of-the-money <sup>4</sup> amount, if any; or (2) 20% of the current market value of the long security future.

<sup>1</sup> Baskets of securities or security futures contracts must replicate the securities that comprise the index, and in the same proportion.

<sup>2</sup> Generally, for the purposes of these rules, unless otherwise specified, stock index warrants shall be treated as if they were index options.

<sup>3</sup> “Aggregate exercise price,” with respect to an option or warrant based on an underlying security, means the exercise price of an option or warrant contract multiplied by the numbers of units of the underlying security covered by the option contract or warrant. “Aggregate exercise price” with respect to an index option, means the exercise price multiplied by the index multiplier. *See, e.g.*, Amex Rules 900 and 900C; CBOE Rule 12.3; and FINRA Rule 2522.

<sup>4</sup> “Out-of-the-money” amounts shall be determined as follows:

- (1) for stock call options and warrants, any excess of the aggregate exercise price of the option or warrant over its current market value (as determined in accordance with Regulation T of the Board of Governors of the Federal Reserve System);
- (2) for stock put options or warrants, any excess of the current market value (as determined in accordance with Regulation T of the Board of Governors of the Federal Reserve System) of the option or warrant over its aggregate exercise price;
- (3) for stock index call options and warrants, any excess of the aggregate exercise price of the option or warrant over the product of the current index value and the applicable index multiplier; and
- (4) for stock index put options and warrants, any excess of the product of the current index value and the applicable index multiplier over the aggregate exercise price of the option or warrant. *See, e.g.*, NYSE Rule 431 (Exchange Act Release No. 42011 (October 14, 1999), 64 FR 57172 (October 22, 1999) (order approving SR-NYSE-99-03)); Amex Rule 462 (Exchange Act Release No. 43582 (November 17, 2000), 65 FR 71151 (November 29, 2000) (order approving SR-Amex-99-27)); CBOE Rule 12.3 (Exchange Act Release No. 41658 (July 27, 1999), 64 FR 42736 (August 5, 1999) (order approving SR-CBOE-97-67)); or FINRA Rule 2520 (Exchange Act Release No. 43581 (November 17, 2000), 65 FR 70854 (November 28, 2000) (order approving SR-NASD-00-15)).

	DESCRIPTION OF OFFSET	SECURITY UNDERLYING THE SECURITY FUTURE	INITIAL MARGIN REQUIREMENT	MAINTENANCE MARGIN REQUIREMENT
2	<b>Short security future (or basket of security futures representing each component of a narrow-based securities index) and short put option on the same underlying security (or index)</b>	Individual stock or narrow-based security index	20% of the current market value of the short security future, plus the aggregate put in-the-money amount, if any. Proceeds from the put sale may be applied.	20% of the current market value of the short security future, plus the aggregate put in-the-money amount, if any. <sup>5</sup>
3	<b>Long security future and short position in the same security (or securities basket) underlying the security future</b>	Individual stock or narrow-based security index	The initial margin required under Regulation T for the short stock or stocks.	5% of the current market value as defined in Regulation T of the stock or stocks underlying the security future.
4	<b>Long security future (or basket of security futures representing each component of a narrow-based securities index) and short call option on the same underlying security (or index)</b>	Individual stock or narrow-based security index	20% of the current market value of the long security future, plus the aggregate call in-the-money amount, if any. Proceeds from the call sale may be applied.	20% of the current market value of the long security future, plus the aggregate call in-the-money amount, if any.
5	<b>Long a basket of narrow-based security futures that together tracks a broad-based index and short a broad-based security index call option contract on the same index</b>	Narrow-based security index	20% of the current market value of the long basket of narrow-based security futures, plus the aggregate call in-the-money amount, if any. Proceeds from the call sale may be applied.	20% of the current market value of the long basket of narrow-based security futures, plus the aggregate call in-the-money amount, if any.
6	<b>Short a basket of narrow-based security futures that together tracks a broad-based security index and short a broad-based security index put option contract on the same index</b>	Narrow-based security index	20% of the current market value of the short basket of narrow-based security futures, plus the aggregate put in-the-money amount, if any. Proceeds from the put sale may be applied.	20% of the current market value of the short basket of narrow-based security futures, plus the aggregate put in-the-money amount, if any.

<sup>5</sup> “In-the-money” amounts must be determined as follows:

- (1) for stock call options and warrants, any excess of the current market value (as determined in accordance with Regulation T of the Board of Governors of the Federal Reserve System) of the option or warrant over its aggregate exercise price;

- (2) for stock put options or warrants, any excess of the aggregate exercise price of the option or warrant over its current market value (as determined in accordance with Regulation T of the Board of Governors of the Federal Reserve System);
- (3) for stock index call options and warrants, any excess of the product of the current index value and the applicable index multiplier over the aggregate exercise price of the option or warrant; and
- (4) for stock index put options and warrants, any excess of the aggregate exercise price of the option or warrant over the product of the current index value and the applicable index multiplier.

	DESCRIPTION OF OFFSET	SECURITY UNDERLYING THE SECURITY FUTURE	INITIAL MARGIN REQUIREMENT	MAINTENANCE MARGIN REQUIREMENT
7	<b>Long a basket of narrow-based security futures that together tracks a broad-based security index and long a broad-based security index put option contract on the same index</b>	Narrow-based security index	20% of the current market value of the long basket of narrow-based security futures, plus pay for the long put in full.	The lower of: (1) 10% of the aggregate exercise price of the put, plus the aggregate put out-of-the-money amount, if any; or (2) 20% of the current market value of the long basket of security futures.
8	<b>Short a basket of narrow-based security futures that together tracks a broad-based security index and long a broad-based security index call option contract on the same index</b>	Narrow-based security index	20% of the current market value of the short basket of narrow-based security futures, plus pay for the long call in full.	The lower of: (1) 10% of the aggregate exercise price of the call, plus the aggregate call out-of-the-money amount, if any; or (2) 20% of the current market value of the short basket of security futures.
9	<b>Long security future and short security future on the same underlying security (or index)</b>	Individual stock or narrow-based security index	The greater of: 5% of the current market value of the long security future; or (2) 5% of the current market value of the short security future.	The greater of: 5% of the current market value of the long security future; or (2) 5% of the current market value of the short security future.
10	<b>Long security future, long put option and short call option. The long security future, long put and short call must be on the same underlying security and the put and call must have the same exercise price. (Conversion)</b>	Individual stock or narrow-based security index	20% of the current market value of the long security future, plus the aggregate call in-the-money amount, if any, plus pay for the put in full. Proceeds from the call sale may be applied.	10% of the aggregate exercise price, plus the aggregate call in-the-money amount, if any.
11	<b>Long security future, long put option and short call option. The long security future, long put and short call must be on the same underlying security and the put exercise price must be below the call exercise price (Collar)</b>	Individual stock or narrow-based security index	20% of the current market value of the long security future, plus the aggregate call in-the-money amount, if any, plus pay for the put in full. Proceeds from call sale may be applied.	The lower of: (1) 10% of the aggregate exercise price of the put plus the aggregate put out-of-the-money amount, if any; or (2) 20% of the aggregate exercise price of the call, plus the aggregate call in-the-money amount, if any.
12	<b>Short security future and long position in the same security (or securities basket) underlying the security future</b>	Individual stock or narrow-based security index	The initial margin required under Regulation T for the long stock or stocks.	5% of the current market value, as defined in Regulation T, of the long stock or stocks.

	DESCRIPTION OF OFFSET	SECURITY UNDERLYING THE SECURITY FUTURE	INITIAL MARGIN REQUIREMENT	MAINTENANCE MARGIN REQUIREMENT
13	<b>Short security future and long position in a security immediately convertible into the same security underlying the security future, without restriction, including the payment of money</b>	Individual stock or narrow-based security index	The initial margin required under Regulation T for the long security.	10% of the current market value, as defined in Regulation T, of the long security.
14	<b>Short security future (or basket of security futures representing each component of a narrow-based securities index) and long call option or warrant on the same underlying security (or index)</b>	Individual stock or narrow-based security index	20% of the current market value of the short security future, plus pay for the call in full.	The lower of: (1) 10% of the aggregate exercise price of the call, plus the aggregate call out-of-the-money amount, if any; or (2) 20% of the current market value of the short security future.
15	<b>Short security future, Short put option and long call option. The short security future, short put and long call must be on the same underlying security and the put and call must have the same exercise price. (Reverse Conversion)</b>	Individual stock or narrow-based security index	20% of the current market value of the short security future, plus the aggregate put in-the-money amount, if any, plus pay for the call in full. Proceeds from put sale may be applied.	10% of the aggregate exercise price, plus the aggregate put in-the-money amount, if any.
16	<b>Long (short) a basket of security futures, each based on a narrow-based security index that together tracks the broad-based index and short (long) a broad-based index future</b>	Narrow-based security index	5% of the current market value for the long (short) basket of security futures.	5% of the current market value of the long (short) basket of security futures.
17	<b>Long (short) a basket of security futures that together tracks a narrow-based index and short (long) a narrow-based index future</b>	Individual stock and narrow-based security index	The greater of: (1) 5% of the current market value of the long security future(s); or (2) 5% of the current market value of the short security future(s).	The greater of: (1) 5% of the current market value of the long security future(s); or (2) 5% of the current market value of the short security future(s).
18	<b>Long (short) a security future and short (long) an identical security future traded on a different market.<sup>6</sup></b>	Individual stock and narrow-based security index	The greater of: (1) 3% of the current market value of the long security future(s); or (2) 3% of the current market value of the short security future(s).	The greater of: (1) 3% of the current market value of the long security future(s); or (2) 3% of the current market value of the short security future(s).

<sup>6</sup> Two security futures will be considered “identical” for this purpose if they are issued by the same clearing agency or cleared and guaranteed by the same derivatives clearing organization, have identical contract specifications, and would offset each other at the clearing level.

## **CHAPTER 6 BUSINESS CONDUCT**

### **601. Fraudulent Acts**

Neither a Trading Privilege Holder nor any of its Related Parties shall engage in any fraudulent act or engage in any scheme to defraud, deceive or trick, in connection with or related to any trade on or other activity related to the Exchange or the Clearing Corporation.

### **602. Fictitious Transactions**

Neither a Trading Privilege Holder nor any of its Related Parties shall create fictitious transactions or execute any Order for a fictitious transaction with knowledge of its nature.

### **603. Market Manipulation**

Any manipulation of the market in any Contract is prohibited. Orders entered into the CBOE System for the purpose of generating unnecessary volatility or creating a condition in which prices do not or will not reflect fair market values are prohibited and any Trading Privilege Holder (including its respective Related Parties) who makes or assists in entering any such Order with knowledge of the purpose thereof or who, with such knowledge, in any way assists in carrying out any plan or scheme for the entering of any such Order, shall be deemed to have engaged in an act detrimental to the Exchange.

Amended July 26, 2005 (05-20).

### **604. Adherence to Law**

No Trading Privilege Holder (including its Related Parties) shall engage in conduct in violation of Applicable Law, the Rules of the Exchange or the Rules of the Clearing Corporation (insofar as the Rules of the Clearing Corporation relate to the reporting or clearance of any transaction in Contracts).

### **605. Sales Practice Rules**

Without limiting the generality of Rule 604, each Trading Privilege Holder (including its Related Parties) shall comply with any and all sales practice rules (including those relating to bunched orders, opening and approval of accounts, suitability, use of discretion, supervision of accounts, risk disclosure document delivery, communications, monthly statements and confirmations, registration, qualification and continuing education, customer complaints, prohibition against guarantees and profit sharing and money laundering) from time to time promulgated by the NFA or, in the case of Security Futures, from time to time promulgated by the NFA or FINRA, which rules are hereby incorporated by reference into this Rule 605.

Amended July 26, 2005 (05-20); February 23, 2009 (09-03).

**606. Prohibition of Misstatements**

It shall be an offense to make any misstatement of a material fact to the Exchange, including the Board, any committee thereof or any director, officer or employee of the Exchange.

**607. Use of Trading Privileges**

Neither a Trading Privilege Holder nor any of its Related Parties may use its Trading Privileges or access the Exchange in any way which could be expected to bring disrepute upon such Trading Privilege Holder or the Exchange.

**608. Acts Detrimental to the Exchange; Acts Inconsistent with Just and Equitable Principles of Trade**

It shall be an offense to violate any Rule of the Exchange or Rule of the Clearing Corporation regulating the conduct or business of a Trading Privilege Holder (including its respective Related Parties) or any agreement made with the Exchange, or to engage in any act detrimental to the Exchange or in conduct inconsistent with just and equitable principles of trade.

**609. Supervision**

Each Trading Privilege Holder shall be responsible for establishing, maintaining and administering reasonable supervisory procedures to ensure that its Related Parties comply with Applicable Law, the Rules of the Exchange and the Rules of the Clearing Corporation, and may be held accountable for the actions of such Related Parties. In addition, each Responsible Trader shall be responsible for supervising the Related Parties of the Trading Privilege Holder represented by it, and may be held accountable for the actions of such Related Parties.

**610. Priority of Customers' Orders**

(a) No Trading Privilege Holder (including its Related Parties) shall knowingly buy a Contract for a personal or proprietary account of such Trading Privilege Holder or Related Party or for an account in which such Trading Privilege Holder or Related Party has a proprietary interest, when such Trading Privilege Holder or Related Party has in hand Orders to buy the same Contract for any other Person at the same price or at the market price. No Trading Privilege Holder (including its Related Parties) shall knowingly sell a Contract for a personal or proprietary account of such Trading Privilege Holder or Related Party or for an account in which such Trading Privilege Holder or Related Party has a proprietary interest, when such Trading Privilege Holder or Related Party has in hand Orders to sell the same Contract for any other Person at the same price or at the market price.

(b) No Trading Privilege Holder (including its Related Parties) shall knowingly execute a discretionary Order for any Contract, including, without limitation, an Order allowing such Trading Privilege Holder (including its Related

Parties) discretion as to time and price, for an immediate family member or for a personal or proprietary account of any other Trading Privilege Holder or Related Party, when such Trading Privilege Holder or Related Party has in hand any Customer Market Order for the same Contract open as to time and price.

(c) An Authorized Trader entering Orders into the CBOE System must enter all Customer Orders that the CBOE System is capable of accepting before entering an Order for a personal or proprietary account of such Authorized Trader or the related Trading Privilege Holder, an account in which such Authorized Trader or Trading Privilege Holder has a proprietary interest or an Order for a discretionary account, including an Order allowing such Authorized Trader or Trading Privilege Holder discretion as to time and price, for an immediate family member or for a personal or proprietary account of any other Trading Privilege Holder or Related Party.

(d) For purposes of this Rule 610, no Trading Privilege Holder that consists of more than one individual, shall be deemed to knowingly buy or sell a Contract or execute a discretionary Order if (i) such Trading Privilege Holder has in place appropriate “firewall” or separation of function procedures and (ii) the individual buying or selling the Contract or executing the discretionary Order in question has no direct knowledge of the Order to buy or sell the same Contract for any other Person at the same price or at the market price or of the Customer Order for the same Contract, as the case may be. Nothing in this Rule 610 shall limit the ability of an “eligible account manager” to bunch Orders in accordance with Commission Regulation § 1.35(a-1)(5).

#### **611. Trading Against Customers’ Orders**

No Trading Privilege Holder (including its Related Parties) shall enter into a transaction on behalf of a Customer in which such Trading Privilege Holder or Related Party or any Person trading for an account in which such Trading Privilege Holder or Related Party has a financial interest, intentionally assumes the opposite side of the transaction. The foregoing restriction shall not prohibit pre-execution discussions conducted in accordance with procedures established by the Exchange from time to time, and shall not apply to any Exchange of Contract for Related Position, any Block Trade or any facilitation crossing transaction meeting all of the following criteria (or such other criteria as may be established by the Exchange from time to time):

(a) the Customer has previously consented in writing to such transactions and such consent has not been revoked prior to the applicable transaction;

(b) if the Trading Privilege Holder desires to cross a Customer Order with an Order of the Trading Privilege Holder or Related Party and a bid and an offer for the relevant Contract are resting in the CBOE System, the Trading Privilege Holder may enter the Customer Order into the CBOE System and may immediately thereafter enter the opposing Order representing no more than 30% of the Customer Order’s contract size (rounded up to the nearest whole contract);

- (c) the Trading Privilege Holder or Related Party has waited for a period of three seconds after first entering the Order received from the Customer into the CBOE System before taking the opposite side of the transaction, or if the Trading Privilege Holder initially crossed 30% of the Customer Order as provided in Rule 611(b), the Trading Privilege Holder has waited for a period of three seconds after first entering the Customer Order into the CBOE System before entering an opposing Order for the remaining balance, if any, of the Customer Order;
- (d) the Trading Privilege Holder maintains a record that clearly identifies, by appropriate descriptive words, all such transactions, including the time of execution, commodity, date, price, quantity and delivery month; and
- (e) the Trading Privilege Holder provides a copy of the record referred to in clause (d) above to the Exchange upon request by the Exchange.

Because the Orders entered into the CBOE System pursuant to this Rule 611 are exposed to the market, there is no assurance that the Orders of the Trading Privilege Holder will be matched against the Customer Order.

Amended March 26, 2004 (04-09); March 11, 2005 (05-09); March 6, 2008 (08-01); February 23, 2009 (09-03).

#### **612. Withholding Orders**

No Trading Privilege Holder (including its Related Parties) shall withhold or withdraw from the market any Order or any part of an Order placed by any Customer, unless expressly instructed or authorized to do so by such Customer.

#### **613. Disclosing Orders**

Except in accordance with any policies or procedures for pre-execution discussions from time to time adopted by the Exchange, no Trading Privilege Holder (including its Related Parties) shall disclose to any Person any Order placed by any other Person, except to the Exchange or the Commission.

#### **614. Pre-Arranged Trades**

No Trading Privilege Holder (including its Related Parties) shall enter any Order into the CBOE System which has been pre-arranged, except as expressly permitted by Rules 407, 414, 415 and 611 or in accordance with any policies or procedures for pre-execution discussions from time to time adopted by the Exchange.

Amended March 6, 2008 (08-01).

#### **615. Simultaneous Buying and Selling Orders**

- (a) No Trading Privilege Holder (including its Related Parties) shall accept simultaneous buy and sell Orders from the same Customer for the same month of a particular Contract.

(b) A Trading Privilege Holder (including its Related Parties) holding Orders to buy and sell at the same time from different Customers for the same month of a particular Contract may enter both Orders into the CBOE System.

Amended February 29, 2009 (09-03).

## **CHAPTER 7 DISCIPLINE AND ENFORCEMENT**

### **701. Disciplinary Jurisdiction**

(a) A Trading Privilege Holder and any Related Party who is alleged to have violated, or aided and abetted a violation of, any provision of the CEA, Commission Regulations thereunder, the Exchange Act, Exchange Act Regulations thereunder, or any Rule of the Exchange regulating the conduct of business on the Exchange shall be subject to the disciplinary jurisdiction of the Exchange under this Chapter 7, and after notice and opportunity for a hearing may be appropriately disciplined by expulsion, suspension, limitation of activities, functions and operations, fine, censure, being suspended or barred from using Trading Privileges or any other fitting sanction, in accordance with the provisions of this Chapter 7.

(b) A Trading Privilege Holder or Related Party may be charged with any violation committed by Related Parties under its, his or her supervision or by the Trading Privilege Holder with which it, he or she is associated, as the case may be, as though such violation were its, his or her own.

(c) A former Trading Privilege Holder or Related Party shall remain subject to the disciplinary jurisdiction of the Exchange following any revocation of its Trading Privileges in accordance with Rule 306(b) or 307 or termination of association, as the case may be, with respect to matters that occurred prior to such revocation or termination, as the case may be, provided written notice of the commencement of any inquiry into disciplinary matters is given by the Exchange to such former Trading Privilege Holder or Related Party within one year from receipt by the Exchange of the latest written notice of such revocation or termination, as the case may be. The foregoing notice requirement shall not apply to any Person who at any time after such revocation or termination, as the case may be, again subjects itself to the disciplinary jurisdiction of the Exchange by becoming a Trading Privilege Holder or a Related Party of a Trading Privilege Holder.

Amended July 26, 2005 (05-20); February 23, 2009 (09-03).

### **702. Complaint and Investigation**

(a) **Initiation of Investigation.** The Exchange shall investigate possible violations within the disciplinary jurisdiction of the Exchange upon order of the Board, the Business Conduct Committee, the President or any other Exchange official designated by the President, or whenever there is a reasonable basis for the Exchange to investigate. The Exchange shall also investigate possible violations within the disciplinary jurisdiction of the Exchange upon receipt of a complaint, written or oral, alleging such violations made by a Trading Privilege Holder or by any other Person alleging injury as a result of such violations (the "Complainant"), provided such complaint specifies in reasonable detail the facts constituting the alleged violation. To assist the Exchange in investigating

possible violations, the Complainant should sign written complaints or identify itself when making oral complaints, and also should identify the specific statutory provisions or Rules of the Exchange allegedly violated.

(b) Requirement to Furnish Information. Each Trading Privilege Holder and Related Party shall be obligated upon request by the Exchange to appear and testify, and to respond in writing to interrogatories and furnish documentary materials and other information requested by the Exchange in connection with (i) any investigation initiated pursuant to paragraph (a) of this Rule 702, (ii) any hearing or appeal conducted pursuant to this Chapter 7 or preparation by the Exchange in anticipation of any such hearing or appeal or (iii) an Exchange inquiry resulting from any agreement entered into by the Exchange pursuant to Rule 215. No Trading Privilege Holder or Related Party shall impede or delay any Exchange investigation or proceeding conducted pursuant to this Chapter 7 or any Exchange inquiry resulting from any agreement entered into by the Exchange pursuant to Rule 215, nor refuse to comply with a request made by the Exchange pursuant to this paragraph (b). Each Trading Privilege Holder and Related Party is entitled to be represented by counsel during any such Exchange investigation, proceeding or inquiry.

(c) Report. In every instance where an investigation results in a finding that there are reasonable grounds to believe that a violation has been committed, the Exchange shall submit a written report of its investigation to the Business Conduct Committee.

(d) Notice, Statement and Access. Prior to submitting its report, the Exchange shall notify each Person who is the subject of the report (the "Subject") of the general nature of the allegations and of the specific provisions of the CEA, Commission Regulations thereunder, the Exchange Act, Exchange Act Regulations thereunder, or Rules of the Exchange regulating the conduct of business on the Exchange that appear to have been violated. Except when the Business Conduct Committee determines that expeditious action is required, a Subject shall have the right, within 15 days from the date of the notification referred to in the preceding sentence, to submit a written statement to the Business Conduct Committee concerning why no disciplinary action should be taken. To assist a Subject in preparing such a written statement, such Subject shall have access to any documents and other materials in the investigative file of the Exchange that were furnished by such Subject or its agents.

(e) Videotaped Response. In lieu of, or in addition to, submitting a written statement concerning why no disciplinary action should be taken as permitted by paragraph (d) of this Rule 702, the Subject may submit a statement in the form of a videotaped response. Except when the Business Conduct Committee determines that expeditious action is required, the Subject shall have 15 days from the date of service of the notification referred to in such paragraph (d) to submit such videotaped response. The Exchange may from time to time establish standards concerning the length and format of such videotaped responses.

### **703. Expedited Proceeding**

Upon receipt of the notification referred to in the first sentence of Rule 702(d), a Subject may seek to dispose of the matter to which such notification relates through a letter of consent signed by it. If a Subject desires to attempt to so dispose of such matter, it must submit to the Exchange, within 15 days from the date of service of such notification, a written notice electing to proceed in an expedited manner pursuant to this Rule 703. Such Subject must then endeavor to reach agreement with the Exchange upon a letter of consent which is acceptable to the Exchange and which sets forth a stipulation of facts and findings concerning the Subject's conduct, each violation committed by the Subject and the sanction or sanctions therefor. A matter can only be disposed of through a letter of consent if the Exchange and the Subject are able to agree upon terms of a letter of consent which are acceptable to the Exchange, and such agreed letter is signed by the Subject.

At any point in the negotiations regarding a letter of consent, the Exchange may deliver to the Subject, or the Subject may deliver to the Exchange, a written declaration of an end to the negotiations. Upon delivery of any such declaration, the Subject will have the right, within 15 days from such delivery, to submit a written statement pursuant to Rule 702(d) and thereafter the matter may be brought to the Business Conduct Committee for appropriate action. In lieu of, or in addition to, submitting a written statement pursuant to Rule 702(d), the Subject may submit a statement in the form of a videotaped response pursuant to Rule 702(e). In the event that the Subject and the Exchange are able to agree upon a letter of consent which is acceptable to the Exchange, such letter shall be submitted to the Business Conduct Committee. If such letter is accepted by the Business Conduct Committee, it may adopt such letter as its decision and shall take no further action against the Subject respecting the matters to which the letter relates. If such letter is rejected by the Business Conduct Committee, the matter shall proceed as though such letter had not been submitted. The Business Conduct Committee's decision to accept or reject a letter of consent shall be final, and a Subject may not seek review thereof.

### **704. Charges**

(a) **Determination Not to Initiate Charges.** Whenever it appears to the Business Conduct Committee from a report submitted to it pursuant to Rule 702(c) that no probable cause exists for finding a violation within the disciplinary jurisdiction of the Exchange, or whenever the Business Conduct Committee otherwise determines that no further action is warranted with respect to the matter to which such report relates, it shall issue a written statement to that effect setting forth its reasons for such finding, which statement shall be sent to the relevant Subject and the Complainant, if any.

(b) **Initiation of Charges.** Whenever it appears to the Business Conduct Committee from a report submitted to it pursuant to Rule 702(c) that there is probable cause for finding a violation within the disciplinary jurisdiction of the Exchange and that further proceedings are warranted, the Business Conduct Committee shall direct the staff of the Exchange to prepare a statement of charges

against each Person alleged to have committed a violation (the “Respondent”), specifying the acts in which the Respondent is charged to have engaged and setting forth the specific provisions of the CEA, Commission Regulations thereunder, the Exchange Act, Exchange Act Regulations thereunder, or Rules of the Exchange of which such acts are in violation. A copy of such statement shall be served upon the Respondent in accordance with Rule 712. The Complainant, if any, shall be notified if further proceedings are warranted.

(c) Access to Documents. Provided that a Respondent has made a written request for access to documents within 60 calendar days after a statement of charges has been served upon such Respondent in accordance with Rule 712, such Respondent shall have access to all documents concerning the case to which such statement relates that are in the investigative file of the Exchange, except for investigation and examination reports and materials prepared by the Exchange in connection with such reports or in anticipation of a disciplinary hearing. In providing such documents, the Exchange may protect the identity of a Complainant.

(d) No Trading Privilege Holder or Related Party shall make or cause to be made any Ex Parte Communication with any member of the Business Conduct Committee concerning the merits of any matter pending under this Chapter 7. No member of the Business Conduct Committee shall make or cause to be made any Ex Parte Communication with any Trading Privilege Holder or Related Party concerning the merits or any matter pending under this Chapter 7.

Amended February 23, 2009 (09-03).

#### **705. Answer**

A Respondent shall file a written answer to a statement of charges provided to it pursuant to Rule 704(b) within 15 days from the date of service of such statement. The answer shall specifically admit or deny each allegation contained in the statement, and the Respondent shall be deemed to have admitted any allegation not specifically denied. The answer may also contain any defense which the Respondent wishes to raise, and may be accompanied by documents in support of such answer or defense. In the event that a Respondent fails to file an answer, all charges contained in the statement of charges provided to it shall be deemed to be admitted.

#### **706. Hearing**

(a) Participants. Subject to Rule 707 of this Chapter 7, a hearing on any charges made under this Chapter 7 shall be held before a BCC Panel. The Exchange and the relevant Respondent shall be the parties to any hearing.

(b) Prehearing Procedures. All parties shall be given at least 15 days’ prior notice of the time and place of any hearing. Hearings shall generally be held in Chicago, Illinois, but a BCC Panel may decide to hold a hearing in any other location to accommodate the parties, witnesses, Exchange staff or the BCC Panel members. Not less than five business days in advance of a scheduled hearing

date, each party shall furnish to the BCC Panel and each of the other parties copies of all documentary evidence such party intends to present at such hearing and a list containing the names of all witnesses the party intends to present at such hearing. Where the time and nature of a proceeding permit, the parties shall meet in a pre-hearing conference for the purpose of clarifying and simplifying issues and otherwise expediting the proceeding. At any such pre-hearing conference, the parties shall attempt to reach agreement respecting the authenticity of documents, facts not in dispute and any other items the resolution of which may serve to expedite the hearing of the matter. At the request of any party, the BCC Panel or the chairperson thereof shall hear and decide all pre-hearing issues not so resolved among the parties. Interlocutory Board review of any decision made by a BCC Panel prior to completion of a hearing is generally prohibited. Such interlocutory review shall be permitted only if a BCC Panel agrees to such review after determining that a particular issue is a controlling issue of rule or policy and that immediate Board review would materially advance the ultimate resolution of a matter before such BCC Panel.

(c) **Conduct of Hearing.** A BCC Panel shall determine all questions concerning the admissibility of evidence and shall otherwise regulate the conduct of any hearing before it. Formal rules of evidence shall not apply. The charges shall be presented by a representative of the Exchange who, along with the Respondent and any other party, may present evidence and produce witnesses who shall testify under oath and are subject to being questioned by the BCC Panel and the other parties. The Respondent and any intervening parties are entitled to be represented by counsel who may participate fully in the hearing. A transcript of each hearing shall be made and shall become part of the record for the matter to which such hearing relates.

(d) **Documents and Witnesses.** A BCC Panel may request the production of documentary evidence and witnesses with respect to any matter before it. If the Exchange or a Trading Privilege Holder (including its Related Parties) does not voluntarily produce non-privileged documents or hearing witnesses the Respondent has requested, a Respondent may submit a written request to a BCC Panel asking such BCC Panel to enter an order compelling the production of non-privileged documents by the Exchange or such Trading Privilege Holder (including its Related Parties) or compelling the testimony of such Trading Privilege Holder or such Related Party or any Person within the Exchange's control. Before entering any such order, the BCC Panel must hear any objections raised by Exchange staff to the issuance of such an order. When deciding whether or not to issue the requested order, the BCC Panel shall weigh the probative value of the documents or testimony in question against considerations such as undue delay, waste of time, confusion, unfair prejudice or needless presentation of cumulative evidence. As a condition to issuing any such order, the BCC Panel may require the Respondent to pay the costs of complying with the requested order, including a witness's travel expenses. No Trading Privilege Holder (including its Related Parties) shall refuse to furnish relevant testimony, documentary materials or other information requested or ordered by a BCC Panel.

## **707. Summary Proceedings**

Notwithstanding the provisions of Rule 706, the Business Conduct Committee may make a determination in any matter before it without a hearing and may impose a penalty as to violations which the Respondent has admitted or has failed to answer or which otherwise do not appear to be in dispute. Notice of any such summary determination, specifying the violations and penalty, shall be served upon the Respondent, who shall have the right, within 10 days from the date of service, to notify the Business Conduct Committee that it, he or she desires a hearing upon all or a portion of any charges not previously admitted or upon the penalty. Failure to so notify the Business Conduct Committee within such 10-day period shall constitute admission of the violations and acceptance of the penalty contemplated by such summary determination and a waiver of all rights of review. If a Respondent requests a hearing in accordance with this Rule 707, the matters which are the subject of the hearing shall be treated as if the summary determination had not been made.

## **708. Offers of Settlement**

(a) **Submission of Offer.** At any time during a period not to exceed 120 days immediately following the date of service of a statement of charges upon a Respondent in accordance with Rule 712, such Respondent may submit to the Business Conduct Committee a maximum of two written and signed offers of settlement, which shall contain a proposed stipulation of facts and consent to a specified sanction. If a Respondent elected to proceed pursuant to Rule 703, however, and negotiations ended pursuant to a written declaration of an end to negotiations, the number of days in excess of 30 between (i) the date on which the Exchange received the Respondent's election to proceed in an expedited manner and (ii) the date of the written declaration of an end to negotiations, shall be deducted from the 120-day period specified in the prior sentence; provided, however, that in no event shall the time period within which the Respondent may properly submit offers of settlement to the Business Conduct Committee pursuant to this paragraph (a) be less than 14 days from the date that the statement of charges is served upon the Respondent. To the extent that the Business Conduct Committee accepts any offer of settlement, it shall issue a decision, including findings and conclusions and imposing a sanction, consistent with the terms of such offer. To the extent that the Business Conduct Committee rejects any offer of settlement, it shall notify the Respondent of such rejection and the matter shall proceed as if such offer had not been made, and such offer and all documents relating thereto shall not become part of the record for the matter in question. Any decision of the Business Conduct Committee issued upon acceptance of an offer of settlement as well as any determination of the Business Conduct Committee whether or not to accept or reject such an offer shall be final, and the Respondent may not seek any review thereof.

(b) **Submission of Statement.** A Respondent may submit a written statement in support of any offer of settlement made by it. In addition, if the Exchange staff does not recommend acceptance of an offer of settlement before the Business Conduct Committee, a Respondent shall be notified and may appear before the

Committee to make an oral statement in support of such offer. If the Business Conduct Committee rejects an offer of settlement that the Exchange staff supports, a Respondent may appear before the Business Conduct Committee to make an oral statement concerning why he or she believes the Business Conduct Committee should change its decision and accept such offer. A Respondent must make a request for any such appearance within five days of service of notice that his or her offer was rejected or that the Exchange staff will not recommend acceptance.

(c) Notwithstanding the limitation on the number of settlement offers set forth in paragraph (a) above, the Business Conduct Committee, in its sole discretion, at any time after a statement of charges has been issued during the 120-day period specified in paragraph (a) above (or such shorter period as may be mandated by such paragraph), may permit a Respondent to submit an offer of settlement, provided the stipulation of facts and specified sanction contained in such offer of settlement are deemed acceptable by the Business Conduct Committee.

(d) If the Exchange takes more than 30 days to provide a Respondent with access to documents pursuant to the requirements of Rule 704(c), the 120-day period specified in paragraph (a) above (or such shorter period may be mandated by such paragraph) shall be tolled during such period in excess of 30 days; provided that, if the settlement period pursuant to paragraph (a) above is less than 120 days, the settlement period shall be tolled to the extent necessary to allow the Respondent at least seven days after being provided with access to documents to submit an offer of settlement.

(e) Subject to Rule 707, after the 120-day period specified in paragraph (a) above (or such shorter period as may be mandated by such paragraph) or after the Business Conduct Committee's rejection of a Respondent's second offer of settlement, whichever is earlier, a hearing will be scheduled and will proceed in accordance with Rule 706.

#### **709. Decision**

Following any hearing conducted pursuant to Rule 706, the BCC Panel conducting such hearing shall issue a decision in writing, based solely on the record, determining whether the Respondent has committed a violation and imposing the sanction, if any, therefor. If such BCC Panel is not composed of at least a majority of the members of the Business Conduct Committee, its determination shall be automatically reviewed by a majority of the members of the Business Conduct Committee, which may affirm, reverse or modify in whole or in part or may remand the matter for additional findings or supplemental proceedings. Any such modification may include additional, lesser or different sanctions. Each decision made pursuant to this Rule 709 shall include a statement of findings and conclusions, with the reasons therefor, upon all material issues presented on the record for the matter in question. Where a sanction is imposed, the decision shall include a statement specifying the acts or practices in which the Respondent has been found to have engaged and setting forth the specific provisions of the CEA, Commission Regulations thereunder, the Exchange Act, Exchange Act

Regulations thereunder, or Rules of the Exchange of which the acts are deemed to be in violation. The Respondent shall be promptly sent a copy of any decision made pursuant to this Rule 709. After Board review pursuant to Rule 710, or upon expiration of the time for such review in accordance with Rule 710, whichever occurs first, a decision will be considered final, and the Exchange shall publish a summary thereof.

Amended February 23, 2009 (09-03).

## **710. Review**

(a) (i) **Petition.** A Respondent and the Exchange shall each have the right, within 15 days after service of notice of a decision made pursuant to Rule 709, to petition for review of such decision by filing a copy of such petition with the Secretary and the other party to the hearing. Any such petition shall be in writing and shall specify the findings and conclusions to which exceptions are taken, together with reasons for such exceptions. Any objections to a decision not specified by written exception shall be considered to have been abandoned.

(ii) *Written Submissions.* Within 15 days after a petition for review has been filed with the Secretary pursuant to clause (i) above, the other party to the hearing may submit to the Secretary a written response to the petition. A copy of such response must be served upon the petitioner. A petitioner has 15 days from the service of the response to file a reply with the Secretary and the other party to the hearing.

(b) **Conduct of Review.** Any review shall be conducted by the Board or a committee of the Board whose decision must be ratified by the Board. Any director who participated in a particular matter before the Business Conduct Committee or any BCC Panel may not participate in any review of such matter by the Board. Unless the Board decides to open the record for the introduction of evidence or to hear additional arguments, such review shall be based solely upon the record and the written exceptions filed by the parties. In the course of a review pursuant to this Rule 710, new issues may be raised by the Board; provided that the Respondent shall be given notice of, and an opportunity to address, any such new issues. The Board may affirm, reverse or modify, in whole or in part, any decision of the Business Conduct Committee reviewed by it. Any such modification may include additional, lesser or different sanctions. Any decision of the Board pursuant to this Rule 710 shall be in writing, shall be promptly served on the Respondent, and shall be final.

(c) **Review on Motion of Board.** The Board may on its own initiative order review of any decision made pursuant to Rule 707 or 709 within 30 days after notice of the decision has been served on the Respondent. Any such review shall be conducted in accordance with the procedures set forth in paragraph (b) above.

(d) **Review of Decision Not to Initiate Charges.** Upon application by the President within 30 days of any decision made pursuant to Rule 704(a), the Board may order review of such decision. Such review shall be conducted in accordance with the procedures set forth in paragraph (b) above, as applicable.

### **711. Judgment and Sanction**

(a) Sanctions. Trading Privilege Holders (including their Related Parties) shall (subject to any rule or order of the Commission) be appropriately disciplined by the Business Conduct Committee for violations under these Rules by expulsion, suspension, limitation of activities, functions and operations, fine, censure, being suspended or barred from using Trading Privileges, or any other fitting sanction.

(b) Effective Date of Judgment. Any sanctions imposed pursuant to this Chapter 7 shall not become effective until the review process with respect to such decision has been completed or such decision otherwise becomes final. Pending effectiveness of a decision imposing a sanction on a Respondent, the Business Conduct Committee may impose such conditions and restrictions on the activities of such Respondent as the Business Conduct Committee may consider reasonably necessary for the protection of Customers, Trading Privilege Holders or the Exchange.

### **712. Service of Notice**

Any charges, notices or other documents contemplated to be served pursuant to this Chapter 7 may be served upon the Respondent either personally or by leaving the same at his or her place of business or by deposit in the United States mail, postage prepaid, via registered or certified mail addressed to the Respondent at the address as it appears on the books and records of the Exchange.

### **713. Extension of Time Limits**

Any time limits imposed under this Chapter 7 for the submission of answers, petitions or other materials may be extended by permission of the authority at the Exchange to whom such materials are to be submitted.

### **714. Imposition of Fines for Minor Rule Violations**

(a) Notwithstanding any other provision of this Chapter 7 to the contrary, the Exchange may, subject to the requirements set forth herein, impose a fine, not to exceed \$15,000, on any Trading Privilege Holder or Related Party of a Trading Privilege Holder with respect to any violation of the Rules of the Exchange. For purposes of imposing fines pursuant to this Rule 714, the Exchange may aggregate individual violations of particular Rules of the Exchange and treat such violations as a single offense. In other instances, the Exchange may, if no exceptional circumstances are present, impose a fine based upon a determination that there exists a pattern or practice of violative conduct. The Exchange also may aggregate similar violations generally if the conduct was unintentional, there was no injury to public investors or the violations resulted from a single problem or cause that has been corrected.

(b) In any action taken by the Exchange pursuant to this Rule 714, any Person against whom a fine is imposed shall be served with a written statement, prepared

by the Exchange, setting forth: (i) the provision of the Rules of the Exchange allegedly violated; (ii) the act or omission constituting each such violation; (iii) the fine imposed for each violation; and (iv) the date by which such determination becomes final and such fine must be paid or contested as provided below, which date shall be not less than 30 days after the date of service of such written statement. The issuance of a fine, a member's failure to contest the fine, or a member's submission or the Exchange's acceptance of an offer of settlement in connection with this Rule 714 do not constitute an admission of the violation in question.

(c) (i) Any Person against whom a fine is imposed pursuant to this Rule 714 may contest the Exchange's determination by filing with the office of the Secretary, on or before the date specified pursuant to clause (b)(iv) of this Rule 714, a written answer in accordance with Rule 705 (which shall apply with such changes as may be appropriate under the circumstances), at which point the matter shall become subject to review by the Business Conduct Committee. The filing must include a request for a hearing, if a hearing is desired. Hearings shall be conducted in accordance with the provisions of Rule 706 (which shall apply with such changes as may be appropriate under the circumstances). If a hearing is not requested, the review shall be based on written submissions and shall be conducted in a manner to be determined by the Business Conduct Committee.

(ii) If after a hearing or review based on written submissions pursuant to clause (i) above the Business Conduct Committee determines that the conduct serving as the basis for the action under review is in violation of that provision of the Rules of the Exchange the violation of which has been charged, the Business Conduct Committee (A) may impose any one or more of the disciplinary sanctions authorized by the Rules of the Exchange and (B) shall impose a forum fee against the Person charged in the amount of one hundred dollars (\$100) if the determination was reached without a hearing, or in the amount of three hundred dollars (\$300) if a hearing was conducted. Notwithstanding the foregoing, in the event that the Business Conduct Committee determines that the Person charged is guilty of one or more violations of Rules of the Exchange and the sole disciplinary sanction imposed by the Business Conduct Committee for such violations is a fine which is less than the total fine initially imposed by the Exchange pursuant to this Rule 714, the Business Conduct Committee shall have discretion to waive the imposition of a forum fee.

(iii) The committee or department of the Exchange that commenced any action under this Rule 714, the Person charged and any member of the Board may require a review by the Board of any determination by the Business Conduct Committee under this Rule 714 by proceeding in accordance with Rule 710 (which shall apply with such changes as may be appropriate under the circumstances). In connection with such review the committee or department of the Exchange that

commenced the action under this Rule 714 shall have the same rights as a Respondent under Rule 710.

(iv) In the event that a fine imposed pursuant to this Rule 714 is upheld by the Business Conduct Committee or, if applicable, on review by the Board, such fine, plus interest thereon, at a rate from time to time specified by the Exchange for such purpose, from and including the date specified in clause (b)(iv) of this Rule 714, shall be immediately due and payable.

(d) The Exchange may specify the types of violations of Rules of the Exchange that will be considered minor rule violations for purposes of this Rule 714 and a fine schedule for such violations. Nothing in this Rule 714 shall require the Exchange to impose a fine pursuant to this Rule 714 with respect to the violation of any provision of the Rules of the Exchange included in any listing of minor rule violations. In addition, the Exchange may, whenever it determines that any violation is intentional, egregious or otherwise not minor in nature, proceed under the Exchange's formal disciplinary rules as set forth in Rules 702 through 713, rather than under this Rule 714.

## CHAPTER 8 ARBITRATION

### 801. Matters Subject to Arbitration; Incorporation by Reference

(a) Any dispute, claim or controversy, arising

(i) between a Customer and a Trading Privilege Holder (including its Related Parties) (*provided* that a Customer shall not be subject to arbitration pursuant to this Chapter 8 without such Customer's prior written consent given in accordance with Commission Regulation § 166.5(c));

(ii) between or among parties who are Trading Privilege Holders or Related Parties; or

(iii) between or among one or more Trading Privilege Holders or Related Parties, on the one hand, and any other Person, on the other hand,

in each case in connection with, or otherwise related to, the Exchange business of such parties, shall, at the request of any such party and upon the approval of the Director of Arbitration, be arbitrated in accordance with Chapter XVIII of the CBOE rules, as such rules may be amended or otherwise modified from time to time. Such rules shall apply to any such dispute, claim or controversy with any such changes as may be necessary or appropriate under the circumstances. Chapter XVIII of the CBOE rules is hereby incorporated by reference into this Chapter 8; *provided* that any reference in such rules to the "Director of Arbitration" or the "Arbitration Committee" shall be deemed to refer to the Director of Arbitration or the Arbitration Committee, as applicable, of the Exchange.

(b) If a party to a dispute, in an answer, reply or other written response to a request for arbitration, challenges the appropriateness of submitting a matter to arbitration under this Chapter 8, the Director of Arbitration shall serve upon the parties written notice of his or her decision to accept or reject the matter for arbitration. The decision by the Director of Arbitration to accept or reject a matter for arbitration shall, at the request of any party to the dispute, be subject to review by the Board or a panel of the Board. Requests for review must be submitted in writing to the Secretary within 10 calendar days from receipt of notice of the decision by the Director of Arbitration.

(c) No dispute, claim or controversy shall be eligible for submission to arbitration under this Chapter 8 where the time period specified in CBOE Rule 18.6, as such rule may be amended from time to time, shall have elapsed from the occurrence or event giving rise to the act or the dispute, claim or controversy. This Rule 801(c) shall not extend any applicable statutes of limitation, nor shall it apply to any case which is directed to arbitration by a court of competent jurisdiction.

**802. Failure to Honor Award or Settlement**

Any Trading Privilege Holder or Authorized Trader who fails to honor an arbitral award or settlement rendered under this Chapter 8 shall be subject to disciplinary proceedings in accordance with Chapter 7.

## **CHAPTER 9 APPEALS**

### **901. Matters Subject to Appeal; Incorporation by Reference**

Persons aggrieved in an economic sense by Exchange action, including, but not limited to, Persons who have been denied Trading Privileges or association with a Trading Privilege Holder, or whose Trading Privileges or association with a Trading Privilege Holder are conditioned pursuant to Rule 304, may appeal the Exchange's decision in accordance with the provisions contained in Chapter XIX of the rules of the CBOE, as such rules may be amended or otherwise modified from time to time, which rules shall apply, with any such changes as may be necessary or appropriate under the circumstances, to any such appeal, and which rules are hereby incorporated by reference into this Chapter 9; *provided* that any reference in such rules to the "Appeals Committee" shall be deemed to refer to the Appeals Committee of the Exchange.

## **CHAPTER 10 CONTRACTS**

### **1001. Contract Specifications**

Each Contract shall meet such specifications, and all trading in such Contract shall be subject to such procedures and requirements, as set forth in the rules governing such Contract.

### **1002. Contract Modifications**

The specifications for, and the procedures and requirement for trading, any Contract may not be modified in any respect without prior approval of the Exchange.

## **CHAPTER 11 CLEARING**

### **1101. Clearing Member Guarantee**

(a) Each Trading Privilege Holder that is not a Clearing Member and desires to enter into transactions in Contracts must obtain the prior authorization from a Clearing Member who will guarantee such transactions, or enter into an appropriate arrangement with a person that has such authorization from a Clearing Member. Each such guarantee or other arrangement must be in form and substance satisfactory to, and approved by, the Exchange. A Clearing Member shall guarantee and assume financial responsibility for all Contracts of each Trading Privilege Holder guaranteed by it, and shall be liable for all trades made by such Trading Privilege Holder.

(b) A Clearing Member may at any time revoke any authorization granted and guarantee made by it to any Trading Privilege Holder in accordance with paragraph (a) above and for purposes of the relationship between the relevant Clearing Member and the Exchange, and the obligations of such Clearing Member to the Exchange, such revocation shall become effective upon the receipt of written notice thereof by the Exchange.

### **1102. Responsibility of Trading Privilege Holders**

Each Trading Privilege Holder shall assist its Clearing Member and the Clearing Corporation in the clearing of its transactions in Contracts. Without limiting the generality of the foregoing, each Trading Privilege Holder shall: (a) provide its Clearing Member a telephone number so that such Trading Privilege Holder may be reached at any time during the day in the event that there is a discrepancy in the clearing of its transactions; and (b) be available to resolve out-trades in Contracts in which such Trading Privilege Holder executed trades on the previous day in a manner specified by the Exchange from time to time. Trading Privilege Holders may appoint one or more representatives for the foregoing purposes. If neither the Trading Privilege Holder nor any such representative is present at the time specified above, such Trading Privilege Holder's Clearing Member shall be authorized to resolve any out-trade in the manner it deems appropriate, but such resolution shall not be relevant to the determination of the liability of any party to the out-trade.

### **1103. Clearing Services**

Whenever the Exchange designates a clearing organization other than the Clearing Corporation for the clearance of Contracts with respect to which there are open positions, each Clearing Member shall, as of the close of business on the second Business Day prior to the effective date of such designation, either become a clearing member of such new organization, or cause any such open Contracts carried by it either to be transferred to a clearing member of such new clearing organization or to be liquidated.

#### **1104. Rules of the Clearing Corporation**

The clearing services provided by the Clearing Corporation with respect to any Contract, and the rights and obligations of purchasers and sellers under cleared Contracts (including without limitation rights and obligations in respect of clearing and settlement, variation payments and performance at maturity, and in the case of Options, upon exercise thereof), shall be governed by the Rules of the Clearing Corporation.

#### **1105. Notice of Arbitration**

In any arbitration concerning an alleged failure of any Trading Privilege Holder to honor a trade in any Contract, each party to such arbitration shall promptly provide copies of all documents filed or received in such arbitration by such party to the Clearing Member that guaranteed such party's transactions in Contracts when the trade allegedly took place.

## CHAPTER 12

### CBOE VOLATILITY INDEX FUTURES CONTRACT SPECIFICATIONS

#### 1201. Scope of Chapter

This chapter applies to trading in futures on the CBOE Volatility Index (“VIX”). The procedures for trading, clearing, settlement, and any other matters not specifically covered herein shall be governed by the generally applicable rules of the Exchange. The VIX futures contract was first listed for trading on the Exchange on March 26, 2004.

#### 1202. Contract Specifications

(a) *Multiplier.* The contract multiplier for each VIX futures contract is \$1,000.00. For example, a contract size of one VIX futures contract would be \$16,500 if the VIX index level were 16.5 (16.5 x \$1,000.00).

(b) *Schedule.* The Exchange may list for trading up to nine near-term serial months and five months on the February quarterly cycle for the VIX futures contract. The final settlement date for the VIX futures contract shall be on the Wednesday that is thirty days prior to the third Friday of the calendar month immediately following the month in which the applicable VIX futures contract expires. If the third Friday of the month subsequent to expiration of the applicable VIX futures contract is a CBOE holiday, the final settlement date for the contract shall be thirty days prior to the CBOE business day immediately preceding that Friday.

The trading days for VIX futures contracts shall be the same trading days of options on the S&P 500 Composite Stock Price Index, as those days are determined by CBOE.

The trading hours for VIX futures contracts are from 8:30 a.m. Chicago time to 3:15 p.m. Chicago time.

(c) *Minimum Increments.* Except as provided in the following sentence, the minimum fluctuation of the VIX futures contract is 0.05 index points, which has a value of \$50.00.

The individual legs and net prices of spread trades in the VIX futures contract may be in increments of 0.01 index points, which has a value of \$10.00.

(d) *Position Accountability.* VIX futures are subject to position accountability under Rule 412A.

A person is subject to the position accountability requirements set forth in Rule 412A if the person (i) owns or controls at any time more than the number of contracts net long or net short in all VIX futures and Mini VIX futures contract months combined that in the aggregate would exceed the equivalent of 25,000 VIX futures contracts or (ii) the person owns or controls more than the number of

contracts net long or net short in the expiring VIX futures and Mini VIX futures contract months combined that in the aggregate would exceed the equivalent of 15,000 VIX futures contracts, commencing on the Friday prior to the final settlement date of the expiring VIX futures and Mini VIX futures contract months. Under this Rule, one Mini VIX futures contract shall be deemed to be equivalent to one-tenth (0.10) of one VIX futures contract.

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding shall be cumulated.

(e) *Termination of Trading.* Trading on the VIX futures contract terminates on the business day immediately preceding the final settlement date of the VIX futures contract for the relevant spot month. When the last trading day is moved because of a CFE holiday, the last trading day for an expiring VIX futures contract will be the day immediately preceding the last regularly-scheduled trading day.

(f) *Contract Modifications.* Specifications are fixed as of the first day of trading of a contract. If any U.S. government agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.

(g) *Execution Priorities.* Pursuant to Rule 406(a)(i), the base allocation method of price-time priority shall apply to trading in VIX futures contracts. Pursuant to Rule 406(b)(iii), a DPM trade participation right priority shall overlay the price-time priority base allocation method.

(h) *Crossing Two or More Original Orders.* The eligible size for an original Order that may be entered for a cross trade with one or more other original Orders pursuant to Rule 407 is one Contract. The request for quote response period under Rule 407(a) for the request for quote required to be sent before the initiation of a cross trade under Rule 407 is five seconds. Following the request for quote response period, the Trading Privilege Holder or Authorized Trader, as applicable, must expose to the market for at least three seconds under Rule 407(b) at least one of the original Orders that it intends to cross.

(i) *Price Limit and Circuit Breaker Halts.* Pursuant to Rule 413, VIX futures contracts are not subject to price limits.

Trading in VIX futures contracts shall be halted whenever a market-wide trading halt commonly known as a circuit breaker is in effect on the New York Stock Exchange in response to extraordinary market conditions.

(j) *Exchange of Contract for Related Position.* Exchange of Contract for Related Position transactions, as set forth in Rule 414, may be entered into with

respect to VIX futures contracts. Any Exchange of Contract for Related Position transaction must satisfy the requirements of Rule 414.

(k) *Block Trades.* Pursuant to Rule 415(a)(i), the minimum Block Trade quantity for the VIX futures contract is 200 contracts if there is only one leg involved in the trade. If the Block Trade is executed as a spread order, one leg must meet the minimum Block Trade quantity for the VIX futures contract and the other leg(s) must have a contract size that is reasonably related to the leg meeting the minimum Block Trade quantity. If the Block Trade is executed as a transaction with legs in multiple contract months and all legs of the Block Trade are exclusively for the purchase or exclusively for the sale of VIX futures contracts (a “strip”), the minimum Block Trade quantity for the strip is 300 contracts and each leg of the strip is required to have a minimum size of 100 contracts.

The minimum price increment for a Block Trade in the VIX futures contract is 0.01 index points.

(l) *No-Bust Range.* Pursuant to Rule 416, the Exchange error trade policy may only be invoked for a trade price that is greater than 10% on either side of the market price of the applicable VIX futures contract. In accordance with Policy and Procedure III, the Help Desk will determine what the true market price for the relevant Contract was immediately before the potential error trade occurred. In making that determination, the Help Desk may consider all relevant factors, including 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 on the Exchange or other markets.

(m) *Pre-execution Discussions.* The Order Exposure Period under Policy and Procedure IV before an Order may be entered to take the other side of another Order with respect to which there has been pre-execution discussions is three seconds after the first Order was entered into the CBOE System. If no bid or offer price exist in the relevant VIX futures contract, the RFQ Response Period under Policy and Procedure IV that must elapse following the request for quote that is required to be sent prior to the entry of the first Order is five seconds.

(n) *Reportable Position.* Pursuant to Commission Regulation §15.03 and Commission Regulation Part 17, the position level that is required to be reported to the Commission is any open position in VIX futures contracts at the close of trading on any trading day equal to or in excess of 200 contracts on either side of the market.

(o) *Threshold Widths.* For purposes of Policy and Procedure I and Policy and Procedure II, the Threshold Widths for the VIX futures contract are as follows:

<b>VIX Index Level</b>	<b>Threshold Width</b>
1 – 100	20
100 – 200	50

The minimum size of bids and offers that establish a Threshold Width is one contract.

Amended March 11, 2005 (05-09); March 28, 2005 (05-11); October 17, 2005 (05-28); February 17, 2006 (06-02); February 24, 2006 (06-04); May 30, 2006 (06-09); September 26, 2006 (06-13); October 9, 2006 (06-15); October 31, 2006 (06-19); March 26, 2007 (07-01); July 3, 2007 (07-04); October 11, 2007 (07-11); December 21, 2007 (07-14); March 6, 2008 (08-01); April 10, 2008 (08-04); January 5, 2009 (08-12); January 12, 2009 (09-01); February 2, 2009 (09-02); February 23, 2009 (09-03); March 2, 2009 (09-06); June 3, 2009 (09-13).

### **1203. Settlement**

Settlement of VIX futures contracts will result in the delivery of a cash settlement amount on the business day immediately following the settlement date. The cash settlement amount on the final settlement date shall be the final mark to market amount against the final settlement price of the VIX futures contract multiplied by \$1,000.00. The final settlement price of the VIX futures contract will be rounded to the nearest \$0.01.

Clearing Members holding open positions in VIX futures contracts at the termination of trading in that Contract shall make payment to or receive payment from the Clearing Corporation in accordance with normal variation and performance bond procedures based on the final settlement amount.

If the settlement value is not available or the normal settlement procedure cannot be utilized due to a trading disruption or other unusual circumstance, the settlement value will be determined in accordance with the Rules and By-Laws of The Options Clearing Corporation.

Amended March 26, 2007 (07-01).

### **1204. DPM Provisions**

(a) *DPM Appointment.* A Trading Privilege Holder will be appointed to act as a DPM for VIX futures contracts pursuant to Rule 515.

(b) *DPM Participation Right.* The DPM participation right percentage under Rule 406(b)(iii) for VIX futures contracts is 30%.

Adopted March 26, 2004 (04-10).

**CHAPTER 13**  
**CBOE S&P 500 THREE-MONTH VARIANCE FUTURES**  
**CONTRACT SPECIFICATIONS**

**1301. Scope of Chapter**

This chapter applies to trading in futures contracts on the CBOE S&P 500 Three-Month Variance product. The procedures for trading, clearing, settlement, and any other matters not specifically covered herein shall be governed by the generally applicable rules of the Exchange. The CBOE S&P 500 Three-Month Variance futures contract was first listed for trading on the Exchange on May 18, 2004.

**1302. Contract Specifications**

(a) *Multiplier.* The contract multiplier for the CBOE S&P 500 Three-Month Variance futures contract is \$50.00 per variance point. For example, a contract size of one CBOE S&P 500 Three-Month Variance futures contract would be \$31,675.00 if the price quotation of the CBOE S&P 500 Three-Month Variance futures contract were 633.50 (633.50 x \$50.00).

(b) *Schedule.* The Exchange may list for trading up to four contract months on the March quarterly cycle (March, June, September, December) for the CBOE S&P 500 Three-Month Variance futures contract. The final settlement date for a CBOE S&P 500 Three-Month Variance futures contract shall be on the third Friday of the expiring futures contract month.

The trading days for CBOE S&P 500 Three-Month Variance futures contracts shall be the same trading days of options on the S&P 500 Composite Stock Price Index, as those days are determined by CBOE.

The trading hours for the CBOE S&P 500 Three-Month Variance futures contract are from 8:30 a.m. Central Time (Chicago time) to 3:15 p.m. Central Time (Chicago time).

(c) *Minimum Increments.* The minimum fluctuation of the CBOE S&P 500 Three-Month Variance futures contract is .50 of one variance point, which is equal to \$25.00 per contract.

(d) *Position Limits.* CBOE S&P 500 Three-Month Variance futures are subject to position limits under Rule 412.

A person may not own or control more than 5,000 contracts net long or net short in all CBOE S&P 500 Three-Month Variance futures contract months combined.

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding shall be cumulated.

The foregoing position limits shall not apply to positions that are subject to a position limit exemption meeting the requirements of Commission Regulations and CFE Rules.

(e) *Termination of Trading.* Trading on the CBOE S&P 500 Three-Month Variance futures contract terminates on the third Friday of the expiring futures contract month. When the last trading day is moved because of a CFE holiday, the last trading day for an expiring CBOE S&P 500 Three-Month Variance futures contract will be the day immediately preceding the last regularly-scheduled trading day.

(f) *Contract Modifications.* Specifications are fixed as of the first day of trading of a contract. If any U.S. government agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.

(g) *Execution Priorities.* Pursuant to Rule 406(a)(i), the base allocation method of price-time priority shall apply to trading in CBOE S&P 500 Three-Month Variance futures contracts. Pursuant to Rule 406(b)(iii), a DPM trade participation right priority shall overlay the price-time priority base allocation method.

(h) *Crossing Two or More Original Orders.* The eligible size for an original Order that may be entered for a cross trade with one or more other original Orders pursuant to Rule 407 is one Contract. The request for quote response period under Rule 407(a) for the request for quote required to be sent before the initiation of a cross trade under Rule 407 is five seconds. Following the request for quote response period, the Trading Privilege Holder or Authorized Trader, as applicable, must expose to the market for at least three seconds under Rule 407(b) at least one of the original Orders that it intends to cross.

(i) *Price Limits and Circuit Breaker Halts.* Pursuant to Rule 413, CBOE S&P 500 Three-Month Variance futures contracts are not subject to price limits.

Trading in CBOE S&P 500 Three-Month Variance futures contracts shall be halted whenever a market-wide trading halt commonly known as a circuit breaker is in effect on the New York Stock Exchange in response to extraordinary market conditions.

(j) *Exchange of Contract for Related Position.* Exchange of Contract for Related Position transactions, as set forth in Rule 414, may not be entered into with respect to CBOE S&P 500 Three-Month Variance futures contracts.

(k) *Block Trades.* Pursuant to Rule 415(a)(i), the minimum Block Trade quantity for the CBOE S&P 500 Three-Month Variance futures contract is 100 contracts if there is only one leg involved in the trade. If the Block Trade is executed as a spread order, one leg must meet the minimum Block Trade quantity

for the CBOE S&P 500 Three-Month Variance futures contract and the other leg(s) must have a contract size that is reasonably related to the leg meeting the minimum Block Trade quantity. If the Block Trade is executed as a transaction with legs in multiple contract months and all legs of the Block Trade are exclusively for the purchase or exclusively for the sale of CBOE S&P 500 Three-Month Variance futures contracts (a “strip”), the minimum Block Trade quantity for the strip is 150 contracts and each leg of the strip is required to have a minimum size of 25 contracts.

(l) *No-Bust Range.* Pursuant to Rule 416, the Exchange error trade policy may only be invoked for a trade price that is greater than 10% on either side of the market price of the applicable CBOE S&P 500 Three-Month Variance futures contract. In accordance with Policy and Procedure III, the Help Desk will determine what the true market price for the relevant Contract was immediately before the potential error trade occurred. In making that determination, the Help Desk may consider all relevant factors, including 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 on the Exchange or other markets.

(m) *Pre-execution Discussions.* The Order Exposure Period under Policy and Procedure IV before an Order may be entered to take the other side of another Order with respect to which there has been pre-execution discussions is three seconds after the first Order was entered into the CBOE System. If no bid or offer price exist in the relevant CBOE S&P 500 Three-Month Variance futures contract, the RFQ Response Period under Policy and Procedure IV that must elapse following the request for quote that is required to be sent prior to the entry of the first Order is five seconds.

(n) *Reportable Position.* Pursuant to Commission Regulation §15.03 and Commission Regulation Part 17, the position level that is required to be reported to the Commission is any open position in CBOE S&P 500 Three-Month Variance futures contracts at the close of trading on any trading day equal to or in excess of twenty-five contracts on either side of the market.

(o) *Threshold Widths* For purposes of Policy and Procedure I and Policy and Procedure II, the Threshold Widths for the CBOE S&P 500 Three-Month Variance futures contract are as follows:

<b>CBOE S&amp;P 500 Three-Month Variance Level</b>	<b>Threshold Width</b>
1 – 100	20
100 – 200	50
200 – 10000	100

The minimum size of bids and offers that establish a Threshold Width is one contract.

Amended September 30, 2004 (04-18); March 11, 2005 (05-09); March 28, 2005 (05-11); February 24, 2006 (06-04); March 15, 2007 (07-02); October 11, 2007 (07-11); March 6, 2008 (08-01); January 12, 2009 (09-01); February 23, 2009 (09-03); March 2, 2009 (09-06); June 3, 2009 (09-13).

### **1303. Settlement**

Settlement of the CBOE S&P 500 Three-Month Variance futures contract will result in the delivery of a cash settlement amount on the business day immediately following the settlement date. The cash settlement amount on the final settlement date shall be the final mark to market amount against the final settlement price of the CBOE S&P 500 Three-Month Variance futures contract multiplied by \$50.00. The final settlement price of the CBOE S&P 500 Three-Month Variance futures contract will be rounded to the nearest \$.01.

Clearing Members holding open positions in CBOE S&P 500 Three-Month Variance futures contracts at the termination of trading in that Contract shall make payment to or receive payment from the Clearing Corporation in accordance with normal variation and performance bond procedures based on the final settlement amount.

If the settlement value is not available or the normal settlement procedure cannot be utilized due to a trading disruption or other unusual circumstance, the settlement value will be determined in accordance with the Rules and By-Laws of The Options Clearing Corporation.

### **1304. DPM Provisions**

(a) *DPM Appointment.* A Trading Privilege Holder will be appointed to act as a DPM for the CBOE S&P 500 Three-Month Variance futures contract pursuant to Rule 515.

(b) *DPM Participation Right.* The DPM participation right percentage under Rule 406(b)(iii) for the CBOE S&P 500 Three-Month Variance futures contract is 30%.

Adopted May 18, 2004 (04-15).

**CHAPTER 14**  
**MINI CBOE VOLATILITY INDEX FUTURES**  
**CONTRACT SPECIFICATIONS**

**1401. Scope of Chapter**

This chapter applies to trading in Mini CBOE Volatility Index (“Mini VIX”) futures. The procedures for trading, clearing, settlement, and any other matters not specifically covered herein shall be governed by the generally applicable rules of the Exchange. The Mini VIX futures contract was first listed for trading on the Exchange on March 2, 2009.

**1402. Contract Specifications**

(a) *Multiplier.* The contract multiplier for each Mini VIX futures contract is \$100.00. For example, a contract size of one Mini VIX futures contract would be \$1,650 if the VIX index level were 16.5 (16.5 x \$100.00).

(b) *Schedule.* The Exchange may list for trading up to three near-term serial months for the Mini VIX futures contract. The final settlement date for the Mini VIX futures contract shall be on the Wednesday that is thirty days prior to the third Friday of the calendar month immediately following the month in which the applicable Mini VIX futures contract expires. If the third Friday of the month subsequent to expiration of the applicable Mini VIX futures contract is a CBOE holiday, the final settlement date for the contract shall be thirty days prior to the CBOE business day immediately preceding that Friday.

The trading days for Mini VIX futures contracts shall be the same trading days of options on the S&P 500 Composite Stock Price Index, as those days are determined by CBOE.

The trading hours for Mini VIX futures contracts are from 8:30 a.m. Chicago time to 3:15 p.m. Chicago time.

(c) *Minimum Increments.* Except as provided in the following sentence, the minimum fluctuation of the Mini VIX futures contract is 0.05 index points, which has a value of \$5.00.

The individual legs and net prices of spread trades in the Mini VIX futures contract may be in increments of 0.01 index points, which has a value of \$1.00.

(d) *Position Accountability.* Mini VIX futures are subject to position accountability under Rule 412A.

A person is subject to the position accountability requirements set forth in Rule 412A if the person (i) owns or controls at any time more than the number of contracts net long or net short in all VIX futures and Mini VIX futures contract months combined that in the aggregate would exceed the equivalent of 25,000 VIX futures contracts or (ii) the person owns or controls more than the number of

contracts net long or net short in the expiring VIX futures and Mini VIX futures contract months combined that in the aggregate would exceed the equivalent of 15,000 VIX futures contracts, commencing on the Friday prior to the final settlement date of the expiring VIX futures and Mini VIX futures contract months. Under this Rule, one Mini VIX futures contract shall be deemed to be equivalent to one-tenth (0.10) of one VIX futures contract.

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding shall be cumulated.

(e) *Termination of Trading.* Trading on the Mini VIX futures contract terminates on the business day immediately preceding the final settlement date of the Mini VIX futures contract for the relevant spot month. When the last trading day is moved because of a CFE holiday, the last trading day for an expiring Mini VIX futures contract will be the day immediately preceding the last regularly-scheduled trading day.

(f) *Contract Modifications.* Specifications are fixed as of the first day of trading of a contract. If any U.S. government agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.

(g) *Execution Priorities.* Pursuant to Rule 406(a)(ii), the base allocation method of pro rata priority shall apply to trading in Mini VIX futures contracts. The following priorities shall overlay the pro rata priority base allocation method and shall be applied in the sequence below.

1. A Market Turner priority shall be applied pursuant to Rule 406(b)(ii) with a Market Turner priority participation percentage of 30%.
2. A DPM participation right priority shall then be applied pursuant to Rule 406(b)(iii) with a DPM participation right percentage of 30%, and the DPM shall receive any further allocation resulting from the subsequent application of the pro rata priority below to the DPM's remaining quote/Order size at the best price pursuant to Rule 406(b)(iii)(C)(2).
3. The pro rata priority base allocation method shall then be applied.

(h) *Crossing Two or More Original Orders.* The eligible size for an original Order that may be entered for a cross trade with one or more other original Orders pursuant to Rule 407 is one Contract. The request for quote response period under Rule 407(a) for the request for quote required to be sent before the initiation of a cross trade under Rule 407 is five seconds. Following the request for quote

response period, the Trading Privilege Holder or Authorized Trader, as applicable, must expose to the market for at least three seconds under Rule 407(b) at least one of the original Orders that it intends to cross.

(i) *Price Limits and Circuit Breaker Halts.* Pursuant to Rule 413, Mini VIX futures contracts are not subject to price limits.

Trading in Mini VIX futures contracts shall be halted whenever a market-wide trading halt commonly known as a circuit breaker is in effect on the New York Stock Exchange in response to extraordinary market conditions.

(j) *Exchange of Contract for Related Position.* Exchange of Contract for Related Position transactions, as set forth in Rule 414, may be entered into with respect to Mini VIX futures contracts. Any Exchange of Contract for Related Position transaction must satisfy the requirements of Rule 414.

(k) *Block Trades.* Block Trade transactions, as set forth in Rule 415, are not permitted in Mini VIX futures contracts.

(l) *No-Bust Range.* Pursuant to Rule 416, the Exchange error trade policy may only be invoked for a trade price that is greater than 10% on either side of the market price of the applicable Mini VIX futures contract. In accordance with Policy and Procedure III, the Help Desk will determine what the true market price for the relevant Contract was immediately before the potential error trade occurred. In making that determination, the Help Desk may consider all relevant factors, including 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 on the Exchange or other markets.

(m) *Pre-execution Discussions.* The Order Exposure Period under Policy and Procedure IV before an Order may be entered to take the other side of another Order with respect to which there has been pre-execution discussions is three seconds after the first Order was entered into the CBOE System. If no bid or offer price exist in the relevant Mini VIX futures contract, the RFQ Response Period under Policy and Procedure IV that must elapse following the request for quote that is required to be sent prior to the entry of the first Order is five seconds.

(n) *Reportable Position.* Pursuant to Commission Regulation §15.03 and Commission Regulation Part 17, the position level that is required to be reported to the Commission is any open position in Mini VIX futures contracts at the close of trading on any trading day equal to or in excess of 200 contracts on either side of the market.

(o) *Threshold Widths.* For purposes of Policy and Procedure I and Policy and Procedure II, the Threshold Widths for the Mini VIX futures contract are as follows:

<b>VIX Index Level</b>	<b>Threshold Width</b>
1 – 100	20
100 – 200	50
200 – 10000	100

The minimum size of bids and offers that establish a Threshold Width is one contract.

Amended March 5, 2009 (09-08); June 1, 2009 (09-12).

### **1403. DPM Provisions**

(a) **DPM Appointment.** A Trading Privilege Holder will be appointed to act as a DPM for the Mini VIX futures contract pursuant to Rule 515.

(b) *DPM Participation Right.* The DPM participation rights for the Mini VIX futures contract are set forth in Rule 1402(g).

Amended June 1, 2009 (09-12).

### **1404. Settlement**

Settlement of Mini VIX futures contracts will result in the delivery of a cash settlement amount on the business day immediately following the settlement date. The cash settlement amount on the final settlement date shall be the final mark to market amount against the final settlement price of the Mini VIX futures contract multiplied by \$100.00. The final settlement price of the Mini VIX futures contract will be rounded to the nearest \$0.01.

Clearing Members holding open positions in Mini VIX futures contracts at the termination of trading in that Contract shall make payment to or receive payment from the Clearing Corporation in accordance with normal variation and performance bond procedures based on the final settlement amount.

If the settlement value is not available or the normal settlement procedure cannot be utilized due to a trading disruption or other unusual circumstance, the settlement value will be determined in accordance with the Rules and By-Laws of The Options Clearing Corporation.

Adopted October 18, 2004. Amended March 11, 2005 (05-09); March 28, 2005 (05-11); February 17, 2006 (06-02); February 24, 2006 (06-04); October 19, 2006 (06-16). Deleted June 5, 2007 (07-03). Readopted March 2, 2009 (09-05). Amended June 1, 2009 (09-12).

**CHAPTER 15**  
**RESERVED**

Adopted February 4, 2005 (05-04). Amended March 28, 2005 (05-11); June 20, 2005 (05-18); August 8, 2005 (05-24); February 24, 2006 (06-04). Deleted July 3, 2006 (06-10). Readopted October 2, 2006 (06-14). Amended October 11, 2007 (07-11); March 6, 2008 (08-01). Deleted November 24, 2008 (08-09).

**CHAPTER 16**  
**CBOE RUSSELL 2000 VOLATILITY INDEX FUTURES**  
**CONTRACT SPECIFICATIONS**

**1601. Scope of Chapter**

This chapter applies to trading in futures on the CBOE Russell 2000 Volatility Index ("RVX"). The procedures for trading, clearing, settlement, and any other matters not specifically covered herein shall be governed by the generally applicable rules of the Exchange. RVX futures contracts were first listed for trading on the Exchange on July 6, 2007.

**1602. Contract Specifications**

(a) *Multiplier.* The contract multiplier for each RVX futures contract is \$1,000. For example, a contract size of one RVX futures contract would be \$21,000, if the RVX index level were 21 (21 x \$1,000.00).

(b) *Schedule.* The Exchange may list for trading up to six near-term serial months and five months on the February quarterly cycle for the RVX futures contract. The final settlement date for the RVX futures contract shall be the Wednesday that is thirty days prior to the third Friday of the calendar month immediately following the month in which the applicable RVX futures contract expires. If the third Friday of the month subsequent to expiration of the applicable RVX futures contract is a CBOE holiday, the final settlement date for the contract shall be thirty days prior to the CBOE business day immediately preceding that Friday.

The trading days for RVX futures contracts shall be the same trading days of options on the CBOE Russell 2000 Volatility Index traded on CBOE, as those days are determined by CBOE.

The trading hours for RVX futures contracts are from 8:30 a.m. Chicago time to 3:15 p.m. Chicago time.

(c) *Minimum Increments.* Except as provided in the following sentence, the minimum fluctuation of the RVX futures contract is 0.05 index points, which has a value of \$50.00.

The individual legs and net prices of spread trades in the RVX futures contract may be in increments of 0.01 index points, which has a value of \$10.00.

(d) *Position Limits.* RVX futures are subject to position limits under Rule 412.

A person may not own or control more than 5,000 contracts net long or net short in all contract months of an RVX futures contract combined.

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding shall be cumulated.

The foregoing position limit shall not apply to positions that are subject to a position limit exemption meeting the requirements of Commission Regulations and CFE Rules.

(e) *Termination of Trading.* Trading in RVX futures contracts terminates on the business day immediately preceding the final settlement date of the RVX futures contract for the relevant spot month. When the last trading day is moved because of a CFE holiday, the last trading day for an expiring RVX futures contract will be the day immediately preceding the last regularly-scheduled trading day.

(f) *Contract Modifications.* Specifications are fixed as of the first day of trading of a contract. If any U.S. government agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.

(g) *Execution Priorities.* Pursuant to Rule 406(a)(i), the base allocation method of price-time priority shall apply to trading in RVX futures contracts. Pursuant to Rule 406(b)(iii), a DPM trade participation right priority shall overlay the price-time priority base allocation method.

(h) *Crossing Two or More Original Orders.* The eligible size for an original Order that may be entered for a cross trade with one or more original Orders pursuant to Rule 407 is one Contract. The request for quote response period under Rule 407(a) for the request for quote required to be sent before the initiation of a cross trade under Rule 407 is five seconds. Following the request for quote response period, the Trading Privilege Holder or Authorized Trader, as applicable, must expose to the market for at least three seconds under Rule 407(b) at least one of the original Orders that it intends to cross.

(i) *Price Limits and Circuit Breaker Halts.* Pursuant to Rule 413, RVX futures contracts are not subject to price limits.

Trading in RVX futures contracts shall be halted whenever a market-wide trading halt commonly known as a circuit breaker is in effect on the New York Stock Exchange in response to extraordinary market conditions.

(j) *Exchange of Contract for Related Position.* Exchange of Contract for Related Position transactions, as set forth in Rule 414, may be entered into with respect to RVX futures contracts. Any Exchange of Contract for Related Position transaction must satisfy the requirements of Rule 414.

(k) *Block Trades.* Pursuant to Rule 415(a)(i), the minimum Block Trade quantity for the RVX futures contract is 100 contracts if there is only one leg involved in the trade. If the Block Trade is executed as a spread order, one leg must meet the minimum Block Trade quantity for the RVX futures contract and the other leg(s) must have a contract size that is reasonably related to the leg meeting the minimum Block Trade quantity. If the Block Trade is executed as a transaction with legs in multiple contract months and all legs of the Block Trade are exclusively for the purchase or exclusively for the sale of RVX futures contracts (a “strip”), the minimum Block Trade quantity for the strip is 150 contracts and each leg of the strip is required to have a minimum size of 50 contracts.

The minimum price increment for a Block Trade in the RVX futures contract is 0.01 index points.

(l) *No-Bust Range.* Pursuant to Rule 416, the CFE error trade policy may only be invoked for a trade price that is greater than 10% on either side of the market price of the applicable RVX futures contract. In accordance with Policy and Procedure III, the Help Desk will determine what the true market price for the relevant Contract was immediately before the potential error trade occurred. In making that determination, the Help Desk may consider all relevant factors, including 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 on the Exchange or other markets.

(m) *Pre-execution Discussions.* The Order Exposure Period under Policy and Procedure IV before an Order may be entered to take the other side of another Order with respect to which there has been pre-execution discussions is three seconds after the first Order was entered into the CBOE System. If no bid or offer price exist in the relevant RVX futures contract, the RFQ Response Period under Policy and Procedure IV that must elapse following the request for quote that is required to be sent prior to the entry of the first Order is five seconds.

(n) *Reportable Position.* Pursuant to Commission Regulation §15.03 and Commission Regulation Part 17, the position level that is required to be reported to the Commission is any open position in RVX futures contracts at the close of trading on any trading day equal to or in excess of twenty-five contracts on either side of the market.

(o) *Threshold Widths.* For purposes of Policy and Procedure I and Policy and Procedure II, the Threshold Widths for the RVX futures contract are as follows:

<b>RVX Index Level</b>	<b>Threshold Width</b>
1 – 100	20
100 – 200	50
200 – 10000	100

The minimum size of bids and offers that establish a Threshold Width is one contract.

Amended October 11, 2007 (07-11); December 21, 2007 (07-14); March 6, 2008 (08-01); January 12, 2009 (09-01); February 2, 2009 (09-02); February 23, 2009 (09-03); March 2, 2009 (09-06); June 3, 2009 (09-13).

### **1603. Settlement**

Settlement of RVX futures contracts will result in the delivery of a cash settlement amount on the business day immediately following the settlement date. The cash settlement amount on the final settlement date shall be the final mark to market amount against the final settlement price of the RVX futures contract multiplied by \$1,000.00. The final settlement price of the RVX futures contract will be rounded to the nearest \$0.01.

Clearing Members holding open positions in RVX futures contracts at the termination of trading in that Contract shall make payment to or receive payment from the Clearing Corporation in accordance with normal variation and performance bond procedures based on the final settlement amount.

If the settlement value is not available or the normal settlement procedure cannot be utilized due to a trading disruption or other unusual circumstance, the settlement value will be determined in accordance with the Rules and By-Laws of The Options Clearing Corporation.

### **1604. DPM Provisions**

- (a) *DPM Appointment.* A Trading Privilege Holder will be appointed to act as a DPM for RVX futures contracts pursuant to Rule 515.
- (b) *DPM Participation Right.* The DPM participation right percentage under Rule 406(b)(iii) for RVX futures contracts is 30%.

Adopted July 6, 2007 (07-05).

**CHAPTER 17**  
**RESERVED**

Adopted April 25, 2005 (05-14). Amended February 17, 2006 (06-02); February 24, 2006 (06-04); September 26, 2006 (06-13); October 9, 2006 (2006-15); March 26, 2007 (07-01); July 3, 2007 (07-04); October 11, 2007 (07-11); December 21, 2007 (07-14); March 6, 2008 (08-01); January 12, 2009 (09-01); February 2, 2009 (09-02); February 23, 2009 (09-03); March 2, 2009 (09-06); June 3, 2009 (09-13). Deleted August 13, 2009 (09-14).

## CHAPTER 18 SINGLE STOCK FUTURES

### 1801. Scope of Chapter

This chapter applies to trading in any Contract that is a Security Future based on a single security (each, a “Single Stock Future”). The procedures for trading, clearing, settlement, and any other matters not specifically covered herein shall be governed by the other Rules of the Exchange.

### 1802. Contract Specifications

(a) *Specifications Supplements.* The general specifications set forth in this Rule 1802 shall be subject to, and qualified by, the specific terms applicable to trading, clearing or settlement of particular Single Stock Futures, as provided in supplements (each a “Specifications Supplement”) from time to time adopted by the Exchange. Each Specifications Supplement for a Single Stock Future shall be substantially in the form set forth in Rule 1806 or such other form as the Exchange may from time to time approve. No Specifications Supplement shall become effective until the Exchange has submitted to the Commission (i) a certification satisfying the requirements set forth in Commission Regulation § 41.22 and (ii) a filing satisfying the requirements set forth in Commission Regulation § 41.23, with respect to the Single Stock Future to which it relates.

(b) *Underlying Securities.* Each Single Stock Future shall be based on an underlying security (the “Underlying Security”), which satisfies the requirements set forth in Commission Regulations § 41.21(a), as may be determined from time to time by the Exchange.

(c) *Trading Hours; Delivery Months and Termination Dates.* Single Stock Futures shall be traded during such hours, for delivery in such months, and shall terminate on such dates, as may be determined from time to time by the Exchange.

(d) *Trading Units.* Each Single Stock Future shall represent 100 shares of the Underlying Security.

(e) *Minimum Price Fluctuations.* The minimum price fluctuation for each Single Stock Future shall be \$0.01 per share, which is equal to \$1.00 per Contract.

(f) *Speculative Position Limits.* For purposes of Rule 412, the position limit applicable to positions in any Single Stock Future held during the last five trading days of an expiring Single Stock Future shall be the position limit adopted by the Exchange in accordance with Commission Regulation § 41.25. Each such position limit shall be published by the Exchange.

(g) *Last Day of Trading.* All trading in a particular Contract shall terminate at the close of business on the termination date of such Contract.

(h) *Contract Modifications.* The specifications for a particular Single Stock Future shall be as set forth in the filing made with respect thereto pursuant to Commission Regulation § 41.23. If any U.S. governmental agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, including specifications set forth in any Specifications Supplement, such order, ruling, directive or law shall be deemed to take precedence over such specifications and become part of these Rules or of such Specification Supplement and all open and new Contracts shall be subject thereto.

(i) *Contract Adjustments.* Adjustments to Single Stock Futures related to actions or transactions by or affecting the issuer of the Underlying Securities shall be made under the circumstances and in the manner from time to time prescribed by the Clearing Corporation.

(j) *Daily Settlement Price.* (i) The daily settlement price for each Single Stock Future Contract will be the average of the final Bid and final Offer of the Single Stock Future Contract at the close of trading.

(ii) If there were no bid or offer at the close of trading, then the Exchange shall set a reasonable settlement price by adjusting the average of the last bid and offer disseminated to the market and captured by an independent price reporting system during the trading day by the difference between the consolidated price of the Underlying Security at the time that the last bid or offer was quoted on the Exchange and the consolidated price of the Underlying Security at the close of regular trading hours.

(iii) Notwithstanding the above, the Exchange may in its sole discretion establish a settlement price that it deems to be a fair and reasonable reflection of the market. The Exchange will consider all relevant factors, including those discussed in this provision, when establishing such a settlement price.

(k) *Final Settlement Price.* The final settlement price of a Single Stock Future shall be calculated in accordance with paragraph (j), unless the final settlement price is fixed in accordance with the Rules and By-Laws of the Clearing Corporation.

(l) *Execution Priorities.* Pursuant to Rule 406(a)(i), the base allocation method of price-time priority shall apply to trading in each Single Stock Future. Pursuant to Rule 406(b)(iii), a DPM trade participation right priority shall overlay the price-time priority base allocation method.

(m) *Crossing Two or More Original Orders.* The eligible size for an original Order that may be entered for a cross trade with one or more original Orders pursuant to Rule 407 is one Contract. The request for quote response period under Rule 407(a) for the request for quote required to be sent before the initiation of a cross trade under Rule 407 is five seconds. Following the request for quote response period, the Trading Privilege Holder or Authorized Trader, as

applicable, must expose to the market for at least three seconds under Rule 407(b) at least one of the original Orders that it intends to cross.

(n) *Price Limits.* Pursuant to Rule 413, Single Stock Futures are not subject to price limits.

(o) *Block Trades.* Pursuant to Rule 415(a)(i), the minimum Block Trade quantity for each Single Stock Future shall be 100 contracts, unless otherwise set forth in the Specifications Supplement for that Single Stock Future. If the Block Trade is executed as a spread order, one leg must meet the minimum Block Trade quantity for the particular Single Stock Future and the other leg(s) must have a contract size that is reasonably related to the leg meeting the minimum Block Trade quantity.

No natural person associated with a Trading Privilege Holder or Authorized Trader that has knowledge of a pending Block Trade of such Trading Privilege Holder or Authorized Trader, or a Customer thereof in a Single Stock Future on the Exchange, may enter an Order or execute a transaction, whether for his or her own account or, if applicable, for the account of a Customer over which he or she has control, for or in the Single Stock Future to which such Block Trade relates until after (i) such Block Trade has been reported to and published by the Exchange and (ii) any additional time period from time to time prescribed by the Exchange in its block trading procedures or contract specifications has expired.

No natural person associated with a Trading Privilege Holder or Authorized Trader that has knowledge of a pending Block Trade of such Trading Privilege Holder or Authorized Trader, or a Customer thereof in a Single Stock Future on any other exchange or trading system, may enter an Order or execute a transaction on the Exchange, whether for his or her own account or, if applicable, for the account of a Customer over which he or she has control, for any Single Stock Future which has the same underlying security as the contract to which such block trade relates until after (i) such block trade is reported and published in accordance with the rules, procedures or contract specifications of such exchange or trading system and (ii) any additional time period prescribed by the Exchange in its block trading procedures or contract specifications has expired.

(p) *No-Bust Range.* Pursuant to Rule 416, the Exchange error trade policy may only be invoked for a trade price that is greater than 10% on either side of the market price of the applicable Single Stock Future contract. In accordance with Policy and Procedure III, the Help Desk will determine what the true market price for the relevant Contract was immediately before the potential error trade occurred. In making that determination, the Help Desk may consider all relevant factors, including 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.

(q) *Pre-execution Discussions.* The Order Exposure Period under Policy and Procedure IV before an Order may be entered to take the other side of another Order with respect to which there has been pre-execution discussions is three

seconds after the first Order was entered into the CBOE System. If no bid or offer price exist in the relevant Single Stock Futures contract, the RFQ Response Period under Policy and Procedure IV that must elapse following the request for quote that is required to be sent prior to the entry of the first Order is five seconds.

Amended March 6, 2008 (08-01); June 3, 2009 (09-13).

### **1803. Delivery**

Delivery of the Underlying Securities upon termination of a Single Stock Future, and payment of the price in respect thereof, shall be made in accordance with the Rules of the Clearing Corporation. As promptly as possible after the receipt of a notice of delivery from the Clearing Corporation with respect to a Single Stock Future held by a Trading Privilege Holder or Authorized Trader, such Trading Privilege Holder or Authorized Trader shall require the Customer to deposit the Underlying Security (in the case of a short position) or pay the aggregate price in respect thereof, in full and in cash (in the case of a long position), or in either case, if the transaction is effected in a margin account, to make the required margin deposit in accordance with the applicable regulations of the Federal Reserve Board.

### **1804. Emergencies, Acts of God and Acts of Government**

If delivery or acceptance or any precondition or requirement of either, in respect of any Single Stock Future is prevented by a strike, fire, accident, act of God, act of government or any other event or circumstance beyond the control of the parties to such Contract, the seller or buyer of such Contract shall immediately notify the Exchange. If based on such notification, the President, or any individual designated by the President and approved by the Board, determines that an Emergency exists, he or she may take such action in accordance with Rule 418 as he or she may deem necessary under the circumstances, which action shall be binding upon both parties to the Contract in question; *provided* that any action taken in accordance with this sentence shall be reviewed by the Board as soon as practicable under the circumstances, and may be revoked, suspended or modified by the Board.

### **1805. DPM Provisions**

(a) *DPM Appointment.* A Trading Privilege Holder will be appointed to act as a DPM for each Single Stock Future pursuant to Rule 515.

(b) *DPM Participation Right.* The DPM participation right percentage under Rule 406(b)(iii) for each Single Stock Future is 30%.

## 1806. Form of Specifications Supplement

Supplement No. \_\_\_\_

Title of Single Stock Future: \_\_\_\_\_

Underlying Security:

Type of Underlying Security: [common stock] [American Depositary Receipt]  
[share of exchange traded fund] [trust issued  
receipt] [share of closed-end management  
investment company] [other]

Trading Hours:

Delivery Months:

Termination Dates:

Trading Unit:

100 shares of the Underlying Security

Minimum Price Fluctuation:

\$0.01 per share, equal to \$1.00 per Contract

Threshold Width:

<u>Common Stock Price</u>	<u>Threshold Width</u>
share price < \$10	\$0.50
\$10 < share price < \$50	\$1.00
\$50 < share price	\$2.00

Position Limit:

During the last five trading days, \_\_\_\_ Contracts  
net long or short

Reportable Position:

200 Contracts

Daily Price Limit:

Minimum Block Trade Quantity:

Time Period for Reporting Block  
Trades:

Without delay, but no more than ten minutes after  
a Block Trade is negotiated.

Last Day of Trading:

Delivery Day:

Depository for Underlying Security:

Other Specifications:

Adopted July 26, 2005 (05-20).

**CHAPTER 19**  
**NARROW-BASED STOCK INDEX FUTURES**

**1901. Scope of Chapter**

This chapter applies to trading in any Contract that is a Security Future based on a “narrow-based security index” (as such term is defined in Section 1a(25) of the CEA) (each, a “Narrow-Based Stock Index Future”). The procedures for trading, clearing, settlement, and any other matters not specifically covered herein shall be governed by the other Rules of the Exchange.

**1902. Contract Specifications**

- (a) *Specifications Supplements.* The general specifications set forth in this Rule 1902 shall be subject to, and qualified by, the specific terms applicable to trading, clearing or settlement of particular Narrow-Based Stock Index Futures, as provided in Specifications Supplements from time to time adopted by the Exchange. Each Specifications Supplement for a Narrow-Based Stock Index Future shall be substantially in the form set forth in Rule 1906 or such other form as the Exchange may from time to time approve. No Specifications Supplement shall become effective until the Exchange has submitted to the Commission (i) a certification satisfying the requirements set forth in Commission Regulation § 41.22 and (ii) a filing satisfying the requirements set forth in Commission Regulation § 41.23, with respect to the Narrow-Based Stock Index Future in question.
- (b) *Underlying Securities.* Narrow-Based Stock Index Futures shall be based on such indices consisting of two or more Underlying Securities, which shall satisfy the requirements set forth in Commission Regulation § 41.21(b), as may be determined from time to time by the Exchange.
- (c) *Trading Hours; Delivery Months and Termination Dates.* Narrow-Based Stock Index Futures shall be traded during such hours and for delivery in such months, and shall terminate on such dates, as may be determined from time to time by the Exchange.
- (d) *Minimum Price Fluctuations.* The minimum price fluctuation for Narrow-Based Stock Index Futures shall be \$0.01 per Contract.
- (e) *Position Limits.* For purposes of Rule 412, the position limit applicable to positions in any physically settled Narrow-Based Stock Index Future held during the last five trading days of an expiring Narrow-Based Stock Index Future shall be the position limit adopted by the Exchange in accordance with Commission Regulation § 41.25. Commission Regulation § 41.25 applies the applicable position limit with respect to Narrow-Based Stock Index Futures to the security in the Narrow-Based Stock Index Future having the lowest average daily trading volume. Each such position limit shall be published by the Exchange.

Pursuant to Rule 412(a), the Exchange shall establish speculative position limits for each cash settled Narrow-Based Stock Index Future held during the last five trading days of an expiring Narrow-Based Stock Index Future according to the following methodology:

The position limit for each cash settled Narrow-Based Stock Index Future shall be the number of contracts calculated according to formula (i) “Market Cap Position Limit” or (ii) “SSF Position Limit” below, whichever is less, rounded to the nearest multiple of 1,000 contracts; provided, however, that if formula (i) or (ii), whichever is less, calculates a number less than 500 but not less than 400 for any such Security Future, the position limit will be 1,000 contracts.

(i) “Market Cap Position Limit”

(A) The Exchange will determine the market capitalization of the Standard & Poor’s 500 index (the “S&P 500”) as of the selection date for the component securities of the index underlying the Narrow-Based Stock Index Future (the “Selection Date”) (the “S&P 500 Market Cap”);

(B) then

(C) The Exchange will calculate the notional value of a future position in Chicago Mercantile Exchange’s (“CME”) S&P 500 futures contract at its maximum limit (the “S&P 500 Notional Value Limit”) by multiplying the S&P 500 by the position limit for CME’s S&P 500 futures (20,000 contracts in all months combined) and by the S&P 500 contract multiplier (\$250) to calculate:

(D)  $\text{S\&P 500 Notional Value Limit} = \text{S\&P 500} * 20,000 * \$250$ ;

(E) then

(F) The Exchange will divide the S&P 500 Market Cap by the S&P 500 Notional Value Limit to calculate the “Market Cap Ratio”:

(G)  $\text{Market Cap Ratio} = \text{S\&P 500 Market Cap} / \text{S\&P 500 Notional Value Limit}$ ;

(H) then

(I) The Exchange will calculate the market capitalization of the stock index underlying the Narrow-Based Stock Index Future by adding together the market capitalization of each stock comprising the stock index (the “Stock Index Market Cap”); then

(J) The Exchange will calculate the notional value of the Narrow-Based Stock Index Future (the “Notional Value”) as follows:

(K) Notional Value = Level of index underlying Narrow-Based Stock Index Future \* contract multiplier

(L) The Exchange will calculate the Market Cap Position Limit of the Narrow-Based Stock Index Future by dividing the Stock Index Market Cap by the product of the Notional Value of the Narrow-Based Stock Index Future and the Market Cap Ratio:

(M) Market Cap Position Limit = Stock Index Market Cap /

(N) Notional Value \* Market Cap Ratio

(ii) “SSF Position Limit”

(A) The Exchange will calculate the notional value of the Narrow-Based Stock Index Future (same as (i)(E) above):

(B) Notional Value = Level of index underlying Narrow-Based Stock Index Future \* contract multiplier

(C) For each component security in the index underlying the Narrow-Based Stock Index Future, the Exchange will multiply its index weight<sup>1</sup> by the Notional Value to determine that security’s proportion of the Narrow-Based Stock Index Future.

(D) For each component security, the Exchange will divide the result in (ii)(B) by the security’s price. This equals the number of shares of that security represented in the Narrow-Based Stock Index Futures contract.

(E) For each component security, the Exchange will divide the number of shares calculated in (ii)(C) by 100 to obtain the implied number of 100-share contracts per Narrow-Based Stock Index Futures contract.

(F) The Exchange will divide the applicable single stock futures contract speculative position limit set in Commission Regulation § 41.25(a)(3) (either 13,500 or 22,500 contracts) by the number of implied 100-share contracts. This provides the number of Narrow-Based Stock Index Futures contracts that could be held

---

<sup>1</sup> Index weight of the component security = (assigned shares \* price) of the component security / the sum of (assigned shares \* price) for each component security.

without violating the speculative position limit on a futures contract on that component security (if such single stock futures contract existed). If the security qualifies for position accountability, ignore that security for purposes of this calculation.

(G) The Exchange will list the results of (ii)(D) and (ii)(E). The SSF Position Limit is the minimum number of implied contracts based on this list.

(f) *Last Day of Trading.* All trading in a particular Contract shall terminate at the close of the last Business Day preceding the termination date of such Contract.

(g) *Contract Modifications.* The specifications for a particular Narrow-Based Stock Index Future shall be as set forth in the filing made with respect thereto pursuant to Commission Regulation § 41.23. If any U.S. governmental agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, including specifications set forth in any specifications supplement, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.

(h) *Contract Adjustments.* Adjustments to Narrow-Based Stock Index Futures related to actions or transactions by or affecting any issuer of Underlying Securities shall be made under the circumstances and in the manner from time to time prescribed by the Clearing Corporation.

(i) *Settlement Price.*

(I) *Daily Settlement Price.* The daily settlement price for cash-settled Narrow-Based Stock Index Futures will be calculated in the same manner as Rule 1802(j).

(II) *Final Settlement Price.*

(A) The final settlement price for cash-settled Narrow-Based Stock Index Futures shall be determined on the third Friday of the contract month. If the Exchange is not open for business on the third Friday of the contract month, the final settlement price shall be determined on the Business Day prior to the third Friday of the contract month. The final settlement price for cash-settled Narrow-Based Stock Index Futures shall be based on a special opening quotation of the underlying stock index (“Stock Index”).

(B) Notwithstanding subparagraph (II)(A) of this Rule, if an opening price for one or more securities underlying a Narrow-Based Stock Index Future is not readily available, the President of the Exchange or his designee for such purpose (referred to hereafter in this Rule 1902(i) as the “Designated Officer”) will

determine whether the security or securities are likely to open within a reasonable time.

(1) If the Designated Officer determines that one or more component securities are not likely to open within a reasonable time, then for the component security or securities which the Designated Officer determined were not likely to open within a reasonable time, the last trading price of the underlying security or securities during the most recent regular trading session for such security or securities will be used to calculate the special opening quotation.

(2) If the Designated Officer determines that the security or securities are likely to open within a reasonable time, then for the component security or securities which the Designated Officer determined were likely to open within a reasonable time, the next available opening price of such security or securities will be used to calculate the special opening quotation.

(C) For purposes of this provision:

(1) “Opening price” means the official price at which a security opened for trading during the regular trading session of the national securities exchange or national securities association that lists the security. If the security is not listed on a national securities exchange or a national securities association, then “opening price” shall mean the price at which a security opened for trading on the primary market for the security. Under this provision, if a component security is an American Depositary Receipt (“ADR”) traded on a national securities exchange or national securities association, the opening price for the ADR would be derived from the national securities exchange or national securities association that lists it.

(2) “Special opening quotation” means the Stock Index value that is derived from the sum of the opening prices of each security of the Stock Index.

(3) “Regular trading session” of a security means the normal hours for business of a national securities exchange or national securities association that lists the security.

(4) The price of a security is “not readily available” if the national securities exchange or national securities association that lists the security does not open on the day scheduled for determination of the final settlement

price, or if the security does not trade on the securities exchange or national securities association that lists the security during regular trading hours.

(D) Notwithstanding any other provision of this Rule, this Rule shall not be used to calculate the final settlement price of a Narrow-Based Stock Index Future if The Option Clearing Corporation fixes the final settlement price of such Narrow-Based Stock Index Future in accordance with its rules and by-laws and as permitted by Commission Regulation § 41.25(b) and SEC Rule 6h-1(b)(3).

(j) *Execution Priorities.* Pursuant to Rule 406(a)(i), the base allocation method of price-time priority shall apply to trading in each Narrow Based Stock Index Future. Pursuant to Rule 406(b)(iii), a DPM trade participation right priority shall overlay the price-time priority base allocation method.

(k) *Crossing Two or More Original Orders.* The eligible size for an original Order that may be entered for a cross trade with one or more original Orders pursuant to Rule 407 is one Contract. The request for quote response period under Rule 407(a) for the request for quote required to be sent before the initiation of a cross trade under Rule 407 is five seconds. Following the request for quote response period, the Trading Privilege Holder or Authorized Trader, as applicable, must expose to the market for at least three seconds under Rule 407(b) at least one of the original Orders that it intends to cross.

(l) *Price Limits.* Pursuant to Rule 413, Narrow Based Stock Index Futures are not subject to price limits.

(m) *Block Trades.* Pursuant to Rule 415(a)(i), the minimum Block Trade quantity for each Narrow Based Stock Index Future shall be 100 contracts, unless otherwise set forth in the Specifications Supplement for that Narrow Based Stock Index Future. If the Block Trade is executed as a spread order, one leg must meet the minimum Block Trade quantity for the particular Narrow Based Stock Index Future and the other leg(s) must have a contract size that is reasonably related to the leg meeting the minimum Block Trade quantity.

No natural person associated with a Trading Privilege Holder or Authorized Trader that has knowledge of a pending Block Trade of such Trading Privilege Holder or Authorized Trader, or a Customer thereof in a Narrow-Based Stock Index Future on the Exchange, may enter an Order or execute a transaction, whether for his or her own account or, if applicable, for the account of a Customer over which he or she has control, for or in the Narrow-Based Stock Index Future to which such Block Trade relates until after (i) such Block Trade has been reported to and published by the Exchange and (ii) any additional time period from time to time prescribed by the Exchange in its block trading procedures or contract specifications has expired.

No natural person associated with a Trading Privilege Holder or Authorized Trader that has knowledge of a pending Block Trade of such Trading Privilege Holder or Authorized Trader, or a Customer thereof in a Narrow-Based Stock Index Future on any other exchange or trading system, may enter an Order or execute a transaction on the Exchange, whether for his or her own account or, if applicable, for the account of a Customer over which he or she has control, for any Narrow-Based Stock Index Future which has the same underlying index as the contract to which such block trade relates until after (i) such block trade is reported and published in accordance with the rules, procedures or contract specifications of such exchange or trading system and (ii) any additional time period prescribed by the Exchange in its block trading procedures or contract specifications has expired.

(n) *No-Bust Range.* Pursuant to Rule 416, the Exchange error trade policy may only be invoked for a trade price that is greater than 10% on either side of the market price of the applicable Narrow-Based Stock Index Future. In accordance with Policy and Procedure III, the Help Desk will determine what the true market price for the relevant Contract was immediately before the potential error trade occurred. In making that determination, the Help Desk may consider all relevant factors, including 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.

(o) *Pre-execution Discussions.* The Order Exposure Period under Policy and Procedure IV before an Order may be entered to take the other side of another Order with respect to which there has been pre-execution discussions is three seconds after the first Order was entered into the CBOE System. If no bid or offer price exist in the relevant Narrow-Based Stock Index Futures contract, the RFQ Response Period under Policy and Procedure IV that must elapse following the request for quote that is required to be sent prior to the entry of the first Order is five seconds.

Amended March 6, 2008 (08-01); June 3, 2009 (09-13).

### **1903. Delivery**

Delivery of the Underlying Securities upon termination of a Narrow-Based Stock Index Future, and payment of the price in respect thereof, shall be made in accordance with the Rules of the Clearing Corporation. As promptly as possible after the receipt of a notice of delivery from the Clearing Corporation with respect to a Narrow-Based Stock Index Future held by a Trading Privilege Holder or Authorized Trader, such Trading Privilege Holder or Authorized Trader shall require such Customer to deposit the Underlying Securities (in the case of a short position) or pay the aggregate price in respect thereof, in full and in cash (in the case of a long position), or in either case, if the transaction is effected in a margin account, to make the required margin deposit in accordance with the applicable regulation of the Federal Reserve Board.

#### 1904. Emergencies, Acts of God and Act of Government

If delivery or acceptance, or any precondition or requirement of either, in respect of any Narrow-Based Stock Index Future is prevented by a strike, fire, accident, act of God, act of government or any other event or circumstance beyond the control of the parties to such Contract, the seller or buyer of such Contract shall immediately notify the Exchange. If based on such notification, the President, or any individual designated by the President and approved by the Board, determines that an Emergency exists, he or she may take such action in accordance with Rule 418 as he or she may deem necessary under the circumstances, which action shall be binding upon both parties to the Contract in question; *provided* that any action taken in accordance with this sentence shall be reviewed by the Board as soon as practicable under the circumstances, and may be revoked, suspended or modified by the Board.

#### 1905. DPM Provisions

- (a) *DPM Appointment.* A Trading Privilege Holder will be appointed to act as a DPM for each Narrow Based Stock Index Future pursuant to Rule 515.
- (b) *DPM Participation Right.* The DPM participation right percentage under Rule 406(b)(iii) for each Narrow Based Stock Index Future is 30%.

#### 1906. Form of Specifications Supplement

Supplement No. \_\_\_\_

Title of Narrow-Based Stock Index Future: \_\_\_\_\_

Underlying Securities (including numbers of values thereof):

Weighting Methodology:

Trading Hours:

Delivery Months:

Termination Dates:

Minimum Price Fluctuation: \$0.01 per Contract

Threshold Width:

Position Limit: During the last five trading days,      Contracts

Reportable Position:

Daily Price Limit:

Minimum Block Trade Quantity:

Time Period for Reporting Block Trades: Without delay, but no more than ten minutes after a Block Trade is negotiated

Last Day of Trading:

Delivery Day:

Depository for Underlying Security:

Other Specifications:

Adopted July 26, 2005 (05-20).

**CHAPTER 20**  
**RESERVED**

Adopted July 6, 2007 (07-06); Amended October 11, 2007 (07-11); December 21, 2007 (07-14); March 6, 2008 (08-01); January 12, 2009 (09-01). Deleted February 18, 2009 (08-09).

**CHAPTER 21**  
**RESERVED**

Adopted July 8, 2005 (05-21). Amended February 17, 2006 (06-02); February 24, 2006 (06-04). Deleted July 3, 2006 (06-10).

**CHAPTER 22**  
**RESERVED**

Adopted October 28, 2005 (05-29). Amended February 24, 2006 (06-04); July 5, 2006 (06-11). Deleted October 31, 2006 (06-17).

**CHAPTER 23**  
**CBOE S&P 500 TWELVE-MONTH VARIANCE FUTURES**  
**CONTRACT SPECIFICATIONS**

**2301. Scope of Chapter**

This chapter applies to trading in CBOE S&P 500 Twelve-Month Variance futures contracts. The procedures for trading, clearing, settlement, and any other matters not specifically covered herein shall be governed by the generally applicable rules of the Exchange. The CBOE S&P 500 Twelve-Month Variance futures contract was first listed for trading on the Exchange on March 24, 2006.

**2302. Contract Specifications**

(a) *Multiplier.* The contract multiplier for the CBOE S&P 500 Twelve-Month Variance futures contract is \$50.00 per variance point. For example, a contract size of one CBOE S&P 500 Twelve-Month Variance futures contract would be \$31,675.00 if the price quotation of the CBOE S&P 500 Twelve-Month Variance futures contract were 633.50 (633.50 x \$50.00).

(b) *Schedule.* The Exchange may list for trading up to six contract months for CBOE S&P 500 Twelve-Month Variance futures. The final settlement date for a CBOE S&P 500 Twelve-Month Variance futures contract shall be on the third Friday of the expiring futures contract month.

The trading days for CBOE S&P 500 Twelve-Month Variance futures contracts shall be the same trading days of options on the S&P 500 Composite Stock Price Index, as those days are determined by CBOE.

The trading hours for the CBOE S&P 500 Twelve-Month Variance futures contract is from 8:30 a.m. Chicago time to 3:15 p.m. Chicago time.

(c) *Minimum Increments.* The minimum fluctuation of the CBOE S&P 500 Twelve-Month Variance futures contract is .50 of one variance point, which is equal to \$25.00 per contract.

(d) *Position Limits.* CBOE S&P 500 Twelve-Month Variance futures are subject to position limits under Rule 412.

A person may not own or control more than 5,000 contracts net long or net short in all CBOE S&P 500 Twelve-Month Variance futures contracts combined.

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding shall be cumulated.

The foregoing position limits shall not apply to positions that are subject to a position limit exemption meeting the requirements of Commission Regulations and CFE Rules.

(e) *Termination of Trading.* Trading on the CBOE S&P 500 Twelve-Month Variance futures contract terminates on the third Friday of the expiring futures contract month. When the last trading day is moved because of a CFE holiday, the last trading day for an expiring CBOE S&P 500 Twelve-Month Variance futures contract will be the day immediately preceding the last regularly-scheduled trading day.

(f) *Contract Modifications.* Specifications are fixed as of the first day of trading of a contract. If any U.S. government agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.

(g) *Execution Priorities.* Pursuant to Rule 406(a)(i), the base allocation method of price-time priority shall apply to trading in CBOE S&P 500 Twelve-Month Variance futures contracts. Pursuant to Rule 406(b)(iii), a DPM trade participation right priority shall overlay the price-time priority base allocation method.

(h) *Crossing Two or More Original Orders.* The eligible size for an original Order that may be entered for a cross trade with one or more original Orders pursuant to Rule 407 is one Contract. The request for quote response period under Rule 407(a) for the request for quote required to be sent before the initiation of a cross trade under Rule 407 is five seconds. Following the request for quote response period, the Trading Privilege Holder or Authorized Trader, as applicable, must expose to the market for at least three seconds under Rule 407(b) at least one of the original Orders that it intends to cross.

(i) *Price Limits and Circuit Breaker Halts.* Pursuant to Rule 413, CBOE S&P 500 Twelve-Month Variance futures contracts are not subject to price limits.

Trading in CBOE S&P 500 Twelve-Month Variance futures contracts shall be halted whenever a market-wide trading halt commonly known as a circuit breaker is in effect on the New York Stock Exchange in response to extraordinary market conditions.

(j) *Exchange of Contract for Related Position.* Exchange of Contract for Related Position transactions, as set forth in Rule 414, may not be entered into with respect to CBOE S&P 500 Twelve-Month Variance futures contracts.

(k) *Block Trades.* Pursuant to Rule 415(a)(i), the minimum Block Trade quantity for the CBOE S&P 500 Twelve-Month Variance futures contract is 100 contracts if there is only one leg involved in the trade. If the Block Trade is executed as a spread order, one leg must meet the minimum Block Trade quantity

for the CBOE S&P 500 Twelve-Month Variance futures contract and the other leg(s) must have a contract size that is reasonably related to the leg meeting the minimum Block Trade quantity.

(l) *No-Bust Range.* Pursuant to Rule 416, the CFE error trade policy may only be invoked for a trade price that is greater than 10% on either side of the market price of the applicable CBOE S&P 500 Twelve-Month Variance futures contract. In accordance with Policy and Procedure III, the Help Desk will determine what the true market price for the relevant Contract was immediately before the potential error trade occurred. In making that determination, the Help Desk may consider all relevant factors, including 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 on the Exchange or other markets.

(m) *Pre-execution Discussions.* The Order Exposure Period under Policy and Procedure IV before an Order may be entered to take the other side of another Order with respect to which there has been pre-execution discussions is three seconds after the first Order was entered into the CBOE System. If no bid or offer price exist in the relevant CBOE S&P 500 Twelve-Month Variance futures contract, the RFQ Response Period under Policy and Procedure IV that must elapse following the request for quote that is required to be sent prior to the entry of the first Order is five seconds.

(n) *Reportable Position.* Pursuant to Commission Regulation §15.03 and Commission Regulation Part 17, the position level that is required to be reported to the Commission is any open position in CBOE S&P 500 Twelve-Month Variance futures contracts at the close of trading on any trading day equal to or in excess of twenty-five contracts on either side of the market.

(o) *Threshold Widths.* For purposes of Policy and Procedure I and Policy and Procedure II, the Threshold Widths for the CBOE S&P 500 Twelve-Month Variance futures contract are as follows:

<b>CBOE S&amp;P 500 Twelve- Month Variance Level</b>	<b>Threshold Width</b>
1 – 100	20
100 – 200	50
200 – 10000	100

The minimum size of bids and offers that establish a Threshold Width is one contract.

Amended March 15, 2007 (07-02); August 29, 2007 (07-09); October 11, 2007 (07-11); March 6, 2008 (08-01); January 12, 2009 (09-01); March 2, 2009 (09-06); June 3, 2009 (09-13).

### **2303. Settlement**

Settlement of the CBOE S&P 500 Twelve-Month Variance futures contract will result in the delivery of a cash settlement amount on the business day immediately following the settlement date. The cash settlement amount on the final settlement date shall be the final mark to market amount against the final settlement price of the CBOE S&P 500 Twelve-Month Variance futures contract multiplied by \$50.00. The final settlement price of the CBOE S&P 500 Twelve-Month Variance futures contract will be rounded to the nearest \$.01.

Clearing Members holding open positions in CBOE S&P 500 Twelve-Month Variance futures contracts at the termination of trading in that Contract shall make payment to or receive payment from the Clearing Corporation in accordance with normal variation and performance bond procedures based on the final settlement amount.

If the settlement value is not available or the normal settlement procedure cannot be utilized due to a trading disruption or other unusual circumstance, the settlement value will be determined in accordance with the Rules and By-Laws of The Options Clearing Corporation.

### **2304. DPM Provisions**

- (a) *DPM Appointment.* A *Trading Privilege Holder* will be appointed to act as a DPM for the CBOE S&P 500 Twelve-Month Variance futures contract pursuant to Rule 515.
- (b) *DPM Participation Right.* The DPM participation right percentage under Rule 406(b)(iii) for the CBOE S&P 500 Twelve-Month Variance futures contract is 30%.

Adopted March 24, 2006 (06-05).