

Bursa Malaysia Derivatives Berhad

Date : 2 October 2014

Trading Participant Circular : 17/2014

**AMENDMENTS TO THE RULES OF BURSA MALAYSIA DERIVATIVES BERHAD
("RULES OF BURSA DERIVATIVES") FOR THE REVISION OF THE CONTRACT
SPECIFICATIONS OF 5-YEAR MALAYSIAN GOVERNMENT SECURITIES (MGS)
FUTURES CONTRACT**

1. INTRODUCTION

- 1.1 Bursa Malaysia Derivatives Bhd ("the Exchange") has revised the contract specifications of the 5-Year MGS Futures ("FMG5") Contract. The key revisions include changes made to the methodology used to compute the final settlement value, from one that uses prices from Thomson Reuters as the reference in the computation of the final settlement value to one that uses prices reported in the Electronic Trading Platform ("ETP") of Bursa Malaysia Bonds Sdn Bhd ("Bursa Bonds"), and changing the criteria for the selection of eligible MGS used in the computation.
- 1.2 In line with the above, the Exchange has amended the Rules of Bursa Derivatives and the Trading Manual. The amendments are further explained below in paragraphs 2 and 3.

2. RULE AMENDMENTS

- 2.1 The salient amendments to the Rules of Bursa Derivatives are set out below.
- 2.2 The descriptions for Final Settlement Value, Final Trading Day and Trading Hours specified in the contract specifications of the FMG5 contract as set out in item 2703 of Schedule 27 have been amended. The salient amendments are as follows:

Final settlement value

- (a) The final settlement value will be calculated from the prices of MGS in the basket of eligible MGS that are reported in the ETP of Bursa Bonds on the Final Trading Day from 0900 hours to 1800 hours (Malaysia time);
- (b) Volume Weighted Average Pricing ("VWAP") will be calculated and transactions with values of less than RM10 million will be excluded from the calculation;
- (c) The final yield is derived from the yield for each MGS in the basket after weighting the yield of all benchmark bonds by 60% or such other weighting as may be prescribed by the Exchange. The remaining weighting will be equally distributed over the yields of the other bonds;

- (d) The basket of eligible MGS includes MGS with the following characteristics:

	Bond Type	Minimum Issuance Size	Term to Maturity	Other requirements
(a)	Benchmark bonds	Not applicable	4 to 6 years on the first calendar day of the contract month	Not applicable
(b)	Non-benchmark bonds	RM5 billion	4 to 6 years on the first calendar day of the contract month	Private placements are excluded

Final Trading Day/Trading hours

- (e) The second trading session of a trading day and the close of trading on the Final Trading Day will be extended to 6.00pm.

- 2.3 The detailed amendments to the Rules of Bursa Derivatives are set out in **Annexure 1**. These amendments have been approved by the Securities Commission.

3. TRADING MANUAL AMENDMENTS

- 3.1 The Trading Manual have been amended to reflect the change in the market timing arising from the extended trading hours and a revised minimum volume threshold for Negotiated Large Trades in the FMG5 contract. The main amendments are in sections 12.3 and 16.2.6.
- 3.2 The updated version of the Trading Manual is attached here as **Annexure 2**.

4. EFFECTIVE DATE

- 4.1 The amendments to the Rules of Bursa Derivatives and the Trading Manual set out above in paragraphs 2 and 3 take effect on **1 December 2014** ("**Effective Date**").
- 4.2 All rules, directives or circulars in force which make references to or contain provisions relating to the above matters shall have effect from the Effective Date as if such reference or provisions relate to the amended provisions aforesaid.

5. CONTACT PERSONS

In the event of any queries in relation to the above matter, kindly contact the following persons:

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This Circular is available at <http://www.bursamalaysia.com/market/regulation/rules/bursa-malaysia-rules/derivatives/rules-of-bursa-malaysia-derivatives/>

Regulation



RULES OF BURSA MALAYSIA DERIVATIVES BHD
RULE AMENDMENTS IN RELATION TO 5-YEAR MGS FUTURES ("FMG5") CONTRACT

EXISTING PROVISIONS		AMENDED PROVISIONS
<p>Schedule 27 – Item 2703</p> <p>(Trading Hours)</p>	<p>TRADING HOURS</p> <p>First trading session: 0900 hours to 1230 hours (Malaysia time); and</p> <p>Second trading session: 1430 hours to 1700 hours (Malaysia time)</p>	<p>TRADING HOURS</p> <p>First trading session: 0900 hours to 1230 hours (Malaysia time); and</p> <p>Second trading session: 1430 hours to 1700<u>1800</u> hours (Malaysia time)</p>
<p>Schedule 27 – Item 2703</p> <p>(Final Trading Day)</p>	<p>FINAL TRADING DAY</p> <p>1. 3rd Wednesday of the contract month or the 1st Business Day immediately following the 3rd Wednesday if the 3rd Wednesday of the contract month is not a Business Day.</p> <p>2. Trading in the expiring month Contract ceases at 1100 hours (Malaysian time) on the Final Trading Day.</p>	<p>FINAL TRADING DAY</p> <p>1. 3rd Wednesday of the contract month or the 1st Business Day immediately following the 3rd Wednesday if the 3rd Wednesday of the contract month is not a Business Day.</p> <p>2. Trading in the expiring month Contract ceases at 1100<u>1800</u> hours (Malaysian time) on the Final Trading Day.</p>
<p>Schedule 27 – Item 2703</p> <p>(Final Settlement Value)</p>	<p>FINAL SETTLEMENT VALUE</p> <p>1. <u>Weightage</u></p> <p>1.1 The final settlement value will be weighted equally on the eligible MGS.</p> <p>1.2 In the event new eligible MGS are introduced, the following will apply:</p>	<p>FINAL SETTLEMENT VALUE</p> <p>1. <u>Weightage</u></p> <p>1.1 The final settlement value will be weighted equally on the eligible MGS.</p> <p>1.2 In the event new eligible MGS are introduced, the following will apply:</p> <p>(a) If there are 4 or more MGS in the basket of eligible MGS (including the new</p>

**ANNEXURE 1
RULE AMENDMENTS
in relation to 5-Year MGS Futures
("FMG5") Contract**



EXISTING PROVISIONS	AMENDED PROVISIONS
<p>(a) If there are 4 or more MGS in the basket of eligible MGS (including the new MGS/reissued MGS), the new MGS/reissued MGS will be assigned a 30% weighting while the rest will receive equal weights.</p> <p>(b) If there are 3 MGS in the basket of eligible MGS (including the new MGS/reissued MGS), the new MGS/reissued will be assigned a 40% weighting while the rest of the MGS in the basket will receive equal weights, and</p> <p>(c) If there are 2 MGS in the basket of eligible MGS (including the new MGS/reissued MGS), the new MGS/reissued MGS will be assigned a 60% weighting while the other MGS will receive 40% weight.</p> <p>2. Yield</p> <p>2.1 At 1100 hours (Malaysia time) on the Final Trading Day, from the quotation contributed by selected institutions on Thomson Reuters, the arithmetic mean of the eligible MGS mid price will be calculated, after discarding the 2 highest and the 2 lowest</p>	<p>MGS/reissued MGS), the new MGS/reissued MGS will be assigned a 30% weighting while the rest will receive equal weights.</p> <p>(b) If there are 3 MGS in the basket of eligible MGS (including the new MGS/reissued MGS), the new MGS/reissued will be assigned a 40% weighting while the rest of the MGS in the basket will receive equal weights, and</p> <p>(c) If there are 2 MGS in the basket of eligible MGS (including the new MGS/reissued MGS), the new MGS/reissued MGS will be assigned a 60% weighting while the other MGS will receive 40% weight.</p> <p>2. Yield</p> <p>2.1 At 1100 hours (Malaysia time) on the Final Trading Day, from the quotation contributed by selected institutions on Thomson Reuters, the arithmetic mean of the eligible MGS mid price will be calculated, after discarding the 2 highest and the 2 lowest mid prices. It will be converted to yield, rounded to the nearest 4 decimal places.</p> <p>The final yield for all the eligible MGS in the basket is derived from the yield for each MGS as per the weightage announced by the Exchange.</p> <p>The final settlement value will be calculated from the final yield in accordance with the following formula rounded to 2 decimal places:</p> $\text{Price} = \left\{ \frac{C}{Y} \left[1 - \left(1 + \frac{Y}{2} \right)^{-2N} \right] + \left(1 + \frac{Y}{2} \right)^{-2N} \right\} \times \text{RM}100$ <p>Where C = Coupon, Y = Yield.</p> <p>2.2 If calculation based on paragraph 2.1 cannot be made, the final settlement value will be calculated as published by another financial news vendor determined by the Exchange at 1100 hours (Malaysia time) on the Final Trading Day.</p>



EXISTING PROVISIONS	AMENDED PROVISIONS
<p>and the 2 lowest mid prices. It will be converted to yield, rounded to the nearest 4 decimal places.</p> <p>The final yield for all the eligible MGS in the basket is derived from the yield for each MGS as per the weightage announced by the Exchange.</p> <p>The final settlement value will be calculated from the final yield in accordance with the following formula rounded to 2 decimal places:</p> $\text{Price} = \left\{ \frac{C}{Y} [1 - (1 + Y/2)^{-2N}] + (1 + Y/2)^{-2N} \right\} \times \text{RM}100$ <p>Where C = Coupon, Y = Yield.</p> <p>2.2 If calculation based on paragraph 2.1 cannot be made, the final settlement value will be calculated as published by another financial news vendor determined by the Exchange at 1100 hours (Malaysia time) on the Final Trading Day.</p> <p>2.3 If calculation based on paragraphs 2.1 and 2.2 cannot be made, the final settlement value will be calculated as obtained from Bank Negara Malaysia at 1100 hours (Malaysia time) on the Final</p>	<p>2.3 If calculation based on paragraphs 2.1 and 2.2 cannot be made, the final settlement value will be calculated as obtained from Bank Negara Malaysia at 1100 hours (Malaysia time) on the Final Trading Day.</p> <p><u>1. The final settlement value will be calculated from the prices of MGS in the basket of eligible MGS that are reported in the Electronic Trading Platform ("ETP") of Bursa Malaysia Bonds Sdn Bhd on the Final Trading Day from 0900 hours to 1800 hours (Malaysia time).</u></p> <p><u>2. Volume weighted average prices ("VWAP") of each MGS in the basket will be calculated and converted to yield in percentage, rounded to the nearest 4 decimal places. Transactions reported in the ETP with values of less than RM10 million will be excluded from the calculation of the VWAP.</u></p> <p><u>3. The final yield is derived from the yield for each MGS in the basket after weighting the yield of all benchmark bonds by 60% or such other weighting as may be prescribed by the Exchange. The remaining weighting will be equally distributed over the yields of the other bonds.</u></p> <p><u>4. The final settlement value will be calculated from the final yield in accordance with the following formula rounded to the nearest 2 decimal places:</u></p> $\text{Price} = \left\{ \frac{C}{Y} [1 - (1 + Y/2)^{-2N}] + (1 + Y/2)^{-2N} \right\} \times \text{RM}100$ <p><u>where</u></p> <p><u>N is the number of years, = 5</u> <u>C is the coupon, = 0.06</u> <u>Y is the yield rounded to the nearest 4 decimal places.</u></p> <p>35. Basket of Eligible MGS</p>

ANNEXURE 1
RULE AMENDMENTS
in relation to 5-Year MGS Futures
("FMG5") Contract



EXISTING PROVISIONS		AMENDED PROVISIONS														
<p>Trading Day.</p> <p>3. Eligible MGS</p> <p>3.1 Subject to paragraph 3.3, an existing MGS in the market, or in the case of new/reissued MGS that fulfil the requirement of minimum issuance size of RM500 million 4 ½ to 5½ years term to maturity on the 1st calendar day of the contract month will be included.</p> <p>3.2 The eligible MGS and its weightage for the preceding quarterly month Contract will be announced on the 10th day of the expiry month for the current quarterly month (March, June, September, December) or the next Business Day immediately following the 10th day if the 10th day is not a Business Day.</p> <p>3.3 No new MGS will be included after the announcement of eligible MGS for the spot quarterly month Contract.</p> <p>4. On the Final Trading Day for a Contract, all Open Positions for the Contract are marked to the final settlement value determined by the Exchange.</p>	<p>3.1 Subject to paragraph 3.3, an existing MGS in the market, or in the case of new/reissued MGS that fulfil the requirement of minimum issuance size of RM500 million 4 ½ to 5½ years term to maturity on the 1st calendar day of the contract month will be included.</p> <p><u>5.1 Subject to paragraph 5.3 below, the basket of eligible MGS includes MGS with the following characteristics:</u></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;"><u>Bond Type</u></th> <th style="text-align: center;"><u>Minimum Issuance Size</u></th> <th style="text-align: center;"><u>Term to Maturity</u></th> <th style="text-align: center;"><u>Other requirements</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;"><u>(a)</u></td> <td style="text-align: center;"><u>Benchmark bonds</u></td> <td style="text-align: center;"><u>Not applicable</u></td> <td style="text-align: center;"><u>4 to 6 years on the first calendar day of the contract month</u></td> <td style="text-align: center;"><u>Not applicable</u></td> </tr> <tr> <td style="text-align: center;"><u>(b)</u></td> <td style="text-align: center;"><u>Non-benchmark bonds</u></td> <td style="text-align: center;"><u>RM5 billion</u></td> <td style="text-align: center;"><u>4 to 6 years on the first calendar day of the contract month</u></td> <td style="text-align: center;"><u>Private placements are excluded</u></td> </tr> </tbody> </table> <p>35.2The eligible MGS and its weightage for the preceding quarterly month Contract will be announced on the 10th day of the expiry month for the current quarterly month (i.e. March, June, September, December) <u>immediately before the contract month of that Contract</u> or the next Business Day immediately following the 10th day if the 10th day is not a Business Day.</p> <p>35.3No new MGS will be included after the announcement of eligible MGS for the spot quarterly month Contract.</p> <p>46. On the Final Trading Day for a Contract, all Open Positions for the Contract are marked to the final settlement value determined by the Exchange.</p>		<u>Bond Type</u>	<u>Minimum Issuance Size</u>	<u>Term to Maturity</u>	<u>Other requirements</u>	<u>(a)</u>	<u>Benchmark bonds</u>	<u>Not applicable</u>	<u>4 to 6 years on the first calendar day of the contract month</u>	<u>Not applicable</u>	<u>(b)</u>	<u>Non-benchmark bonds</u>	<u>RM5 billion</u>	<u>4 to 6 years on the first calendar day of the contract month</u>	<u>Private placements are excluded</u>
	<u>Bond Type</u>	<u>Minimum Issuance Size</u>	<u>Term to Maturity</u>	<u>Other requirements</u>												
<u>(a)</u>	<u>Benchmark bonds</u>	<u>Not applicable</u>	<u>4 to 6 years on the first calendar day of the contract month</u>	<u>Not applicable</u>												
<u>(b)</u>	<u>Non-benchmark bonds</u>	<u>RM5 billion</u>	<u>4 to 6 years on the first calendar day of the contract month</u>	<u>Private placements are excluded</u>												

[End of Rule Amendments]

BURSA MALAYSIA DERIVATIVES BHD**TRADING MANUAL**

(Version 2.[76](#))

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Version History

Version	Date	Author	Comments
V 1.0	9 Aug 2010	BMDB	Initial Version
V 1.1	27 Aug 2010	BMDB	Updated # 6.6.3 Review of Trades – Price Adjustments and Cancellations
V1.2	6 Sep 2010	BMDB	Inserted 15. Operator ID (“Tag 50 ID”) Required for All BMD orders traded on CME Globex
V1.3	9 Sep 2010	BMDB	Update 1. Introduction – 1.6 TPs’ compliance in relation to access, connectivity, specification or use of CME Globex
V1.4	13 Sep 2010	BMDB	Updated 13. Messaging And Market Performance Protection Policy
V1.5	9 Nov 2011	BMDB	Inserted 16 Negotiated Large Trade
V1.6	18 Nov 2011	BMDB	Amended section 16 for typo errors, consistency and clarity.
V1.7	24 Nov 2011	BMDB	Amended section 16 - Extended NLT cut-off time for FKLI, FKB3 and FMG5 to 4.00pm and for FCPO to 5.00pm. -Amended the NLT Facility Trade Registration form.
V1.8	10 Feb 2012	BMDB	Updated section 11 EFP to EFRP
V1.9	23 Mar 2012	BMDB	Amended sections 11 and 16 (forms and processes)
V2.0	5 Apr 2012	BMDB	Renamed to “Trading Manual”
V2.1	14 May 2012	BMDB	Updated Section 6 for OKLI and to align with CME practice
V2.2	29 May 2012	BMDB	i) Updated for OCPO ii) Change of terminology to be consistent with CME iii) Updated Sections 7.7 & 14.1 for consistency with Rules iv) Updated Sections 12.3 & 12.4 for accuracy v) Updated Section 3.1 on options naming convention
V2.3	18 Feb 2013	BMDB	Updated Section 16 NLT
V2.4	3 Apr 2013	BMDB	Updated Section 9 Circuit Breaker on timing
V2.5	2 Jul 2013	BMDB	Updated FGLD. Sections 6, 7, 11, 12 & 16
V2.6	17 Feb 2014	BMDB	i)Updated FPOL Sections 6, 7, 11, 12 & 16 ii)Rearrange Business Rules Schedule’s numbering iii)Updated Static Thresholds. Section 7 iv)Updated Facility Fee on NLT. Section 16
V2.7	7 Aug 2014	BMDB	Updated FMG5 Section 12.3 Market timing Section 16.2.6 NLT volume threshold

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1. Introduction

46.2.41.1 Scope of Coverage

4.1.41.1.1 This manual is issued pursuant to Rule 702A.7 of the Rules of Bursa Malaysia Derivatives Berhad (“BMD” / “the Exchange”). It provides pertinent information and guidelines relating to executing transactions and procedures on dealing with the Exchange.

4.1.21.1.2 The guidelines and procedures in this manual are intended for general usage. Where exceptions are to be made, Trading Participants should exercise discretion and good judgment accordingly. In case of doubt, Trading Participants should check with the Exchange Operations Division of BMD.

46.2.21.2 Intended Audience

4.2.41.2.1 This manual is intended for the use of all persons involved in the execution of transactions on the Exchange.

46.2.31.3 Ownership and Custody of Manual

4.3.41.3.1 The owner of this manual is BMD. BMD may, from time to time, incorporate into this manual changes or amendments in line with policy and procedure changes.

4.3.21.3.2 No part of this manual is to be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording or any information storage and retrieval system, without the permission in writing from the Head of BMD Exchange Operations.

46.2.41.4 Customer Support

On 17th September 2009, BMD entered into the Globex Services Agreement (“GSA”) with the Chicago Mercantile Exchange Group (“CME”). The agreement is to host all existing BMD products on CME’s Globex electronic trade execution system via an Application Services Provider (“ASP”) model. For customer support, CME Global Command Center (“GCC”) is the contact point.

The GCC provides Globex customer support and problem management only to members, clearing members and customers designated by clearing members. In order to be eligible for GCC support, such persons must register with the GCC (“Registered Contacts”). The GCC provides customer support via a specified telephone number and during specified hours. GCC employees may not always be available to assist Registered Contacts. Persons other than Registered Contacts, including non-members with Globex access must contact their clearing members to make support requests.

For customer support and problem management, Trading Participants are to call the GCC at telephone number: (+603)20523494 for Trade cancellation or Order status/cancellation and modification.

46.2.51.5 Compliance in relation to access, connectivity, specifications or use of CME Globex

**ANNEXURE 2
TRADING MANUAL**

Trading Participants must ensure compliance with all requirements in relation to access, connectivity, specification or use of CME Globex as may be prescribed by the Exchange or CME whether via directives or otherwise and whether issued to the Trading Participants or to their agents as the case may be.

2. Orders

This section describes the order types and qualifiers that are compatible with CME Globex.

Order Types	Futures	Options
Limit	X	X
Market Orders with Protection	X	X
Market-limit	X	X
Stop-limit	X	
Stop Orders with Protection	X	
Hidden Quantity	X	X
Minimum Quantity	X	X

2.1 Futures and Options Order Types

The following order types are supported by CME Globex for both futures and options:

- Limit Orders
- Market-limit Orders
- Market Orders with Protection

2.1.1 Limit Orders

Limit orders allow the buyer to define the maximum purchase price for buying an instrument and the seller to define the minimum sale price for selling an instrument.

Any portion of the order that can be matched is immediately executed. Limit orders submitted for buying an instrument are executed at or below the limit price. Limit orders submitted for selling an instrument are executed at or above the limit price. A limit order remains on the book until the order is either executed, cancelled, or expires.

2.1.2 Market-limit Orders

Market-limit orders are executed at the best price available in the market. If the market-limit order can only be partially filled, the order becomes a limit order and the remaining quantity remains on the order book at the specified limit price.

Example: Market-limit Order (Bid)

1. The client sends a New Order to CME Globex.
- Bid, FKLIZ8, Market-Limit.
2. CME Globex responds with an Execution Report - Order Confirmation.
3. The market-limit order becomes a limit order at the best available market price (900).
4. CME Globex sends an Execution Report - Partial Fill.
- 2-Lot @ 900
5. The remaining quantity rests on the book at 900.

2.1.3 Market Orders with Protection

Market orders with protection are intended to avoid cascading market orders being filled at extreme prices. Market orders with protection are filled within a pre-defined range of prices referred to as the protected range. For bid orders, protection points are added to the current best offer price to calculate the protection price limit. For offer orders, protection points are subtracted from the current best bid price. CME Globex matches the order at the best available price level without exceeding the protection price limit. If the entire order cannot be filled within the protected range immediately, the unfilled quantity remains in the order book as a limit order at the limit of the protected range. The protected range is 50% of the "no bust" ranges for products.

2.1.3.1 Example: Market Order with Protection Bid

The following example illustrates how the client interacts with CME Globex to process a market order with protection bid.

1. The client sends a Market Order to CME Globex.
 - Bid, FKLIZ8, Market Order.
 - Best Offer = 900 and Protection Points = 60.
 - Protection Price Limit = $900 + 60 = 960$.
2. CME Globex sends an Execution Report - Partial Fill.
2-Lot @ 900
3. CME Globex sends an Execution Report - Partial Fill.
3-Lot @ 930
4. CME Globex sends an Execution Report - Partial Fill.
3-Lot @ 955
5. Next Best Offer = 967. This value exceeds the protection price limit. CME Globex places the remaining quantity on the order book at a protection price limit of 960.

2.1.3.2 Example: Market Order with Protection Offer

The following example illustrates how the client interacts with CME Globex to process a market order with protection offer.

1. The client sends a Market Order to CME Globex.
 - Offer, FKLIZ8, Market Order.
 - Best Bid = 900 and Protection Points = 60
 - Protection Price Limit = $900 - 60 = 840$
2. CME Globex sends an Execution Report - Partial Fill.
Orders 2-Lot @ 900
3. CME sends an Execution Report - Partial Fill.
3-Lot @ 899
4. CME Globex sends an Execution Report - Partial Fill.
3-Lot @ 896
5. Next Best Bid = 830. This value is below the protection price limit. CME Globex places the remaining quantity on the order book at a protection price limit of 840.

2.2 Futures Order Types

The following order types are supported by CME Globex for futures only:

- Stop-limit Orders
- Stop Orders with Protection

2.2.1 Stop-limit Orders

Stop-limit orders are activated when an order's trigger price is traded in the market. For a bid order, the trigger price must be higher than the last traded price. For a sell order, the trigger price must be lower than the last traded price. After the trigger price is traded in the market, the order enters the order book as a limit order at the order limit price. The limit price is the highest/lowest price at which the stop order can be filled. The order can be filled at all price levels between the trigger price and the limit price. If any quantity remains unfilled, it remains on the order book as a limit order at the limit price.

2.2.2 Stop Orders with Protection

Stop orders with protection are intended to avoid cascading stop orders being filled at extreme prices. A stop order with protection is activated when the market trades at the stop trigger price and can only be executed within the protection range limits. The order enters the order book as a limit order with the protection price limit equal to the trigger price plus or minus the pre-defined protection point range. Protection point ranges are equal to 50% of the product's "no bust" range. For bid orders, protection points are added to the trigger price to calculate the protection price limit. For offer orders, protection points are subtracted from the trigger price. CME Globex matches the order at all price levels between the trigger price and the protection price limit. If the order is not completely filled, the remaining quantity is placed in the order book at the protection price limit. Refer to "Stop Spike Logic" for more information.

2.2.2.1 Example: Stop Order with Protection Bid

The following example illustrates how the client interacts with CME Globex to process a stop order with protection bid.

1. The client sends a Market Order to CME Globex.
 - Bid, FKLIZ8, Stop Order, 900 Trigger Price
2. A trade occurs at the trigger price of 900. The order is activated and CME Globex responds with an Execution Report - Order Confirmation (Notification that order was triggered).
Orders
 - Trigger Price = 900, Protection Points = 60
 - Protection Price Limit = $900 + 60 = 960$
3. CME Globex sends an Execution Report - Partial Fill.
2-Lot @ 925
4. CME Globex sends an Execution Report - Partial Fill.
3-Lot @ 930
5. CME Globex sends an Execution Report - Partial Fill.
3-Lot @ 955
6. Next Best Offer = 967. This value exceeds the protection price limit. CME Globex places the remaining quantity on the order book at a protection price limit of 960.

2.2.2.2 Example: Stop Order with Protection Offer

The following example illustrates how the client interacts with CME Globex to process a stop order with protection offer.

1. The client sends a New Order to CME Globex.
 - Offer, FKLIZ8, Stop Order (with protection), 900 Trigger Price
2. CME Globex responds with an Execution Report - Order Confirmation.

3. A trade occurs at the trigger price of 900. The client's order is activated and CME Globex responds with an Execution Report - Order Confirmation (Notification that order was triggered).

- Trigger Price = 900, Protection Points = 60
- Protection Price Limit = 900 - 60 = 840

4. CME Globex sends an Execution Report - Partial Fill.
2-Lot @ 900

5. CME Globex sends an Execution Report - Partial Fill.
3-Lot @ 899

6. CME Globex sends an Execution Report - Partial Fill.
3-Lot @ 865

7. Next Best Bid = 830. This value is below the protection price limit. CME Globex places the remaining quantity on the order book at a protection price limit of 840.

2.3 Options Order Types

The following order type is supported by CME Globex for options only:

- Cabinet Orders

2.3.1 Cabinet Orders

CME Globex fully supports cabinet priced option orders. A cabinet is an option premium for an order that is submitted for deep out-of-the-money options contracts defined by Clearing as the lowest tradable price for the option. The cabinet order allows the user to enter an option order with a price that is less than the minimum price movement and have CME Globex recognize the price as valid.

Cabinet trades on CME Globex are executed at a price equal to zero for most CME Globex products. For equity and interest rate products, the minimum tick value (non-zero) is considered cabinet.

2.4 Order Qualifiers

Order qualifiers establish the duration that the order is active. Order qualifiers are not related to price or volume modification.

CME Globex provides the trader with the following order qualifiers:

- Day
- Good-Till-Cancelled (GTC)
- Good-Till-Date (GTD)
- Fill-and-Kill (FAK)
- Fill-or-Kill (FOK)

2.4.1 Day

Day orders are intended to be active only during that trading day. Day orders automatically expire at the end of the day and do not carry over to the next trade date. CME Globex assumes that all orders are day orders unless otherwise specified.

2.4.2 Good-Till-Cancelled (GTC)

GTC orders remain active in the order book until they are completely executed, cancelled or when the instrument expires.

2.4.3 Good-Till-Date (GTD)

GTD orders remain active on the order book until they are completely executed, expire at the specified date, are cancelled, or when the instrument expires.

2.4.4 Fill-and-Kill (FAK)

FAK orders are immediately executed against resting orders. If the order cannot be fully filled, the remaining balance is cancelled. A minimum quantity can be specified. If the specified minimum quantity cannot be filled, the order is cancelled.

2.4.5 Fill-or-Kill (FOK)

FOK orders must be fully filled immediately or the entire order is cancelled. An FOK order is created by using the FAK qualifier and setting the minimum quantity to the original order quantity.

2.5 Display Quantity

The display quantity allows you to control the manner in which trades are reported in the market. Also referred to as "maximum show", the display quantity allows you to specify whether or not the entire quantity of an order is reported to the market. You can expose the order to the market gradually.

For example, a user may place an order with a quantity of 1000. If a display quantity value of 100 is submitted with the order, no more than 100 contracts are exposed to the market at any time. Each time 100 contracts are filled, the next 100 contract order is entered into the market as a new order.

2.6 Minimum Quantity

The user can specify a minimum quantity which must be executed for the order. The entire order quantity is displayed to the market.

The following rules apply to Minimum Quantity:

- If an order specifies a minimum quantity, then at least the minimum quantity must be filled immediately.
- If at least the minimum quantity cannot be filled, then the entire order is cancelled.
- If the minimum quantity or more is filled, then the remaining quantity is placed on the book.
- If an order has a minimum quantity equal to the total order quantity then the entire order fills immediately or it is cancelled.
- If an order does not specify a minimum quantity, then the order is treated as a regular order.

2.7 Additional Information

See the topics below for additional information on orders.

2.7.1 Stop Spike Logic

In theory, cascading stop orders could cause the market to trade outside of predefined values (typically the same as the "no bust" ranges). Stop spike logic prevents such excessive price movements by introducing a momentary pause in matching. The affected instrument is placed in a "reserved" state. This momentary trading pause allows new orders to be entered and matched against the triggered stops in an algorithm similar to market opening.

Whenever a lead month futures instrument is placed in the reserved state, the options auto-reserve functionality automatically pauses matching in the associated options and options spreads markets. All resting mass quotes are cancelled when the auto-reserve functionality is initiated. This state is maintained for a few seconds after the futures contract has resumed trading. During the reserved period, customers can submit, modify and cancel orders. Mass quotes are rejected.

2.7.2 GTC/GTD Outside Daily Price Limits

The GTC or GTD order cannot be filled outside the daily high/low price limit at any time.

2.7.2.1 GTD or GTC Example:

1. A GTD or GTC order to buy 10 FKLIZ8 @ 1200 is entered on 10/9/2008.

- The daily price limits are 1000 minimum and 1500 maximum
- The GTD or GTC order is placed on the book

2. The market closes and reopens on 11/9/2008 with price limits of 800 for the minimum and 1300 for the maximum.

3. A sell order comes into the book to sell 10 FKLIZ8 @1200, which matches the buy order at 1200.

4. The order is filled at 1200, within the limits that were in place on 10/9/2008.

2.7.3 Conflicting Order Status

A person who believes he has received an incorrect order status or does not receive an appropriate status shall immediately notify the GCC. Additionally, such person shall take any necessary and appropriate market action to mitigate any potential losses arising from the incorrect order status or lack of appropriate order status immediately after the person knew or should have known that the order status information was incorrect or should have been received.

The Exchange may provide prior notification that an Exchange system, service or facility may produce such incorrect information and also provide notification of a means to obtain correct order status information from such Exchange system, service or facility.

In the event that the GCC and an Exchange system, service or facility provide conflicting information relating to an order status, a customer may only reasonably rely on the information received from the GCC.

3. Options and Options Spreads

Options provide financial flexibility to the investment community as another type of exchange-traded derivative product. An option on a futures contract provides the buyer the right, but not the obligation, to buy or sell an underlying futures contract at a specific price. The structure of an option offers the trader the ability to limit the risk taken.

All CME Group option spreads are user-defined on the CME Globex platform to minimize the amount of maintenance and time commitment required to download the Security Definition of all possible spreads.

A User-Defined Spread (UDS) is an option spread that CME Globex creates from a trader request that defines the spread legs and ratios. CME Globex receives the request and creates a tradable instrument that is disseminated to the entire market.

3.1 Options Naming Conventions

The naming conventions for CME options underlying contract instruments are constructed using the syntax of:

- Product Code
- Contract month/year
- Space
- Type of strike (C = Call; P = Put)
- Strike Price

For example, the July 2012 OKLI Option 1620 Call option contract is shown as, **OKLI1207310162000C**.

In the case of a OCPO Call Option 3250 with the underlying of FCPO Sep 2012 it is shown as, **OCPOSEP120325000C**

3.2 Options Spreads Naming Conventions

In the MDP FIX/FAST Security Definition (tag 35-MessageType=d) message, tag 107-SecurityDesc does not contain sufficient information to describe a CME Globex unrecognized option spread instrument. The display name of the options spread must be derived from the repeating group tags for each leg.

3.3 CME Globex Exchange Recognized Spread Type

If the spread being requested by the user is identified as one of the CME Globex standard spread types, that specific spread instrument will be created and a notice of the spread's availability will be distributed to the entire market. This is referred to as a CME Globex exchange recognized spread type. A list of all CME Globex exchange recognized spread types are described in detail in this manual.

3.4 CME Globex Unrecognized Spread Type

If the spread being requested by the user is not identified as one of the CME Globex standard spread types, the spread instrument will be created exactly as the user requested and a notice of the spread's availability will be distributed to the entire market. This is referred to as a Generic spread type.

The Generic (GN) spread type makes all CME Globex spread configurations available for all CME options.

This enables users to create option spread instruments with configurations not ordinarily supported for an option product.

Additionally, the user can create option instruments comprised of multiple spread types which is not supported with exchange-defined spreads. A combination could be created by joining the configurations of a Vertical option spread and Xtree option spread into a unique Generic spread.

Generic strategies can be defined up to 40 legs and also allows users to create delta neutral strategies.

Generic spread works in conjunction with covered User Defined Spreads and can be used for an outright option or option spread.

UDS functionality does not support intercommodity spreads.

3.5 Exchange Recognized Options Spread Construction Summary

CME Globex offers exchange recognized Options Spread Types as outlined in the table below.

Note: Not all of these pre-listed strategies are available to all product groups.

Table 3.5 Spread Type Compatibility Summary

Options		
Strategy	Type Code	Construction
Calendar • Horizontal	HO	Call Horizontal: Sell1callstrike1exp1 Buy1callstrike1exp2 Put Horizontal: Sell1putstrike1exp1 Buy1putstrike1exp2
• Calendar Diagonal	DG	Call buy1callstrike1exp1 sell1callstrike2exp2 Put buy1 putstrike1exp1 sell1 putstrike2exp2
Straddle	ST	Buy1callstrike1exp1 Buy1putstrike1exp1
Strangle	SG	Buy1putstrike1exp1 Buy1callstrike2exp1
Vertical	VT	Call Buy1callstrike1exp1 Sell1callstrike2exp1 Put Buy1putstrike2exp1 Sell1putstrike1exp1
Box	BX	Buy1callstrike1exp1 Sell1putstrike1exp1 Buy1putstrike2exp1 Sell1callstrike2exp1
Butterfly	BO	Call Buy1callstrike1exp1 Sell2callstrike2exp1 Buy1callstrike3exp1 Put Buy1putstrike3exp1 Sell2putstrike2exp1 Buy1putstrike1exp1
Conditional Curve	CC	Call Buy1callstrikeexp1instr1 Sell1callstrikeexp1instr2

**ANNEXURE 2
TRADING MANUAL**

		Put Buy1putstrikeexp1 instr1 Sell1putstrikeexp1 instr2
Condor	CO	Call Buy1callstrike1exp1 Sell1callstrike2exp1 Sell1callstrike3exp1 Buy1callstrike4exp1 Put Buy1putstrike4exp1 Sell1putstrike3exp1 Sell1putstrike2exp1 Buy1putstrike1exp1
Double 1	DB	Call Buy1callstrike1exp1 Buy1callstrike2exp1 Put Buy1putstrike2exp1 Buy1putstrike1exp
Horizontal Straddle	HS	Buy1callstrike1exp2 Buy1putstrike1exp2 Sell1callstrike1exp1 Sell1putstrike1exp1
Iron Condor	IC	Sell1putstrike1exp1 Buy1putstrike2exp1 Buy1callstrike3exp1 Sell1callstrike4exp1
Ratio 1x2	12	Call Buy1callstrike1exp1 Sell2callstrike2exp1 Put Buy1putstrike2exp1 Sell2putstrike1exp1
Ratio 1x3	13	Call Buy1callstrike1exp1 Sell3callstrike2exp1 Put Buy1putstrike2exp1 Sell3putstrike1exp1
Ratio 2x3	23	Call Buy2callstrike1exp1 Sell3callstrike2exp1

**ANNEXURE 2
TRADING MANUAL**

		Put Buy2putstrike2exp1 Sell3putstrike1exp1
Strip	SR	Call Buy1callstrike1exp1 Buy1callstrike1exp2 Buy1callstrike1exp3 Buy1callstrike1exp4 Put Buy1putstrike1exp1 Buy1putstrike1exp2 Buy1putstrike1exp3 Buy1putstrike1exp4
Risk Reversal	RR	Buy1callstrike2exp1 Sell1putstrike1or2exp1
Straddle Strips	SS	Buy1callstrike1exp1 Buy1putstrike1exp1 Buy1callstrike1exp2 Buy1putstrike1exp2 Buy1callstrike1exp3 Buy1putstrike1exp3 Buy1callstrike1exp4 Buy1putstrike1exp4
Xmas Tree	XT	Call Buy1callstrike1exp1 Sell1callstrike2exp1 Sell1callstrike3exp1 Put Buy1putstrike3exp1 Sell1putstrike2exp1 Sell1putstrike1exp1
3-Way	3W	Call Buy1callstrike2exp1 Sell1callstrike3exp1 Sell1putstrike1exp1 Put Buy1putstrike2exp1 Sell1putstrike1exp1 Sell1callstrike3exp1
Iron Butterfly	IB (eye-B)	Sell1putstrike1exp1 Buy1putstrike2exp1 Buy1callstrike2exp1 Sell1callstrike3exp1
Jelly Roll	JR	Buy

		Sell1callstrike1exp1 Buy1putstrike1exp1 Buy1callstrike2exp2 Sell1putstrike2exp2 Sell Buy1callstrike1exp1 Sell1putstrike1exp1 Sell1callstrike2exp2 Buy1putstrike2exp2
Guts	GT	Buy1callstrike1exp1 Buy1putstrike2exp1
3-way: Straddle versus Call	3C	Construction: Buy1callstrike1exp1 Buy1putstrike1exp1 Sell1callstrike(?)exp1
3-way: Straddle versus Put	3P	Buy1callstrike1exp1 Buy1putstrike1exp1 Sell1putstrike(?)exp1

3.6 Options Spread Description

All strategies described in the text below are shown from the buyer's perspective.

3.6.1 Calendar (Horizontal or Diagonal)

A Horizontal (HO) option spread consists of buying a call (put) in one expiration month and selling a call (put) in another expiration month at the same strike. A Diagonal (DG) option spread consists of buying a call (put) in one expiration month and selling a call (put) in another expiration month at a different strike price.

3.6.1.1 Horizontal

A horizontal (HO) option spread consists of buying a call (put) at a strike in the far month, and selling a call (put) at the same strike in the near month.

Spread ratio: (Buy 1: Sell 1)

Call Horizontal

Construction: Buy1callstrike1exp1 Sell1callstrike1exp2

Example: Call Horizontal

Buy 1 December 2008 OKLI 1260 Call and

Sell 1 July 2008 OKLI 1260 Call

Buy Call 1

Put Horizontal

Construction: Buy1putstrike1exp1 Sell1putstrike1exp2

Example: Put Horizontal

Buy 1 December 2008 OKLI 1260 Call and

Sell 1 July 2008 OKLI 1260 Call

Buy Put 1

3.6.1.2 Diagonal

A Diagonal (DG) option spread consists of buying a call (put) in one expiration month and selling a call (put) in another expiration month at a different strike price.

A Diagonal (DG) UDS is a recognized UDS type in all CME Globex options markets.

Spread ratio: (Buy 1: Sell 1)

Call Diagonal

Construction: Buy1callstrike1exp1 Sell1callstrike2exp2

Example: Call Spread

Buy 1 December 2008 OKLI 1260 Call and

Sell 1 July 2008 OKLI 1280 Call

Buy Call 1

Put Diagonal

Construction: Buy1putstrike1exp1 Sell1putstrike2exp2

Example: Put Spread

Buy 1 December 2008 OKLI 1260 Put and

Sell 1 July 2008 OKLI 1280 Put

Buy Put 1

3.6.2 Straddle

A Straddle (ST) option spread consists of buying both a call and put option on the same contract, strike price and expiration date.

Spread ratio: (Buy 1: Buy 1)

Construction: Buy1callstrike1exp1 Buy1putstrike1exp1

Example: Buy the Straddle

Buy 1 December 2008 OKLI 1260 Call and

Buy 1 December 2008 OKLI 1260 Put

Buy 1

3.6.3 Strangle

A Strangle (SG) option spread consists of buying a put at a lower strike price and buying a call at a higher strike price within the same contract and expiration.

Spread ratio: (Buy 1: Buy1)

Construction: Buy1putstrike1exp1 Buy1callstrike2exp1

Example: Buy the Strangle

Buy 1 December 2008 OKLI 9800 Put and

Buy 1 December 2008 OKLI 9900 Call

Buy 1

3.6.4 Vertical

A Vertical (VT) option spread is made up of all calls or all puts and consists of buying a call at a strike price and selling a call at a higher strike price or buying a put at a strike price and selling a put at a lower strike price within the same contract and expiration date.

Spread ratio: (Buy 1: Sell 1)

Call Vertical

Construction: Buy1callstrike1exp1 Sell1callstrike2exp1

Example: Call Spread

Buy 1 December 2008 OKLI 1260 Call and

Sell 1 December 2008 OKLI 1280 Call

Buy 1 Call

Put Vertical

Construction: Buy1putstrike2exp1 Sell1putstrike1exp1

Example: Put Spread

Buy 1 December 2008 OKLI 1280 Put and

Sell 1 December 2008 OKLI 1260 Put

Buy 1 Put

3.6.5 Box

A Box (BX) option spread consists of buying the call and selling the put at the same lower strike price and buying the put and selling the call at the same higher strike all within the same contract and expiry month.

Spread ratio: (Buy 1: Sell 1: Buy 1: Sell 1)

Construction: Buy1callstrike1exp1 Sell1putstrike1exp1 Buy1putstrike2exp1 Sell1callstrike2exp1

Example: Box

Buy 1 December OKLI 1200 Call,

Sell 1 December OKLI 1200 Put,

Buy 1 December OKLI 1300 Put,

Sell 1 December OKLI 1300 Call

Buy 1

3.6.6 Butterfly

A Butterfly (BO) option spread is constructed of all calls (Call Butterfly) or all puts (Put Butterfly). The Call Butterfly consists of buying a call, selling two calls at a higher strike price and buying a call at a still higher strike price within the same contract and expiry month. The Put Butterfly consists of buying a put, selling two puts at a lower strike price and buying a put at a still lower strike price within the same contract and expiry month.

The Butterfly requires a specific symmetry in the strikes in that the difference between the strike prices is the same for all legs.

Spread ratio: (Buy 1: Sell 2: Buy 1)

Call Butterfly

Construction: Buy1callstrike1exp1 Sell2callstrike2exp1 Buy1callstrike3exp1

Example: Call Butterfly

Buy 1 December 2008 OKLI 1240 Call

Sell 2 December 2008 OKLI 1260 Call

Buy 1 December 2008 OKLI 1280 Call

Buy Call 1

Put Butterfly

Construction: Buy1putstrike3exp1 Sell2putstrike2exp1 Buy1putstrike1exp1

Example: Put Butterfly

Buy 1 December 2008 OKLI 1280 Put

Sell 2 December 2008 OKLI 1260 Put

Sell 1 December 2008 OKLI 1240 Put

Buy Put 1

3.6.8 Condor

A Condor (CO) option spread is constructed of all calls (Call Condor) or all puts (Put Condor).

The Call Condor consists of buying a call, selling one call at a higher strike price and selling a call at a still higher strike price, and buying a fourth call at a still higher strike price within the same contract and expiry month.

The Put Condor consists of buying a put at the highest strike price, selling one put at a lower strike price, selling a put at a still lower strike price, and buying a fourth put at an even lower strike price within the same contract and expiry month.

The Condor requires a specific symmetry in the strikes in that the difference between the strike prices is the same for all legs.

Spread ratio: (Buy 1: Sell 1: Sell 1: Buy 1)

Call Condor

Construction: Buy1callstrike1exp1 Sell1callstrike2exp1 Sell1callstrike3exp1Buy1callstrike4exp1

Example: Call Condor

Buy 1 December 2008 OKLI 1240 Call

Sell 1 December 2008 OKLI 1260 Call

Sell 1 December 2008 OKLI 1280 Call

Buy 1 December 2008 OKLI 1300 Call

Buy Call 1

Put Condor

Construction: Buy1putstrike4exp1 Sell1putstrike3exp1 Sell1putstrike2exp1Buy1putstrike1exp1

Example: Put Condor

Buy 1 December 2008 OKLI 1300 Put

Sell 1 December 2008 OKLI 1280 Put

Sell 1 December 2008 OKLI 12600 Put

Buy 1 December 2008 OKLI 1240 Put

Buy Put 1

3.6.9 Double

A Double (DB) option spread is constructed of all calls (Call Double) or all puts (Put Double).

The Call Double consists of buying a call at a strike price and buying another call at a higher strike price within the same contract and expiry month.

The Put Double consists of buying a put at a strike price and buying another put at a lower strike price within the same contract and expiry month.

Spread ratio is (Buy 1: Buy 1)

Call Double

Construction: Buy1callstrike1exp1 Buy1callstrike2exp1

Example: Call Double

Buy 1 December 2008 OKLI 1260 Call

Buy 1 December 2008 OKLI 1280 Call

Buy Call 1

Put Double

Construction: Buy1putstrike2exp1 Buy1putstrike1exp1

Example: Put Double

Buy 1 December 2008 OKLI 1280 Put

Buy 1 December 2008 OKLI 1260 Put

Buy Put 1

3.6.10 Horizontal Straddle

A Horizontal Straddle (HS) option spread consists of buying a straddle at one strike price in the deferred month and selling a straddle at the same or different strike in the near month.

More specifically, a Horizontal Straddle (HS) consists of buying a call and buying a put at the same strike price in the deferred month and selling a call and selling a put at the same lower strike price in the near month, all within the same contract and expiry month.

Spread ratio: (Buy 1: Buy 1: Sell 1: Sell 1)

Construction: Buy1callstrike1exp2 Buy1putstrike1exp2 Sell1callstrike1exp1 Sell1putstrike1exp1

Example: Horizontal Straddle

Buying 1 Sept 2008 OKLI 1260 Call,

Buying 1 Sept 2008 OKLI 1260 Put

Selling 1 June 2008 OKLI 1280 Call

Selling 1 June 2008 OKLI 1280 Put

Buy 1

3.6.11 Iron Condor

A Iron Condor (IC) option spread consists of buying a put spread and buying a call spread at higher strike prices.

More specifically this consists of selling a put at one strike price, buying a put at a higher strike price, buying a call at a higher strike price, and selling a call at an even higher strike price, all within the same contract and expiration.

Spread ratio: (Sell 1: Buy 1:Buy 1: Sell 1)

Construction: Sell1putstrike1exp1 Buy1putstrike2exp1 Buy1callstrike3exp1 Sell1callstrike4exp1

Example: Put Spread

Sell 1 June 2008 OKLI 1240 Put,

Buy 1 June 2008 OKLI 1260 Put,

Buy 1 June 2008 OKLI 1280 Call,

Sell 1 June 2008 OKLI 1300 Call.

Buy 1 Put

3.6.12 Ratio 1x2

A Ratio 1x2 (12) option spread is constructed of all calls (Call Ratio 1x2) or all puts (Put Ratio 1x2).

The Call Ratio 1x2 consists of buying a call and selling two calls at a higher strike price within the same contract and expiry month.

The Put Ratio 1x2 consists of buying a put at a strike price and selling two puts at a lower strike price within the same contract and expiry month.

Spread ratio is (Buy 1: Sell 2)

Call 1x2

Construction: Buy1callstrike1exp1 Sell2callstrike2exp1

Example: Call 1x2

Buy 1 March 2008 OKLI 1260 Call

Sell 2 March 2008 OKLI 1280 Call

Buy 1 Call

Put 1x2

Construction: Buy1putstrike2exp1 Buy1putstrike1exp1

Example: Put 1x2

Buy 1 March 2008 OKLI 1280 Put

Sell 2 March 2008 OKLI 1260 Put

Buy 1 Put

3.6.13 Ratio 1x3

A Ratio 1x3 (13) option spread is constructed of all calls (Call Ratio 1x3) or all puts (Put Ratio 1x3).

The Call Ratio 1x3 consists of buying a call at one strike price and selling three calls at a higher strike price within the same contract and expiry month.

The Put Ratio 1x3 consists of buying a put at one strike price and selling three puts at a lower strike price within the same contract and expiry month.

Spread ratio: (Buy 1: Sell 3)

Call 1x3

Construction: Buy1callstrike1exp1 Sell3callstrike2exp1

Example: Call 1x3

Buying 1 March 2008 December OKLI 1200 Call

Selling 3 March 2008 December OKLI 1300 Call

Buy 1 Call

Put 1x3

Construction: Buy1putstrike2exp1 Sell3putstrike1exp1

Example: Put 1x3

Buying 1 March 2008 December OKLI 1300 Put
Selling 3 March 2008 December OKLI 1200 Put
Buy 1 Put

3.6.14 Ratio 2x3

A Ratio 2x3 (23) option spread is constructed of all calls (Call Ratio 2x3) or all puts (Put Ratio 2x3).
The Call Ratio 2x3 consists of buying two calls at one strike and selling three calls at a higher strike price within the same contract and expiry month.
The Put Ratio 2x3 consists of buying two puts at one strike price and selling three puts at a lower strike price within the same contract and expiry month.
Spread ratio: (Buy 2: Sell 3)

Call 2x3

Construction: Buy2callstrike1exp1 Sell3callstrike2exp1
Example: Call 2x3
Buy 2 March 2008 OKLI 1260 Call
Sell 3 March 2008 OKLI 1280 Call
Buy 1 Call

Put 2x3

Construction: Buy2putstrike2exp1 Sell3putstrike1exp1
Example: Put 2x3
Buy 2 March 2008 OKLI 1280 Put
Sell 3 March 2008 OKLI 1260 Put
Buy 1 Put

3.6.15 Strip

A Strip (SR) option spread is constructed of all calls (Call Strip) or all puts (Put Strip).
The Call Strip consists of buying calls within the same contract and strike price for each of four consecutive quarterly expiry months, resulting in a total of four (4) calls purchased.
The Put Strip consists of buying puts within the same contract and strike price for each of four consecutive quarterly expiry months, resulting in a total of four (4) puts purchased.
The Strip requires a specific symmetry in the expiry months in that the time difference between the expiry months is the same for all legs.
Spread ratio: (Buy 1: Buy 1: Buy 1: Buy 1)

Call

Construction: Buy1callstrike1exp1 Buy1callstrike1exp2 Buy1callstrike1exp3Buy1callstrike1exp4
Example: Call
Buy 1 June 2008 OKLI 1280 Call
Buy 1 Sept 2008 OKLI 1280 Call
Buy 1 Dec 2008 OKLI 1280 Call
Buy 1 March 2009 OKLI 1280 Call
Buy 1 Call

Put

Construction: Buy1putstrike1exp1 Buy1putstrike1exp2 Buy1putstrike1exp3Buy1putstrike1exp4
Example: Put
Buy 1 June 2008 OKLI 1280 Put
Buy 1 Sept 2008 OKLI 1280 Put
Buy 1 Dec 2008 OKLI 1280 Put
Buy 1 March 2009 OKLI 1280 Put
Buy 1 Put

3.6.16 Risk Reversal

A Risk Reversal (RR) option spread consists of buying a call and selling a put option within the same contract and expiration month. The put component can be the same strike or a lower strike as the call option.

Spread ratio: (Buy 1: Sell 1)

Construction: Buy1callstrike2exp1 Sell1putstrike1or2exp1

Example: Risk Reversal

Buy 1 June 2008 OKLI 1280 Call

Sell 1 June 2008 OKLI 1260 Put

Buy 1

3.6.17 Straddle Strips

A Straddle Strip (SS) option spread consists of buying a call and put within the same contract at the same strike price (Straddle) for each of four consecutive quarterly expiry months. This results in four (4) Straddles being purchased.

The Straddle Strip requires a specific symmetry in the expiry months in that the time difference between the expiry months is the same for all legs.

Spread ratio: (Buy 1: Buy 1: Buy 1: Buy 1)

Call

Construction: Buy1callstrike1exp1 Buy1putstrike1exp1 Buy1callstrike1exp2 Buy1putstrike1exp2

Buy1callstrike1exp3 Buy1putstrike1exp3 Buy1callstrike1exp4 Buy1putstrike1exp4

Example: Call

Buy 1 June 2008 OKLI 1280 Call

Buy 1 June 2008 OKLI 1280 Put

Buy 1 Sept 2008 OKLI 1280 Call

Buy 1 Sept 2008 OKLI 1280 Put

Buy 1 Dec 2008 OKLI 1280 Call

Buy 1 Dec 2008 OKLI 1280 Put

Buy 1 March 2009 OKLI 1280 Call

Buy 1 March 2009 OKLI 1280 Put

Buy Call 1

Buy Put 1

3.6.18 Xmas Tree

An Xmas Tree (XT) option spread is constructed of all calls (Call Xmas Tree) or all puts (Put Xmas Tree). The Call Xmas Tree consists of buying a call at one strike, selling a call at a higher strike and selling yet another call at a higher strike, all within the same contract and expiration month.

The Put Xmas Tree consists of buying a put at a higher strike and selling a put at a lower strike and selling yet another put at a still lower strike, all within the same contract and expiration month.

The Xmas Tree requires a specific symmetry in the strikes in that the difference between the strike prices is the same for all legs.

Spread ratio: (Buy 1: Sell 1: Sell 1)

Call Xmas Tree

Construction: Buy1callstrike1exp1 Sell1callstrike2exp1 Sell1callstrike3exp1

Example: Call Xmas Tree

Buy 1 June 2008 OKLI 1240 Call

Sell 1 June 2008 OKLI 1260 Call

Sell 1 June 2008 OKLI 1280 Call

Buy Call 1

Put

Construction: Buy1putstrike3exp1 Sell1putstrike2exp1 Sell1putstrike1exp1

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Example: Put

Buy 1 June 2008 OKLI 1280 Put

Sell 1 June 2008 OKLI 1260 Put

Sell 1 June 2008 OKLI 1240 Put

Buy Put 1

3.6.19 3-Way

A 3-Way (3W) option spread is constructed of calls and puts on the same contract and expiry month with different strike prices.

A Call 3-way consists of buying the call for the middle strike price, selling the call for high strike price, and selling the put for the low strike price.

A Put 3-way consists of buying the put for middle strike price, selling the put for low strike price, and selling the call for the high strike price.

Spread ratio: (Buy 1: Sell 1: Sell 1)

Call

Construction: Buy1callstrike2exp1 Sell1callstrike3exp1 Sell1putstrike1exp1

Example: Call Spread

Buy 1 July 2008 OKLI 1280 Call

Sell 1 July 2008 OKLI 1300 Call

Sell 1 July 2008 OKLI 1260 Put

Buy Call 1

Put

Construction: Buy1putstrike2exp1 Sell1putstrike1exp1 Sell1callstrike3exp1

Example: Put Spread

Buy 1 July 2008 OKLI 1280 Put

Sell 1 July 2008 OKLI 1260 Put

Sell 1 July 2008 OKLI 1300 Call

Buy Put 1

3.6.20 Iron Butterfly (IB)

An Iron Butterfly (IB) option spread consists of buying a Straddle and selling a Strangle in the same expiry month. The IB components are to sell a Put at a strike price, buy Put and Call at higher strike price, and sell a Call at an even higher strike price. The strike prices do not have to be consecutive and the gaps between strike prices do not have to be equal. **Spread ratio: (sell 1: buy 1: buy 1: sell 1)**

Construction: Sell1putstrike1exp1 Buy1putstrike2exp1 Buy1callstrike2exp1 Sell1callstrike3exp1

Example: Iron Butterfly

Sell 1 March 2009 OKLI 1240 Put

Buy1 March 2009 OKLI 1260 Put

Buy 1 March 2009 OKLI 1260 Call

Sell 1 March 2009 OKLI 1280 Call

3.6.21 Jelly Roll (JR)

A Jelly Roll (JR) option spread consists of buying (sell) a Reversal in one expiry month and selling (buy) the Reversal in another expiry month to produce a synthetic spread between both months.

A Jelly Roll involves Selling (buy) a Call, buying (sell) a Put at the same strike in the near month, and buying (sell) a Call, selling (buy) a Put at a different strike in the far month.

Spread ratio: (sell 1: buy 1: buy 1: sell 1)

Buy Jelly Roll

Construction: Sell1callstrike1exp1 Buy1putstrike1exp1 Buy1callstrike2exp2 Sell1putstrike2exp2

Example: Buy Jelly Roll

Sell 1 Dec 2009 OKLI 1260 Call

Buy 1 Dec 2009 OKLI 1260 Put
Buy 1 March 2010 OKLI options 1280 Call
Sell 1 March 2010 OKLI 1280 Put

Sell Jelly Roll

Construction: Buy1callstrike1exp1 Sell1putstrike1exp1 Sell1callstrike2exp2 Buy1putstrike2exp2

Example: Sell Jelly Roll

Buy 1 Dec 2009 OKLI options 1260 Call
Sell 1 Dec 2009 OKLI options 1260 Put
Sell 1 March 2010 OKLI options 1280 Call
Buy 1 March 2010 OKLI options 1280 Put

3.6.22 Guts (GT)

A Guts (GT) option spread consists of buying a Call at a strike price and buying a Put at a higher strike price in the same expiry.

Spread ratio: (buy 1: buy 1)

Construction: Buy1callstrike1exp1 Buy1putstrike2exp1

Example: Buy the Guts

Buy 1 December 2009 OKLI 1200 Call
Buy 1 December 2009 OKLI 1220 Put

3.6.23 3-way: Straddle versus Call (3C)

A 3-way: Straddle versus Call (3C) option spread consists of buying a Straddle and (versus) selling a Call in the same expiry month. The Straddle component consists of buying a Call and buying a Put in the same contract, expiration, and strike price. The opposing (versus) component is to sell a Call for the same contract and expiration but at a different strike price.

Spread ratio: (buy 1: buy 1: sell 1)

Construction: Buy1callstrike1exp1 Buy1putstrike1exp1 Sell1callstrike(?)exp1

Example: Buy the 3-way: Straddle versus Call

Buy 1 December 2009 OKLI 1200 Call
Buy 1 December 2009 OKLI 1200 Put
Sell 1 December 2009 OKLI 1220 Call

3.6.24 3-way: Straddle versus Put (3P)

A 3-way: Straddle versus Call (3C) option spread consists of buying a Straddle and (versus) selling a Put in the same expiry month. The Straddle component consists of buying a Call and buying a Put in the same contract, expiration, and strike price. The opposing (versus) component is to sell a Put for the same contract and expiration but at a different strike price.

Spread ratio: (buy 1: buy 1: sell 1)

Construction: Buy1callstrike1exp1 Buy1putstrike1exp1 Sell1putstrike(?)exp1

Example: Buy the 3-way: Straddle versus Put

Buy 1 December 2009 OKLI 1280 Call
Buy 1 December 2009 OKLI 1280 Put
Sell 1 December 2009 OKLI 1260 Put

4. Futures Spreads

This section describes the futures spread types that are compatible with CME Globex.

A spread is an instrument composed of multiple futures or options contracts that are executed simultaneously when the spread is executed. In a futures spread, the goal is to profit from the change in the price difference between two futures contracts while hedging against risk.

A spread is one or more futures contracts and one or more offsetting futures contracts. Spreads allow you to take less risk than is available with outright futures positions. The amount of risk between two Intra-market futures positions is usually less than the risk in an outright futures position.

CME Globex provides pre-defined spreads that are separate from the order book of the outright markets.

All strategies are shown from the buyer's perspective.

Leg Description

For the purpose of this discussion, the term Leg1 refers to the first component of the spread as shown in the naming convention. Leg2 refers to the second component of the spread. Leg3 refers to the third component of the spread, and so on.

Abbreviations

EQ = Equity
 FX = Foreign Exchange
 AG = Agricultural
 IR = Interest Rate
 MT = Metals
 RT = Reduced Tick
 Vol = Volatility
 exp = expiry

4.1 Spread Type Compatibility

CME Globex offers the following Exchange-defined Futures Spread Types that are compatible with the following products:

Table 4.1 Spread Type Compatibility

Futures		CME				BMD			
Strategy	Type Code	EQ	FX	AG	IR	EQ	AG	IR	MT
Calendar									
Standard	SP			x	x	x	x	x	x
Strip	FS	x	x	x				x	

* = GSCI equity supports FX strategy

4.2 Futures Spread Construction

The following table summarizes the construction of Futures Spreads.

Table 4.3. Futures Spread Construction Summary

Futures			
Strategy	Type Code	Construction	Instrument Code / Security Definition
Calendar			
Standard	SP	Buy1exp1 Sell1exp2	FCPOZ8-FCPOH9
Strip Month Expiry	FS	Buy1exp1 Buy1exp2 Buy1exp3 Buy1exp4	FKB3:FS 03M U8

4.3 Futures Spread Description

The following futures spread types are compatible with CME Globex.

4.3.1 Calendar (Horizontal or Diagonal)

A Calendar spread consists of 2 contracts within the same instrument group and with different maturity months. There are variations in Calendar spreads based on the product. Each Calendar spread variation is designated through the use of a different spread type code.

4.3.1.1 Standard

Standard (SP) consists of 2 contracts within the same instrument group and with different maturity months.

Buy 1 calendar = buy 1 front month leg, and sell 1 back month leg (+1:-1 ratio).

Products: All Products

Construction: Buy1exp1 Sell1exp2

Example: Buy the Spread

Buy 1 December 2008 FKLI and

Sell 1 March 2009 FKLI

Instrument Code/Securitydesc: Buying 1 FKLIZ8-FKLIH9

Example: Sell the Spread

Sell 1 December 2008 FKLI and

Buy 1 March 2009 FKLI

Instrument Code/Securitydesc: Selling 1 FKLIZ8-FKLIH9

4.3.4 Strip

Strip Spread (FS) is the simultaneous purchase (or sale) of futures positions in consecutive quarterly months. The average of the prices for the futures contracts bought (or sold) is the price level of the hedge. A four-month strip, for example, consists of an equal number of futures contracts for each of four consecutive quarterly contract months, also known as a calendar strip. The Strip Spread consists of 4 to 20 contracts within the same instrument group and with consecutive quarterly months.

Strips are constructed as buying a series of contracts simultaneously. Strips will tick in 1-tick increments.

Products: FKB3

Construction: Buy1exp1 Buy1exp2 Buy1exp3 Buy1exp4

Example: Buy the Strip

Buy 1 September 2008 FKB3 and

Buy 1 December 2008 FKB3 and
Buy 1 March 2009 FKB3
Buy 1 June 2009 FKB3

Instrument Code/Securitydesc: Buying 1 FKB3:FS 03M U8

Example: Sell the Strip

Sell 1 September 2008 FKB3 and
Sell 1 December 2008 FKB3 and
Sell 1 March 2009 FKB3
Sell 1 June 2009 FKB3

Instrument Code/Securitydesc: Selling 1 FKB3:FS 03M U8

5. Indicative Opening Price (IOP) and Matching Algorithm

The IOP (Indicative Opening Price) provides market participants with a probable price at which the market will open or re-open, given the current book and order activity.

The IOP is calculated by the trading engine during the Pre-Open and Reserve States based on the orders in the book. During these two states orders can be entered or modified, but no matching will occur. This can cause the order book to be locked or crossed which would produce an IOP.

Indicative opening details are published using the Market Data Incremental Refresh tag 35-MsgType=X Message, Book Update Data Block and Opening Data Block. These messages are used to inform users of updates to the book and the IOP.

The Market Data Incremental Refresh tag 35-MsgType=X Message, Opening Data Block carries the IOP and is published during the Pre-open State and Reserve State. The Market Data Incremental Refresh tag 35-MsgType=X Message, Opening Data Block is sent when:

- A new order is entered that changes the IOP
- A book update changes the IOP

The Market Data Incremental Refresh tag 35-MsgType=X Message, Book Update Data Block is published to inform users of the first five limit prices available in the order book. It is sent when:

- An inbound order or modification changes the prices or quantities of the top 5 bid or ask price levels.
- A cancel removes orders from the top 5 bid or ask price levels

Tag 346-NumberOf Orders included in the IOP shows only the Displayed (booked) quantity on the Market Data Incremental Refresh tag 35-MsgType=X Message, Book Update Data Block even though the IOP was calculated using the entire order size for the Display Quantity Order.

The order quantities and the contract quantities for elected Stop Orders with the highest price (if they are buy Stops) or the lowest price (if they are sell Stops) are shown on the Market Data Incremental Refresh tag 35-MsgType=X Message (only 1 Stop order is shown regardless of how many Stops were elected by the IOP)

IOPs are only calculated for outright futures, futures spreads, option spreads, and options series.

5.1 Calculating/ Determining the IOP

CME Globex follows a specific set of rules to determine the IOP:

Rule 1: Determine the maximum matching quantity at a price level

Rule 2: Determine the minimum non-matching quantity

Rule 3: Determine the highest price if non-matching quantity is on the buy side for all prices

Rule 4: Determine the lowest price if non-matching quantity is on the sell side for all prices

Rule 5: Determine the closest price to the settlement price (reference price)

Rules are applied in a hierarchy from Rule 1 through Rule 5. The IOP is determined by whichever rule best applies to the order book at that moment.

5.1.1 Stop Orders in IOP

After an IOP is calculated the Stop book is scanned for Stops that would be elected by the IOP. All Stops that would be elected by the IOP are added to the limit book and the IOP is recalculated.

5.1.2 Determining Cumulative Quantity

The IOP is established by determining which price will match the most contracts based on the current mix of bids and offers available in the order book. CME Globex examines all prices where Bids and Offers overlap. The Bid and Offer quantity available at each price in the overlapped price level is listed and the cumulative quantity total of all bids and offers is determined at each price.

Bid cumulative quantity is determined by summing the bid quantity at each price, starting from the highest price and cumulating down to the lowest price level. Offer cumulative quantity is determined by summing the offer quantity at each price, starting from the lowest price and cumulating up to the highest price level.

Table 5.1.2 Cumulative Quantity Process

Cumulative Total of Bids and Offers				
Cumulative	Bid	Price	Ask	Cumulative Sum of Offers

Sum of Bids	Quantity		Quantity	
10	10	51	30	357
30	20	50	100	327
60	30	49	1	227
100	40	48	25	226
150	50	47	1	201
220	70	46	100	200
320	100	45	90	100
321	1	44	4	10
351	30	43	6	6

5.1.3 Examining for IOP

Once the cumulative quantities available at each price are established, each price can be examined to determine where the most contracts can be matched.

The reasoning behind this comparison is that at each price level, all cumulative bids can be matched at that price or better and all cumulative offers can be matched at that price or better.

For example, if a match is executed at price level 43, bids at 44 through 51 could also potentially be matched. The opposite is true for offers. If a match is executed at price level 51, offers at 50 through 43 could also potentially be matched.

- At price level 48, there are 100 cumulative bid contracts available and 226 cumulative offer contracts available. A match at price 48 would execute 100 leaving a quantity of 126 offer contracts remaining on the book at the moment of the market opening.
- At price level 47, there are 150 cumulative bid contracts available and 201 cumulative offer contracts available. At price level 47, the result would be 150 contracts executed.
- At price level 46, there are 220 cumulative bid contracts available and 200 cumulative offer contracts available. At price level 46, the result would be 200 contracts executed.
- At price level 45, there are 320 cumulative bid contracts available and 100 cumulative offer contracts available. At price level 45, the result would be 100 contracts executed.

The IOP would be price level 46 where the maximum quantity of 200 contracts could be matched

5.1.4 Applying the Rules to Establish the Indicative Opening Price

Rule1: Determine the maximum matching quantity at a price level.

Table 5.1.4a Maximum Matching Quantity

Cumulative Total of Bids and Offers				
Cumulative Sum of Bids	Bid Quantity	Price	Ask Quantity	Cumulative Sum of Offers
10	10	51	30	357
30	20	50	100	327

60	30	49	1	227
100	40	48	25	226
150	50	47	1	201
220	70	46	100	200
320	100	45	90	100
321	1	44	4	10
351	30	43	6	6

Note: Executed Quantity = 200

The largest cumulative quantity of bids and offers that can be executed is at the price level of 46. The 200 offer contracts can be matched with the 220 Bid contracts available providing the greatest number of contracts matched of 200. So, the IOP is 46.

If rule 1 does not produce an IOP then include rule 2

Rule 2: Determine the minimum non-matching quantity.

Table 5.1.4b Minimum Non-Matching Quantity

Cumulative Total of Bids and Offers				
Cumulative Sum of Bids	Bid Quantity	Price	Ask Quantity	Cumulative Sum of Offers
10	10	51	30	306
30	20	50	100	276
60	30	49	1	176
100	40	48	25	175
150	50	47	0	150
180	30	46	50	150
280	100	45	90	100
281	1	44	4	10
311	30	43	6	6

Note: Executed Quantity = 150

At price levels of 46 and 47 there is a tie for the number of contracts that can match, 150 at each price level. At price level 47, the non-matching quantity is 0 (150 Bid - 150 offer = 0). At price level 46, the nonmatching quantity is 30 (180 Bid - 150 offer = 30). So, the Indicative Opening Price is 47, where there is the least number of unmatched contracts.

If rules 1 and 2 do not produce an IOP, then include rule 3.

Rule 3: Determine the highest price if the non-matching quantity is on the buy side for all prices.

Table 5.1.4c Highest Price

Cumulative Total of Bids and Offers				
Cumulative Sum of Bids	Bid Quantity	Price	Ask Quantity	Cumulative Sum of Offers
10	10	51	30	306
30	20	50	100	276
60	30	49	1	176
100	40	48	25	175
180	50	47	0	150
180	30	46	50	150
280	100	45	90	100
281	1	44	4	10
311	30	43	6	6

Note: Executed Quantity = 150

At price level 47, the largest cumulative quantity of Bids is 180. The largest cumulative quantity of offers is 150. The number of contracts that can match at price 47 is 150 contracts. The remaining non-matching Bid contracts = 30 (180 Bid - 150 offer = 30).

At price level 46, the largest cumulative quantity value of Bids is 180. The largest cumulative quantity of offers is 150. The number of contracts that can match at price 46 is 150 contracts. The remaining nonmatching Bid contracts = 30 (180 Bid - 150 offer = 30).

The Indicative Opening Price is 47, which is the highest price where the unmatched contracts are Bid contracts.

Rule 4: Determine the lowest price if the non-matching quantity is on the sell side for all prices.

Table 5.1.4d Lowest Price

Cumulative Total of Bids and Offers				
Cumulative Sum of Bids	Bid Quantity	Price	Ask Quantity	Cumulative Sum of Offers
10	10	51	30	306
30	20	50	100	276
60	30	49	1	176
100	40	48	25	175
110	10	47	0	150
110	0	46	50	150
130	20	45	90	100
160	30	44	4	10
190	30	43	6	6

Note: Executed Quantity = 110

At price level 47, the largest cumulative quantity of Bids is 110. The largest cumulative quantity value of offers is 150. The number of contracts that can match at price 47 is 110 contracts. The remaining nonmatching quantity is 40 (150 offer - 110 Bid = 40).

At price level 46, the largest cumulative quantity value of Bids is 110. The largest cumulative quantity value of offers is 150. The number of contracts that can match at price 47 is 110 contracts. The remaining non-matching quantity is 40 (150 offer - 110 Bid = 40).

The Indicative Opening Price is 46, which is the lowest price where the unmatched contracts are Offer contracts.

If rule 3 and 4 have a tie then include rule 5.

Rule 5: Determine the closest price to the settlement price (reference price).

Table 5.1.4e Closest Price to the Settlement Price (Reference Price)

Cumulative Total of Bids and Offers				
Cumulative Sum of Bids	Bid Quantity	Price	Ask Quantity	Cumulative Sum of Offers
50	50	51	30	280

70	20	50	100	250
150	80	49	0	150
150	0	48	0	150
150	0	47	0	150
150	0	46	0	150
150	0	45	70	150
150	0	44	60	80
150	0	43	20	20

Note: Executed Quantity = 150

Settlement Price (Reference Price) = 46

At price levels 45 through 49, matches can occur at the calculated maximum number of 150 contracts. Each price level shows accumulated totals of 150 Bids and 150 Offers which when matched results in zero remaining contracts. IOP is the price closest to settlement

5.1.5 Stops in IOP

After an IOP price is calculated, the Stop Order book is scanned to determine if the IOP elects any Stop Orders. If the IOP would elect Stop Orders then recalculate the IOP including the quantities at the limit price of the Stop Orders that would be elected (this process continues until no other Stop Orders are elected by an IOP).

5.1.6 Display Quantity Orders in IOP

If a Display Quantity order is on the book while the IOP is being calculated then the entire order size (not just the displayed (booked) quantity) is included in the calculation.

5.1.7 First-In, First-Out (FIFO) Matching Algorithm

BMD is adopting the CME Globex FIFO matching algorithm.

The FIFO algorithm (F) fills orders on a strict price and time priority; the first order at a price level is the first order matched.

Orders lose their priority and get re-queued if users:

- (a) Increase the quantity
- (b) Change the price
- (c) Change the account number

6. Market Integrity Controls

CME Globex employs several mechanisms to ensure market integrity and the ability for the market to maintain soundness and adherence to the CME Group Exchange trading policies. These market controls include:

- Order Activity Restrictions
- Daily Price Limits
- Price Banding
- Trade Cancellation Policy
- Stop Spike Logic

6.1 Order Activity Restrictions

Order activities are restricted to specific market states.

States	Order Entry	Order Modify	Order Cancel
Pre-open	X	X	X
No Cancel	X		
Pause			X
Reserve	X	X	X
Close			

6.2 Daily Price (Trading) Limits

Daily price limits are applicable for trading in FKLI, FCPO, FPKO, FUPO, FGLD and FPOL products in BMD. For further details refer to chapter 7 - Static Thresholds and Invalid Trade.

6.3 Price Banding

To ensure a fair and orderly market, CME Globex has also instituted a price banding mechanism where all incoming electronic orders are subject to price verification and all orders with clearly erroneous prices are rejected. Price banding on the CME Globex platform is designed to mitigate the impact of erroneous order entries.

An overly aggressive erroneous order, such as limit bids at prices well above the market or limit offers at prices well below the market, can trigger a sequence of market-moving trades that require subsequent cancellations.

CME Globex uses one mechanism for futures price banding and another mechanism for options price banding. Price banding is applied to each CME Globex product individually.

Price banding represents a function of CME Globex which is applied to examine price-based orders before acceptance on the system. Specifically, banding is Globex logic which scans price-based orders, rejecting any buy orders above the "CME Last Price" PLUS a fixed band value or, any sell orders below the CME Last Price MINUS a fixed band value. The Last Price is determined by the last transaction, or the best bid or best offer through the last transaction. Alternatively, the Last Price can be determined by the Settlement Price, if no other prices are available.

Note: In implied markets, the Last Price can be determined by the implied better bid or implied better offer.

Banding does not prevent traders from entering bids below the market or entering offers above the market.

It does not restrict how far below or above the market a trader may wish to trade. Banding does not hinder the market's depth in any way. Price Banding only prevents a trader from bidding or offering at prices that appear to be unrealistic and potentially damaging to the marketplace.

Price Banding will not "lock-up" the market in the event of a rapid decline or advance in prices. The price band is based on the last traded price or the best bid or offer. As such, the band is moved by the action of entering bids or offers beyond the most recent last traded price or the best bid or offer.

Although banding does not prevent order entry, for products with price limits or circuit breakers, order entry may be prevented by the price limits or circuit breakers which take precedence over price banding.

6.3.1 Price Banding with Market Limit orders

Banding does not affect market orders so the price banding logic will not prevent the entry of market orders. A market order only has the potential to match the market price to the best bid or offer in the book but not beyond.

To illustrate this point, consider the entry of a 100-lot market limit order to buy when the book is configured as shown below.

Bid Quantity	Price	Offer Quantity
	150.75	300
	150.50	100
	150.25	50
	150.00	25
35	149.75	
60	149.25	
75	149.00	
25	148.75	

The immediate effect of the 100-lot market limit order to buy is that the order will be filled for 25 contracts at a price of 150.00. The unfilled 75 buy orders are converted by the trading host into a 75-lot limit bid at 150.00. As such, a market buy or sell order does not push the book past the current best bid or offer, respectively.

Banding will protect for the conversion of market orders into limit orders outside of the host at prices that would run through the book. An order under those conditions would be rejected.

6.3.2 Price Banding with Stop orders

Stop orders are processed relative to the price banding parameters. If the buy (sell) price is farther from the trigger price than the banding parameter then the order is rejected. Therefore, for all accepted Stop orders, if the stop price is hit, the limit order will be at a price within the band.

6.3.3 Price Band Variation (PBV)

Based on the market state and trading activity, a Price Band Variation (PBV) will be applied above and below the contract's reported reference price to establish the Price Band Variation Range (PBVR). The PBV is a static value that varies by product. It is symmetrically applied at both the upside (for bids) and downside (for offers) levels with each price change and enforced during the trading session.

If market conditions dictate a wider price band, for example, in a volatile market where prices are fluctuating rapidly, CME Group may elect to temporarily relax or suspend the price banding restriction. In addition to the PBVR, Daily Trading Limits may be in effect for certain products. Daily Trading Limits are

always given priority over PBVR in rejecting orders with erroneous prices. PBVR are monitored throughout the day by the CME GCC and may be adjusted if necessary.

It is important to note that the Daily Trading Limits always take precedence over PBVR in rejecting orders with erroneous prices. Price bands are monitored throughout the day by the CME GCC and are adjusted when necessary.

6.3.4 Reserve Price Band Multiplier

When a non-implied Lead Month and/or Secondary Month futures instrument transitions into the Reserved State, the price band values are expanded by a predefined Reserve Price Band Multiplier.

The Reserve Price Band Multiplier expands the default Price Band by a positive whole number multiplier (e.g., 2x or 3x) during the Reserved State, to allow Limit and Stop order entry from the non-biased Buy or Sell side of the market. Allowing Limit and Stop order entry supports the creation of an Indicative Opening Price (IOP) at a fair market value level, thus supporting a more accurate reopening.

6.4 Futures Banding

With each price change the PBVR is recalculated and the new range is applied. The CME Globex platform rejects all bids and offers outside the PBVR. Applying the PBV to a reference price determines the PBVR.

The reference price used depends on the market state and trading activity:

- The contract's Settlement Price will serve as the PBVR reference price during the Pre-Open and the Pre-Open/No-Cancel period, until the Indicative Opening Price (IOP) is calculated.
- Once an IOP is established, the IOP becomes the PBVR reference price.
- During the continuous trading, the CME Globex Last Price serves as the reference price for the PBVR
- If a contract has transitioned to continuous trading with no IOP or CME Globex Last Price being established, then the Settlement Price will continue to serve as the PBVR reference price until a CME Globex

Last Price is established.

- In the event of a market emergency where a market is placed in a non-trading mode after continuous trading has begun, then the IOP will serve as the PBVR reference price during the non-regular Pre-Open and the Pre-Open/No-Cancel Period. If no IOP is available, then the CME Globex Last Price will serve as the PBVR reference price.

The PBVR adjusts dynamically as the CME Globex Last Price changes for a given product.

Example: PBVR Adjustment

- **Assume:** PBV for an index product is 100.00 index points
- CME Globex Last Price for the product is 3000.00
- PBVR would span from 2900.00 to 3100.00

All bids above 3100.00 and all offers below 2900.00 would be rejected by the CME Globex matching engine. If a CME Globex Last Price of 3010.00 is established, the PBVR is dynamically adjusted to span from 2910.00 to 3110.00

6.5 Options Banding

Price Banding for options markets requires specific considerations.

Although a series of options on a particular futures contract may trade frequently, any single specific strike price option may not trade or even be quoted regularly. The price of the underlying futures contract may change substantially relative to the option's CME Last Price, causing the market value of a formerly out-of-the-money option to increase substantially while the PBVR is locked in place.

The CME Last Price on a specific option is an unrepresentative reference price. In addition, options with different strikes require different price band widths. PBVRs for "out-of-the-money" options should be narrower than those for "in-the-money" options to reflect the differences in the extent to which bids and offers departing from their fair market value may be considered erroneous.

For these reasons, CME Group has instituted enhanced options price banding, a dynamic price banding system, for selected options and options spreads traded on the CME Globex platform.

Enhanced Options price banding is identical to futures price banding, with the following modifications.

Based on market conditions, the reference price is set to either the:

- Last Price of the option or spread
- Theoretical Options Price (TOP), based on well established options pricing algorithms

- Last Price in combination with the TOP, if practical.

The width of the price bands is determined by one either a Fixed PBV for the entire option series, identical to the price banding for futures practice or a Dynamic PBV based on the delta of the option, as estimated by the TOP calculation or a Dynamic PBV based on a percentage of the TOP, where the percentage is based on the delta of the option.

6.6 Trade Cancellation

6.6.1 GCC Trade Cancellation Policy

Trade prices which occur within the Non-Reviewable Range, as determined by BMD, will generally not be cancelled or adjusted. The only exception to this rule is when BMD determines that allowing a trade to stand as executed may have a material, adverse effect on the integrity of the market.

BMD may review a trade based on its analysis of market conditions or a request for review by a CME Globex user. A request for review must be made as soon as possible, but will generally not be considered **if more than eight minutes have passed** since the trade occurred. BMD also has the authority, but not the obligation, to review trades reported more than one hour following execution if it determines that the trade price was egregiously out of line with fair value.

A party responsible for an order(s) which results in a trade price adjustment or a trade cancellation may be liable for actual losses incurred by affected parties pursuant to the criteria outlined in BMD Rule 707.2.

Cancellation of a Trade Or Price Adjustment. For further details please refer to Chapter 14 Error Maker Liability Claim

6.6.2 Non-Reviewable Range - Trade Cancellation

BMD Trade Cancellation policy is applied to balance the adverse effects on market integrity of executing trades and publishing trade information inconsistent with prevailing market conditions. The intent is to preserve legitimate expectations that executed transactions will not be cancelled.

A Non-Reviewable Range (NRR) is established for each BMD Product available on CME Globex.

Trade prices that occur within the NRR, as determined by the BMD, will not generally be cancelled or adjusted. The only exception to this rule is if the BMD determines that not cancelling or adjusting a trade within the NRR will have a material, adverse effect on the market.

The Exchange's trade cancellation policy authorizes the GCC to adjust trade prices or cancel (bust) trades when such action is necessary to mitigate market disrupting events caused by the improper or erroneous use of the electronic trading system or by system defects.

The decision of BMD shall be final.

The Non-Reviewable Range is specified in the table:

Contracts	NRR	Trade Review Reference Price
Option on FKLI (OKLI) Option on FCPO (OCPO)	20% of premium up to ¼ of the underlying futures Non-Reviewable Range with a minimum of 1 tick	Bid/Ask Reasonability – the greater of the delta times the underlying futures Non-Reviewable Range or 20% of the fair value premium up to the underlying futures Non-Reviewable Range with a minimum reasonability of 50 ticks
US Dollar Denominated Crude Palm Oil Futures (FUPO)	+/- 120 ticks	(a) (i) The last traded price on the same Business Day before the execution of the erroneous trade. (b) (ii) If there are no trades on that Business Day prior to the execution of the erroneous trade, then the Best Buy Price or the Best Sale Price available

RBD Palm Olein Futures (FPOL)	+/- 60 ticks	<p>before the execution of the erroneous trade.</p> <p>(e)(iii) If there is no Best Buy Price or Best Sale Price, then the 'Daily Settlement Price' as referred to in the Clearing House Rules.</p> <p>(e)(iv) Where the Exchange is of the opinion that the price stated in the foregoing is not reflective of the value of a Contract at any given time, then the theoretical value of the Contract based on the cost of carry methodology at the point of execution of the erroneous trade.</p>
Gold Futures (FGLD)	+/- 28 ticks	
All other Futures Contracts	+/- 100 ticks	

6.6.3 Review of Trades

The GCC may review a trade based on its analysis of market conditions or a request for review by a user of the electronic trading system. A request for review must be made within eight minutes of the execution of the trade. The GCC shall promptly determine whether the trade will be subject to review and upon deciding to review a trade, the GCC will promptly issue an alert indicating that the trade is under review.

In the case of illiquid contracts, the GCC may initiate a review up to one hour after the execution of the trade, and has the authority, but not the obligation, to review trades reported more than one hour following execution if it determines that the trade price was egregiously out of line with fair value.

In the absence of a timely request for review, during volatile market conditions, upon the release of significant news, or in any other circumstance in which the GCC deems it to be appropriate, the GCC may determine, in its sole discretion, that a trade shall not be subject to review.

Price Adjustments and Cancellations

Upon making a determination that a trade will be subject to review, the GCC will first determine whether the trade price is within the Non-Reviewable Range for futures or within the Bid/Ask Reasonability Allowance for options. The Bid/Ask Reasonability Allowance for an option is the maximum width of the bid/ask range which will be considered reasonable for use in applying the parameters necessary to establish the Non-Reviewable Range for the option. In applying the Non-Reviewable Range, the GCC shall determine the fair value market price for that contract at the time the trade under review occurred. The GCC may consider any relevant information, including, but not limited to, the last trade price in the contract or a better bid or offer price on the electronic trading system, a more recent price in a different contract month, the price of the same or related contract established in another venue or another market, the market conditions at the time of the trade, the theoretical value of an option based on the most recent implied volatility and responses to a Request for Quote (RFQ).

1. Trade Price Inside the Non-Reviewable Range

If the GCC determines that the price of the trade is inside the Non-Reviewable Range, the GCC will issue an alert indicating that the trade shall stand.

2. Trade Price Outside the Non-Reviewable Range

a. Futures Contracts

If the GCC determines that a trade price is outside the Non-Reviewable Range for a futures contract (including futures spreads), the trade price shall be adjusted to a price that equals the fair value market price for that contract at the time the trade under review occurred, plus or minus the Non-Reviewable Range. In the event there are multiple parties, prices and/or contracts involved in the transactions at issue, the GCC has the authority but not the obligation, to cancel rather than price adjust such transactions. The GCC will issue an alert regarding its decision.

b. Option Contracts

If the GCC determines that a trade price is outside the applicable Non-Reviewable Range for an option contract, the trade price shall be adjusted. In the case of a buy (sell) error, the price will be adjusted to the determined ask (bid) price set forth in the Bid/Ask Reasonability Allowance plus (minus) the Non-Reviewable Range. In the event there are multiple parties, prices and/or contracts involved in the transactions at issue, the GCC has the authority but not the obligation, to cancel rather than price adjust such transactions. The GCC will issue an alert regarding its decision.

Cancelled trade prices and any prices that have been adjusted shall be cancelled in the Exchange's official record of time and sales. Trades that are price adjusted shall be inserted in the time and sales record at the adjusted trade price.

6.6.4 GCC Trade Cancellation

If CME GCC cancels a trade, the client application receives an Execution Report containing the following information:

- Order status is set to 'H' for trade cancelled
- Execution Type is set to 'H' for trade cancelled
- Execution Reference ID containing the Trade Number for the trade being cancelled; the Trade Number as originally contained in the Execution ID of the trade being cancelled. The Execution Reference ID in the trade cancellation notice identifies the specific cancelled trade.
- Last Shares value is set to the quantity of the trade that is being cancelled

Prior to a trade cancellation, each client involved in the trade has already received an Execution Report - Fill containing an identifier for the Execution report and information on when the order was accepted.

The characters following "TN" in the Execution ID are called the Trade Number. This number is used to identify the trade.

Schedule of Administrative Fees

When GCC cancels or price adjusts a trade, the party responsible for entering the order into the electronic trading system that gave rise to the trade cancellation or price adjustment shall pay an administrative fee to the Exchange in the amount of USD500 for each such occurrence. If the party is not deemed a Member and fails to pay the fee, the clearing member through which the trade was placed shall be responsible for payment of the fee.

6.7 Stop Spike Logic

In highly volatile markets, the market bid and ask can have significant price changes. These price swings can result from market conditions, but can also be generated as a result of cascading stop price orders. Cascading Stop Orders is a condition triggered by a spike in the market prices that triggers stop orders which in turn causes the market to trigger still other stop orders and inappropriately moving the market. Stop Spike Logic is designed to prevent excessive, improper price movements. The stop price logic detects market movement due to the triggering, election, and trading of stop price orders. When this situation causes a secondary condition where the market triggers and trades additional stop price orders at extreme market prices the Stop Spike Logic is engaged. A typical situation would be

when initial triggered stops would cause the market to trade outside predefined values (typically the same as the Non-Reviewable Ranges).

The method that is used by the Stop Spike Logic is to introduce a momentary pause in matching using the Reserved State. This momentary pause allows new orders to be entered and matched against the triggered stops in an algorithm similar to market opening.

Allowing the user community this momentary opportunity to enter, modify or cancel orders in this situation provides the ability to re-establish the proper market prices. The Instrument Status (MG) message is used to communicate the instrument status during the stop price logic process.

The following examples describe the stop price logic process and the use of the Instrument Status (MG) message:

6.7.1 Market Is Open

When a stop price order is triggered and enters the market at the limit price, the stop price logic is activated.

The execution price generated by the stop price order is compared against the last traded price plus/minus the product Non-Reviewable Range. If the execution price is within the range, normal stop processing occurs and market remains open.

6.7.2 Market Is Reserved

If the execution price is outside the product Non-Reviewable Range, the instrument is placed in reserved state for a predetermined amount of time. An Instrument Status (MG) message is generated.

Note: When the market is in a reserved state, any external event-such as market close or manual market intervention will cause the market to transition from the reserved state and proceed with processing of the external event.

6.7.3 Market Reserved Activities

While the market is in a reserved state:

- A timer is activated that determines the length of time the market will be in reserved state. Time may vary.
- A counter is activated that counts the number of times the IOP (Indicative Opening Price) verification will be performed.
- An expanded price range is determined for verification of the IOP value.
- Once the timer expires, verification is performed on the current IOP. If the IOP is inside the new expanded no-bust range, the market reopens. The IOP is communicated via the Theoretical Opening Price Message (M8).

6.7.4 Market Reopens

The Instrument Status (MG) message is generated.

If the IOP is outside the new expanded range, the instrument remains in the reserved state for another time interval and the IOP verification is performed again. This process continues until either the market is adjusted within the IOP range or the predefined maximum number of iterations has been performed.

6.8 e-Stop

e-Stop functionality halts CME Globex options markets, cancels all resting quotes, and is synchronized with Stop Price logic for CME Globex futures markets. In the event a Stop Spike occurs in a given CME Globex futures market due to the triggering of Stop Price orders, e-Stop will halt markets in the corresponding options and options spread markets.

While the options market is in the Pause state, clients can cancel resting orders. No other actions are allowed.

During the 'Pause' state CME Globex cancels all options quotes. Once the futures Stop Spike event has been resolved, the options market transitions from 'Pause' to 'Open' with no indicative opening price; price discovery occurs via market maker quote submission.

6.9 Trading Controls Settings

The Trading Controls Settings are as below.

Futures Contracts

	Maximum Quantity	Price Banding	Protection Points	Stop Spike range	Non-Reviewable Range
FKLI	500	+/- 80 ticks	+/- 40 ticks	+/- 100 ticks	+/- 100 ticks
FCPO	500	+/- 80 ticks	+/- 40 ticks	+/- 100 ticks	+/- 100 ticks
FPKO	500	+/- 80 ticks	+/- 40 ticks	+/- 100 ticks	+/- 100 ticks
FUPO	500	+/- 96 ticks	+/- 48 ticks	+/- 120 ticks	+/- 120 ticks
FKB3	500	+/- 80 ticks	+/- 40 ticks	+/- 100 ticks	+/- 100 ticks
FMG3 FMG5	500	+/- 80 ticks	+/- 40 ticks	+/- 100 ticks	+/- 100 ticks
FGLD	500	+/- 24 ticks	+/- 12 ticks	+/- 28 ticks	+/- 28 ticks
FPOL	500	+/- 50 ticks	+/- 25 ticks	+/- 60 ticks	+/- 60 ticks

Option Contracts

	Maximum Quantity	Price Banding	Protecti on Points	Bid/Ask Reasonability	Non-Reviewable Range
OKLI OCPO	500	Dynamic	+/- 2 ticks	The greater of the delta times the underlying futures Non-Reviewable Range or 20% of the fair value premium up to the underlying futures Non-Reviewable Range with a minimum reasonability of 50 ticks	20% of premium up to ¼ of the underlying futures Non-Reviewable Range with a minimum of 1 tick

7. Static Thresholds

7.1 STATIC PRICE THRESHOLDS (PRICE LIMITS)

The Exchange shall enforce Static Price Thresholds i.e. Daily Price Limits for FBM KLCI Index Futures contract (FKLI); Palm Kernel Oil Futures contract (FPKO); MYR denominated Crude Palm Oil Futures contract (FCPO), USD denominated Crude Palm Oil Futures contract (FUPO), Gold Futures contract (FGLD), RBD Palm Olein Futures contract (FPOL) and any other products that may be introduced subsequently as it deems appropriate.

Accordingly, the Exchange may stipulate the maximum price ('upper limit') and the minimum price ('lower limit') at which an order in respect of a contract may be entered.

No orders of a contract shall be entered above the upper limit or below the lower limit defined by the Exchange during the trading day.

The Exchange may from time to time change the upper limit and/or the lower limit of the contract according to the individual product contract's specification.

7.2 BUSINESS RULES – SCHEDULE 25 (FKLI)

7.2.1 In the first trading session of the day, the price limit for the respective contract months is 20% (or a percentage as determined by the Exchange from time to time) in either direction from the previous Business Day's Daily Settlement Price.

7.2.2 In the second trading session of the day, the price limit for the respective contract months is 20% (or a percentage as determined by the Exchange from time to time) in either direction from the same day's first trading session's last traded price.

7.2.3 The price limits in the above paragraphs do not apply to trades in:

7.2.3.1 the spot month Contract; and

7.2.3.2 the second contract month during the 5 final Business Days before the Final Trading Day of the spot month.

7.3. BUSINESS RULES - SCHEDULE 24 (FPKO)

With the exception of trades in the current delivery month, trades for future delivery of Crude Palm Kernel Oil in any month must not be made, during any 1 Business Day, at prices varying more than RM100.00 per metric ton above or below the settlement prices of the preceding Business Day ("the RM100.00 Limit") except as provided below:

7.3.1 When the settlement prices for the first 3 quoted months (excluding the current month) at the closing for that day are at the RM100.00 Limit, the price limit will be expanded in the following manner:

LIMIT AMOUNT	
First Day	RM100.00
Second Day	RM150.00
Third Day	RM200.00

- 7.3.2 Daily price limits will remain at RM200.00, when the preceding day's prices of all the 3 quoted months immediately following the current delivery month settle at limits of RM200.00.
- 7.3.3 Notwithstanding paragraph (a) above, if on any Business Day the settlement prices for the first 3 quoted months (excluding the current month) are not at the specified limits, the price limit on the following Business Day will revert to the basic limit amount of RM100.00.

7.4 BUSINESS RULES – SCHEDULE 24 (FCPO, FUPO and FPOL)

- 7.4.1 With the exception of trades in the current delivery month, trades for future delivery of FCPO, FUPO, and FPOL in any month, must not be made, during any 1 Business Day, at prices varying more than 10% above or below the settlement prices of the preceding Business Day (“the 10% Limit”) except as provided below:
- (a) When the 10% Limit is triggered (except for the current month), the Exchange will announce a 10-minute cooling off period (“the Cooling Off Period”) for Contracts of all contract months (except the current delivery month) during which trading may only take place within the 10% Limit.
 - (b) Following the Cooling Off Period, Contracts of all contract months will be specified as reserved for a period of 5 minutes, after which the price limit will be expanded to 15%. The prices traded for Contracts of all contract months (except the current month) must then not vary more than 15% above or below the settlement prices of the preceding Business Day (“the 15% Limit”).
 - (c) If the 10% Limit is triggered less than 30 minutes before the end of the first trading session, the 10% Limit will apply to Contracts of all contract months (except the current month) for the rest of the first trading session and the 15% Limit will apply to Contracts of all contract months (except the current month) during the second trading session.
 - (d) If the 10% Limit is triggered less than 30 minutes before the end of the second trading session, the 10% Limit will apply to Contracts of all contract months (except the current month) for the rest of the Business Day.
- 7.4.2 For the purposes of paragraph 7.4.1, the 10% Limit will be considered triggered when at least 3 non-spot contracts are trading at the 10% limit."

7.5 BUSINESS RULES – SCHEDULE 26 (FGLD)

There must be no trading at a price more than 10% above or below the settlement prices of the preceding Business Day (“the 10% Limit”) except as provided below:

- 7.5.1 If spot month Contract trades at the 10% Limit, the Exchange will announce a 10-minute cooling off period (“the Cooling Off Period”) for Contracts of all contract months (including the spot month) during which trading may only take place within the 10% Limit for Contracts of all contract months (including the spot month).
- 7.5.2 After the Cooling Off Period, Contracts of all contract months (including the spot month) will be specified as reserved for a period of 5 minutes, after which the price limit will be expanded to 20%. The prices traded for Contracts of all contract months (including the spot month) must then not vary more than 20% above or below the settlement prices of the preceding Business Day (“the 20% Limit”).

- 7.5.3 If spot month Contract trades at the 10% Limit less than 30 minutes before the end of the first trading session, the 10% Limit will apply to Contracts of all contract months (including the spot month) for the rest of the first trading session, and the 20% Limit will apply to Contracts of all contract months (including the spot month) during the second trading session.
- 7.5.4 If spot month Contract trades at the 10% Limit less than 30 minutes before the end of the second trading session, the 10% Limit will apply to Contracts of all contract months (including the spot month) for the rest of the Business Day.
- 7.5.5 On any Business Day other than the Final Trading Day, the price limits in the above paragraphs apply to trades in Contracts of all contract months including the spot month. On the Final Trading Day, the price limits in the above paragraphs do not apply to trades in spot month Contracts.

7.6 INVALID ORDER

Orders, for example Good-Till-Cancel or Good-Till-Date orders, existing in the trading system that breaches the daily static price thresholds are considered invalid orders. The Exchange is empowered to cancel such orders from the Order Book.

7.7 INVALID TRADE

Any **possible** trade that matches outside the static price thresholds is considered an invalid trade.

7.8 TRADE CANCELLATION

Trade cancellation process will be guided by BMD Rule 707.2:

Rule 707.2 Cancellation of a Trade Or Price Adjustment

- (1) The Exchange may adjust trade prices or cancel trades where it believes such action is necessary in the interest of an orderly and fair Market.
- (2) Notwithstanding any other provisions of this Rule, the Exchange may determine to review a trade executed, on its own volition or upon the request of a Trading Participant.
- (3) A request for review by a Trading Participant must be made within 8 minutes of the execution of the trade.
- (4) For the avoidance of doubt any request for review in relation to any order entered into the ATS must be made by a Trading Participant notwithstanding that the order may have been entered by a Direct Market Access Client or a Participant who is not a Trading Participant.
- (5) If the Exchange decides to review a trade, the Exchange will notify the Market that the trade is under review.
- (6) If the price of the trade under review is determined to be within the Non-Reviewable Range, the trade will stand.
- (7) If the price of the trade under review is determined to be outside the Non-Reviewable Range, the price of the trade will either be adjusted in accordance with the formula set out in the Trading Procedures or cancelled as the Exchange sees fit. The decision of the Exchange is final.

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- (8) Before the Exchange cancels a trade or adjusts the price of the trade pursuant to Rule 707.2(7), the Trading Participants to the trade may, with the approval of the Exchange, mutually agree to adjust the price of the trade or cancel the trade.
- (9) The cancellation or price adjustment of a trade resulting from a mistake by a Participant does not preclude the Exchange from taking action against the Participant and/or Registered Persons as defined in Rule 500 for the breach of Rule 703.1A(g).

8. Unplanned Holiday

Generally, a holiday is known in advance and can fall on a normal trading day or an expiration day. There are however exceptions where a public holiday is announced in less than a day's notice.

16.3.18.1 HOLIDAYS CAN BE CATEGORIZED AS FOLLOWS:

5.1.18.1.1 Scenario A - Potential Holiday Known in Advance

There is likelihood that such a public holiday will be announced and that the potential holiday is known prior to the start of ATS on-line batch processing.

5.1.28.1.2 Scenario B - Holiday Not Known in Advance (Unplanned Holiday)

Here the holiday is announced after ATS on-line batch processing is completed.

16.3.28.2 PROCEDURES

The procedures for handling unplanned holidays are as follows:

5.2.18.2.1 Holiday falls on a business day

Post-dated orders entered into the system and expiring on the business date which the holiday falls on, will be deleted from the order book and will not appear when the trader logs in on the business day following the holiday.

5.2.28.2.2 Holiday falls on expiration day

Post-dated orders entered into the system and expiring on the business date which the holiday falls on, will be deleted from the order book and will not appear when the trader logs in on the business day following the holiday.

The Final Settlement Value for all contracts expiring on the day the holiday falls will be calculated by the Exchange. Under such circumstances, the Exchange will apply the BMD Business Rules which gives the Exchange the discretion in determining the Final Settlement Value from time to time.

If the unplanned holiday is known in advance the Exchange will only run one batch. However, if the unplanned holiday is not known in advance (i.e. holiday was announced after batch) or falls on expiration day, the Exchange may run two batches. One is for the business day before the unplanned holiday and the other is for the unplanned holiday itself.

9. Circuit Breaker

A Circuit Breaker is a mechanism implemented to moderate excessive volatility in the stock market of the Bursa Malaysia Securities Bhd.

A Circuit Breaker is a market-wide approach to managing downward movement of the barometer index. It does this by temporarily halting trading in the entire market during normal trading hours. Announcement on the trading halt will be immediately disseminated to the public.

When the Circuit Breaker is triggered, it is intended that investors should continue to keep themselves updated and informed by continuing to access all possible sources of information available. In this manner, investors will be able to assess and review prevailing conditions based more on information and less on market trends and speculation, in order to make well-considered investment decisions upon resumption of trading.

The Circuit Breaker mechanism as implemented at Bursa Malaysia Securities Bhd is only for monitoring downward movement (not upward) of the FBM KLCI.

9.1 BUSINESS RULE 707.7(a)

Trading of any Contract on the Market shall be halted or suspended whenever the Exchange deems such action appropriate in the interest of maintaining a fair and orderly market to protect investors. Among the factors that may be considered by the Exchange are that:

- | •(a) trading in the Instrument underlying the Contract has been halted or suspended in the Underlying Market;
- | •(b) the opening of trading in the Instrument in the Underlying Market has been delayed because of unusual circumstances; or
- | •(c) the Exchange has been advised that the issuer of the underlying Instrument is about to make an important announcement affecting such issuer.

9.2 BURSA MALAYSIA CIRCUIT BREAKER TRIGGER LIMITS

BURSA MALAYSIA Circuit Breaker Trigger Conditions & Trading Halt Duration					
Trigger Level	FBM KLCI Decline	9:00am - before 11:15am	11:15am - 12:30pm	2:30pm - before 3:30pm	3:30pm - 5:00pm
1	FBM KLCI falls by an aggregate of 10% or more but less than 15% of the previous market day's closing index.	1 Hour	Rest of the Trading Session	1 Hour	Rest of the Trading Session
2	FBM KLCI falls by an aggregate of equal or more than 15% but less than 20% of the previous market day's closing index.	1 Hour	Rest of the Trading Session	1 Hour	Rest of the Trading Session
3	FBM KLCI falls by an aggregate of equal or more than 20% of the previous market day's closing index.	9:00 am ~ 12:30pm		2:30pm ~ 5:00pm	
		Rest of the day.		Rest of the day.	
FBM KLCI : FBM Kuala Lumpur Composite Index					

A fall in the FBM KLCI may or may not be in a sequential manner i.e. down to 1st level, then 2nd level and finally 3rd level. Sometimes the fall may be abrupt and steep right up to the 3rd level.

In the event that the circuit breaker hits the 3rd level, the Exchange has the discretion to either halt or forbid trading of the product group.

Like the Bursa Malaysia Securities market, a trading halt at any of the 3 trigger levels will occur only once during the trading day in BMD.

9.3. PROCEDURES

Once the Circuit Breaker is triggered and trading in the Bursa Malaysia Securities market is halted, the BMD market will likewise halt/interrupt trading on equity related products e.g. Index Futures (FKLI), Single Stock Futures (SSFs) and Index Options (OKLI) within the next 120 seconds or less. Other non-equity linked products like Commodity Futures, KLIBOR Futures and Bond Futures will continue to trade.

The BMD Exchange Operations will inform all Trading Participants of the halt in trading via messages sent through its trading system.

Duration of the halt and time of resumption of trading will be announced and they should be similar to that applied by the Bursa Malaysia Securities. During the halt, Trading Participants are allowed to manage their orders before trading resumes. The Exchange may change the prescribed opening time where necessary.

Trading Participants are advised to read all broadcast messages, if any, via the Exchange mail screen while the market is halted.

10. Market Emergency

10.1 GENERAL

The following market emergency procedures supersede all earlier market emergency procedures and circulars pertaining thereto.

Effective 1st January 2005, the Exchange will not be providing the Emergency Trading Room.

As such Trading Participants must make arrangements with other Trading Participants (hereinafter referred as "Emergency Participants") to trade on their behalf in the event that they are not able to log into the trading system for whatever reason.

10.2 EMERGENCY TRADING

In the event a Trading Participant's connectivity to the trading system is lost, the Trading Participant is to notify the Exchange immediately of the situation.

Trading Participant has to subscribe for CME Cancel On Disconnect (COD) service to cancel all resting futures and options orders if there is a loss of session connectivity to iLink system.

The Participant has to carry out its emergency trading through its Emergency Trading Participant(s).

Note: The Exchange will not implement the Emergency Procedures for a Trading Participant if one of their terminals can still access the trading system.

Pricing information can be obtained by the affected Participant from the Exchange through phone.

A Participant is required to inform the Exchange when the connectivity at their end is up and running again.

11. EXCHANGE FOR RELATED POSITIONS (EFRPs)

-11.1 Definition

Exchange for Related Positions (EFRP) refers to an arrangement between 2 parties whereby a futures position is exchanged for related positions. The related position can include cash or physical, swap, OTC derivative or other futures position.

The related position must involve the commodity or a financial asset underlying the futures contract, or must be a derivative, by-product or related product that has a reasonable degree of price correlation to the commodity or financial asset underlying the futures contract.

-11.2 Definitions of EFRP Classes

Each related position underlying the futures contract is defined as a different class to enable easier identification of each different transaction. The different classes are as follows:

11.2.1 Exchange for Physical (EFP)

A privately negotiated and simultaneous exchange of a futures position for a corresponding cash or physical position.

11.2.2 Exchange for Swap (EFS)

A privately negotiated and simultaneous exchange of a futures position for a corresponding swap position.

11.2.3 Exchange for Futures (EFF)

A privately negotiated and simultaneous exchange of a futures position for a corresponding futures position listed on the same Exchange.

-11.3 Regulatory Framework

i-11.3.1 Execution

The futures transaction must be executed by the same parties simultaneously with the related position. This means that the parties who are doing the EFRP transaction has to be the same parties doing the OTC transaction or cash transaction.

a-11.3.2 Futures Contract Month

Any futures contract month can be used as part of an EFRP, but the contract month must be close to the expiration of the OTC contract. This is to ensure that the prices of both positions are relatively similar.

b-11.3.3 Price

This price must be mutually agreed to by the two parties to the transaction. The EFRP transaction shall be consummated at a price that falls within the daily price limit of the underlying futures contract (where such price limits have been set by BMD). For futures contracts that do not have price limits, the EFRP trades shall be conducted at a fair and reasonable price. The Exchange has the discretion to not accept EFRP trades that were transacted at an abnormal price. The Exchange may also at its discretion approve a transaction outside the price limit on a case to case basis.

e-11.3.4 Trade Conformation

Before an EFRP is executed, all necessary elements of the related position portion must be in place first. Therefore, the OTC or cash agreement must be in place before an EFRP on the futures side can be transacted.

d-11.3.5 Account Requirements

Only separate parties are permitted to conduct EFRP. In this context, separate parties are defined to be those who have:

- (i) accounts which belong to different beneficial owners; or
- (ii) accounts which are under separate control.

e-11.3.6 Position Limits

The speculative position limits imposed on each futures contract per client or Participant as specified in the Directive on Position Limits and Exercise Limits (No. 613-001) of the Rules of the Exchange remain applicable and the positions arising from the EFRPs are aggregated with the positions established during on-exchange trading.

f-11.3.7 Registration of EFRP

Rule 700B.4A(a) states that an EFRP permitted under the Rules of the Exchange must be presented to the Bursa Malaysia Derivatives Clearing Berhad (“Clearing House”) for registration in accordance with the Clearing House Rules. For avoidance of doubt, all references in this Chapter 11 to the registration of an EFRP transaction shall be construed as the registration of the EFRP transaction by the Clearing House in accordance with the Clearing House Rules.

-11.4 Eligible Related Positions in Relation to BMD Products

Rule 700B.2A states that the related position must involve the Instrument underlying the Contract, or such asset, commodity or instrument that has a reasonable degree of price correlation to the Instrument underlying the Contract as may be prescribed by the Exchange.

Below is the list of eligible related positions that will be accepted under the EFRP facility for current existing BMD contracts:

Contract	Eligible Related Positions
- Crude Palm Oil Futures (FCPO)	- Crude Palm Oil

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Contract	Eligible Related Positions
<ul style="list-style-type: none"> - Crude Palm Kernel Oil Futures (FPKO) - USD Crude Palm Oil Futures (FUPO) - RBD Palm Olein Futures (FPOL) 	<ul style="list-style-type: none"> - Crude Palm Olein - Crude Palm Stearin - RBD Palm Oil - RBD Palm Olein - RBD Palm Stearin - Crude Palm Kernel Oil - Palm Kernel Cake - RBD Palm Kernel Oil - RBD Palm Kernel Olein - RBD Palm Kernel Stearin - Palm Fatty Acid Distillate - Palm Oleochemicals - Palm Biodiesel
<ul style="list-style-type: none"> - 3-Year MGS Futures (FMG3) - 5-Year MGS Futures (FMG5) 	<ul style="list-style-type: none"> - Malaysian Government Securities - Cagamas Bonds - Khazanah Bonds - Interest Rate Swaps
<ul style="list-style-type: none"> - 3-Month KLIBOR Futures (FKB3) 	<ul style="list-style-type: none"> - Negotiable Certificate of Deposits - Banker's Acceptance - Malaysian Treasury Bills - KLIBOR Deposits - Forward Rate Agreements - Interest Rate Swaps - Bank Negara Malaysia Bills
<ul style="list-style-type: none"> - FBM KLCI Futures (FKLI) - FBM KLCI Options (OKLI) 	<ul style="list-style-type: none"> - Exchange Traded Funds
<ul style="list-style-type: none"> - Gold Futures (FGLD) 	<ul style="list-style-type: none"> - Physical Gold

-11.5 EFRP Requirements

The following information is required to be verified by Trading Participants and submitted to the Exchange:

11.5.1

The document that shows the EFRP was done such as Dealing Slips/Dealing Confirmation/Physical Contract Notes.

11.5.2

The identities of the two parties to the deal. Only separate parties are permitted to conduct EFRP. In this context, separate parties are defined to be those who have;

ea. accounts which belong to different beneficial owners; or

eb. account which are under separate control.

11.5.3

Full details of the cash, swap or futures position that is being exchanged (amount and grade).

11.5.4

The futures contract being used to hedge (including delivery month and the volume of contracts traded). The price of the futures contract should be within the current Business day price limit or a price that is approved by the Exchange.

11.5.5

Confirmation that only two parties are involved and that they are taking opposite related and futures positions.

11.5.6

The transaction supporting a bona fide EFRP should comprise of the following:-

11.5.6.1

It must involve an “exchange” of futures contracts for the underlying related position in which both legs of the transaction entail actual economic risk

11.5.6.2

The futures leg is subject to similar rights and obligations as any other exchange-traded futures transaction

11.5.7

Letter of Intention from parties of EFRP

11.5.8

Trading Participant to submit the Notification of EFRP Transaction form based on information details provided by parties to the EFRP.

11.5.9

The Trading Participants are to retain a copy of the Notification of EFRP Registration form and EFRP information at their premises and to furnish them upon request or in the event of subsequent audit by the Exchange.

-11.6 Operational Framework

11.6.1 Reporting of EFRP

The EFRP may be executed between any 2 parties who have agreed to the transaction and are the same parties to the related position. It comprises transactions privately negotiated between the two parties.

Immediately after the agreement of the EFRP between the 2 parties, their respective brokers must prepare the following documents:

1. The letter of intention to do EFRP
2. Notification of EFRP Registration form
3. Proof of related position transaction.

The 3 documents are to be sent to Exchange Operations (EO) latest by 4.00pm (for FKLI, OKLI, FKB3, FMG3 and FMG5 products) and 5.00pm (for FCPO, FPKO, FPOL, FUPO and FGLD products), except on the expiration date on which it must be submitted to EO latest by 9.00am.

All EFRP applications received after the cut-off time of 4.00p.m., 5.00p.m., or 9:00a.m. as the case may be, will be deemed as the following day's submission and processed by the next business day.

EO will inform the market of the EFRP transaction via email once the EFRP transaction is successfully registered by the Clearing House.

11.6.2 Amendment/Cancellation of EFRP

Before the EFRP is registered, the transaction can be amended or cancelled provided that both the buyer and the seller have mutually agreed to do so. Instruction must be received by EO from both the counterparties to the EFRP.

The EFRP cannot be cancelled once it has been registered. The 2 parties will be required to enter into another EFRP to reverse the first transaction.

11.6.3 Rejection of EFRP Transaction

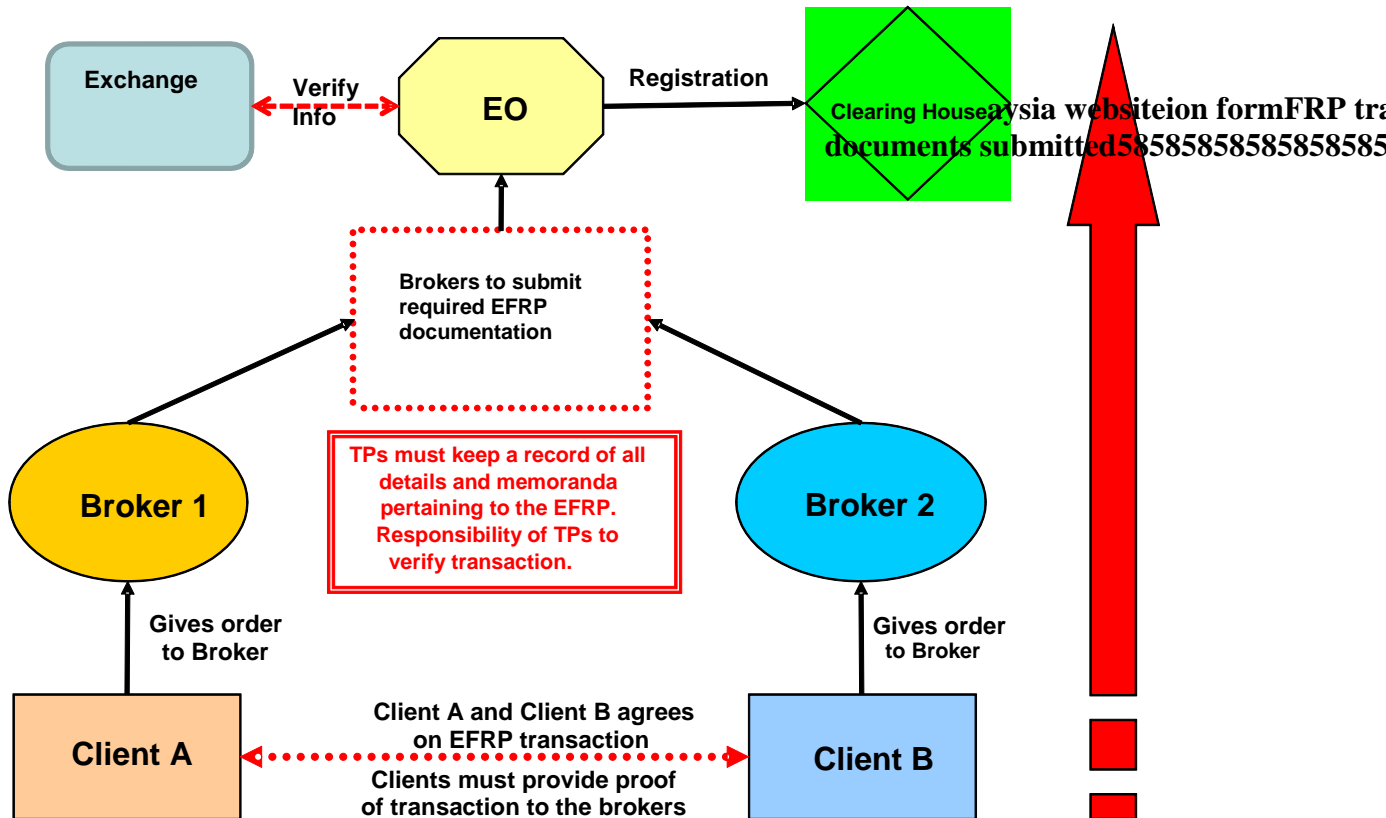
The Trading Participants must ensure that all information provided in the Notification of EFRP Transaction Form and Letter of Intention To Do EFRP Transaction ("the Forms") are true and correct. In considering whether to permit the EFRP transaction, the Exchange may, in its absolute discretion, rely on the information specified in the Forms without undertaking additional steps to verify the information.

Notwithstanding the above, the Trading Participant must submit additional or other information or documents if the Exchange requires.

The EFRP may be rejected by the Exchange if it does not comply with the Rules of the Exchange and the Trading Manual. The Clearing House under the Clearing House Rules also has the discretion to decline to the registration of the EFRP transaction.

11.6.4 Trading Flow

The diagram below shows the trading flow of the EFRP transaction:



Procedure

- 1.i) Client A and Client B agrees on size of trade and price.
- 2.ii) Both clients will then inform their respective brokers on the agreed trade and submit details of their related cash market transaction.
- 3.iii) Brokers will verify the cash transaction and then prepare and submit Notification of EFRP Registration form, proof of underlying transaction and a letter of intention to do EFRP to Exchange Operations (EO).
- 4.iv) The Exchange will undertake steps to consider the EFRP submission (e.g. perform verification processes, where necessary).
- 5.v) The EFRP submission (including the documents) will then be forwarded to Risk Management for risk evaluation.
- 6.vi) If in order the EFRP will be send to Clearing and Settlement for registration.
- 7.vii) EO will proceed to broadcast the EFRP transaction to the market via messaging upon successful registration of the transaction by the Clearing and Settlement.

11.6.5 Impact on Market

As an off-market trading facility, the EFRP Facility does not influence the market. EFRPs will not affect any open/high/low/close/volume information in the trading system nor will EFRP trade prices be used for settlement price determination purposes.

11.6.6 Role of Clearing Participants

Each Trading Participant must ensure that the Clearing Participant clearing the EFRP transaction entered into by that Trading Participant:

- (a) has been notified of the EFRP transaction and of all relevant information relating to the transaction; and
- (b) has signed on the Notification of EFRP Transaction Form as the Clearing Participant is responsible for the clearing and settlement of the EFRP transaction.

-11.7 Procedure for submitting EFRP applications

The following are the submission procedures for EFRP.

Step 1) Trading Participants verify the details of all EFRP documents to ensure it is in order.

Step 2) Complete the Notification of EFRP Transaction form

Step 3) Submit the following to the Exchange:-

- Notification of EFRP Transaction form
- Dealing Slips/Dealing Confirmation/Physical Contract Notes (proof of underlying transaction)
- Letter of Intention to do EFRP
- The client's particulars on the Notification of EFRP Transaction Form.

Both Buyer Trading Participant and Seller Trading Participant are to separately submit the list of documents by fax, email or hand.

Step 4) The Exchange will undertake steps to consider the EFRP submission and will verify information provided in the documentation, where necessary. The EFRP submission (including the documents) will then be forwarded to Risk Management for risk evaluation.

Step 5) The Exchange may contact Trading Participants in the event further information is required.

Step 6) All applications will be processed before the end of the day's trading session for the respective products provided that the application is received before the respective cut off time specified in section 11.6.1 above.

The market will be informed of the EFRP transaction via an exchange broadcast mail message upon successful registration of the EFRP transaction.

| **-11.8 Market Data**

Once an EFRP transaction has taken place, the EFRP trade volume will be added into the end-of-day market data reporting under a separate column which is published on the following day in the Bursa Malaysia's website.



NOTIFICATION OF EFRP TRANSACTION FORM

In accordance with the requirements of the **Bursa Malaysia Derivatives Bhd**, we hereby advise that the following EFRP transaction has been arranged: -

1. DETAILS OF THE FUTURES CONTRACTS

Date:

Futures Contract Code:

Delivery Month(s):

Futures Price(s):

Number of Lots:

Name of Reporting Selling Trading Participant:

Seller 1 (Trading Participant's client):

Seller 2 (Client of Trading Participant's client) if above is omnibus account:

Name of Reporting Buying Trading Participant:

Buyer 1 (Trading Participant's client):

Buyer 2 (Client of Trading Participant's client) if above is omnibus account:

2. DETAILS OF RELATED POSITION LEG TRANSACTION

Date:

Instrument:

Price/Rate:

Amount/Quantity:

Tenor:

Seller 1 (Trading Participant's client):

Seller 2 (Client of Trading Participant's client) if above is omnibus account:

Buyer 1 (Trading Participant's client):

Buyer 2 (Client of Trading Participant's client) if above is omnibus account:

3. NUMBER OF FUTURES CONTRACTS

Type of Ratio (if applicable):

Calculation of No. of Futures Contract

4. To be completed by Trading Participants

We declare that we have obtained written confirmation from the clients stating that the account requirements set out in section 11.3.5 of the Trading Manual have been complied with and the above transaction is made between:

- (a) Accounts which belong to different beneficial owners; or
- (b) Accounts which are under separate control

We declare further that the above transaction was arranged in accordance with the Rules of the Bursa Malaysia Derivatives Bhd and acknowledge that registration of the futures contract is subject to the Rules of Bursa Malaysia Derivatives Clearing Bhd.

Selling Trading Participant
Authorised Signature & Co. Stamp

Buying Trading Participant
Authorised Signature & Co. Stamp

5. To be completed by Clearing Participants

We declare that we have obtained written confirmation from the clients stating that the position limits for the relevant contracts which are applicable pursuant to the Rules of Bursa Malaysia Derivatives Bhd will not be breached from the effecting of this EFRP transaction.

Selling Clearing Participant
Authorised Signature & Co. Stamp

Buying Clearing Participant
Authorised Signature & Co. Stamp

Exchange & Clearing House Use Only

6. Exchange Operations (EO)

Complete list of documents received by: _____ Time
received: _____

7. Risk Management

Verified by: _____

8. Clearing and Settlement Operations

EFRP registered by: _____

Trade Ref. No. : _____

9. Approved by: _____

Head Operations & Risk Management or delegate

Time : _____ Date: _____

**LETTER OF INTENTION TO DO EXCHANGE FOR RELATED POSITIONS (EFRP)
TRANSACTION**

In accordance with the requirements of the **Bursa Malaysia Derivatives Bhd.**, we hereby advise the intention to do the following EFRP transaction: -

1. DETAILS OF THE FUTURES CONTRACTS

Date:

We buy/sell* (*delete whichever is not applicable)

Futures Contract Code:

Delivery Month(s):

Futures Price(s):

Number of Lots:

Name of Counterparty:

2. DETAILS OF RELATED POSITION LEG TRANSACTION

Date:

We buy/sell* (*delete whichever is not applicable)

Instrument:

Price/Rate:

Amount/Quantity:

Tenor:

Name of Counterparty:

3. NUMBER OF FUTURES CONTRACTS

Type of Ratio *(if applicable)*:

Calculation of No. of Futures Contract

"I / We * understand that the function of Bursa Malaysia Derivatives Bhd (the "Exchange") in respect of the physical transfer between the parties to this physical contract and/or the parties intending to enter into this physical contract as mentioned hereinabove, shall be limited to verification of proof of intention before approval of the exchange for related positions ("EFRP").

I / We * further undertake that the responsibility, risks and enforcement of settlement of this physical contract/intention to contract shall lie with me/us and the counter party to this physical contract/intention to contract.

I/We shall not hold the Exchange liable for any loss or damage caused to me/us in relation to this physical contract/intention to contract for the relevant underlying instrument after completion of the EFRP exercise by the Exchange.

We declare that the above transaction was arranged in accordance with the Rules of the Exchange and acknowledge that registration of the futures contract is subject to the Rules of the Bursa Malaysia Derivatives Clearing Bhd.

4. To be completed by party to the EFRP

Name & Address

Authorised Signature & Co. Stamp

Exchange Use Only

5. Exchange Operations (EO) Section

Time received: _____

Letter of Intention to do EFRP verified against Notification of EFRP Transaction Form

12. Trading Phases and States

12.1 TRADING DAY

A typical trading day has the following characteristics:

- A defined duration for each product group
- Different possible trading phases
- Different possible trading states

12.2 TRADING PHASES

Each product group will typically go through the following Market Phases, and in the sequence as shown below:

- Pre Opening
- No-Cancel
- Continuous Trading
- Pause
- Pre Opening
- No-Cancel
- Continuous Trading
- Surveillance Intervention
- Maintenance Period

The trading phases and market timing for the different products will be strictly followed by the Exchange. The Exchange however, reserves the right to effect any changes at any time and participants will be informed accordingly either through Trading Participants' Circular or through system broadcast messages.

12.3 TRADING PHASES AND MARKET TIMING

The Market Phases and market timing are as set out below:

Market Timing				
Trading Phases	Equity Financial (FKLI/OKLI/SSFs)	Non-Equity Financial (FKB3/FMG3/FMG5)	Commodity	
			Agriculture (FCPO/FPOL/FUPO/FPKO/OCPO)	Metal (FGLD)
Pre-Opening (1 st session)	8:15 am	8:30am	8:30am (FPOL) 10:00am (FCPO/FUPO/FPKO/OCPO)	8:30am
No-Cancel (30 seconds) (1 st session)	8:44:30 am	8:59:30am	8:59:30am (FPOL) 10:29:30am (FCPO/FUPO/FPKO/OCPO)	8:59:30am
Continuous Trading (1 st session)	8:45am	9:00am	9:00am (FPOL) 10:30am (FCPO/FUPO/FPKO/OCPO)	9:00am
Pause (1 st session)	12:45pm	12:30pm	12:00pm (FPOL) 12:30pm (FCPO/FUPO/FPKO/OCPO)	12:30pm
Pre-Opening (2nd session)	2:00pm	2:00pm	1:00pm (FPOL) 2:30pm (FCPO/FUPO/FPKO/OCPO)	2:00pm
No-Cancel (30 seconds) (2nd session)	2:29:30pm	2:29:30pm	1:29:30pm (FPOL) 2:59:30pm (FCPO/FUPO/FPKO/OCPO)	2:29:30pm

**ANNEXURE 2
TRADING MANUAL**

Continuous Trading (2 nd Session)	2:30pm	2:30pm	1:30pm (FPOL) 3:00pm (FCPO/FUPO/FPKO/OCPO)	2:30pm
Surveillance Intervention	5:15pm	5:00pm (FKB3/FGM3) 6:00pm (FMG5)	6:00pm (FCPO/FPOL/FUPO/OCPO) 6:05pm (FPKO)	7:00pm
Maintenance Period	5:30pm	5:15pm (FKB3/FGM3) 6:15pm (FMG5)	6:15pm (FCPO/FPOL/FUPO/OCPO) 6:20pm (FPKO)	7:15pm

12.4 TRADING STATUS OF PRODUCT GROUPS

Trading Status	Functions/Activities
Pre-Opening	<ul style="list-style-type: none"> • Orders and quotes can be entered, maintained, modified and deleted. • No matching of orders and quotes. • Opening Price Calculation is done on a continuous basis called an Indicative Opening Price (IOP) Information is broadcast to market based on orders and quotes in order book.
No-Cancel	<p>1. A predetermined time (30 seconds) before the session opens when traders can only enter orders but cannot cancel, execute or modify orders. (Opening price calculations are updated during this time)</p> <p>2. This feature is good for preventing price manipulation during the Pre-opening phase.</p>
Continuous Trading	<p>1. Orders can be entered, maintained, modified and deleted.</p> <p>2. Trading takes place on a continuous basis.</p> <p>3. Each incoming order are checked immediately for possible execution.</p> <p>4. Unexecuted portion of such order is added to the order book.</p> <p>5. Matched trades can be viewed on Broker Front End.</p> <p>6. Matching will be based on Price and Time Priority.</p> <p>7. Opening match is calculated without implied orders.</p>
Surveillance Intervention	<p>8. Market is paused</p> <p>9. During this time, only order cancellation can occur. This allows traders to maintain their order books before the next trading day</p>

<p>Maintenance Period</p>	<p>40. The period of time that begins when CME Globex sends the notification that trading has closed for a group of products for that particular trade date.</p> <p>41. No access allowed to all users</p>
<p>Reserved</p>	<ul style="list-style-type: none"> • Orders and quotes can be entered, maintained, modified and deleted. <p>42. No matching of orders and quotes.</p>

12.5 STOPPING TRADING ON A GROUP OR ON THE MARKET

The Exchange may in special situations stop trading for one or more instrument groups. Trading ceases immediately for a product group/s. The group subsequently enters a Pre-Opening Phase when traders are allowed to enter, modify, or cancel orders for the group, but orders cannot be executed.

13 Messaging And Market Performance Protection Policy

16.313.1 CME Globex Market Performance Protection Policy

The CME Globex Market Performance Protection Policy is a fair business policy that encourages market participants to quote appropriately without negatively impacting other CME customers.

CME Globex customers may be negatively impacted when market access is affected by latencies caused by customers sending messages at sustained high transaction levels. In order to protect all market participants from the negative effects of this extraordinary and excessive messaging, CME Group is implementing transaction controls at three separate levels for:

- Cancellation messages (tag 35=F)
- New Order (tag 35=D) and order cancel/replace messages (tag 35=G)
- Administrative messages, which includes:
 - o Logon (tag 35=A)
 - o Heartbeat (tag 35=0)
 - o Test Request (tag 35=1)
 - o Resend Request (tag 35=2)
 - o Session Level Reject (tag 35=3)
 - o Business Level Reject (tag 35=j)
 - o Sequence Reset (tag 35=4)
 - o Logout (tag 35=5)

Under this policy, if an iLink session exceeds a threshold as measured in messages per second (MPS) over a specified interval, subsequent messages will be rejected until the MPS rate falls below the threshold.

As of September 19, 2010, the thresholds will be established as follows:

	Transaction Types	Threshold	Interval
Cancel Threshold	Cancel Transactions	1000 MPS	Three seconds
New Order and Order Cancel/Replace Threshold	All Other Transactions	500 MPS	Three seconds
Administrative Threshold	All Administrative Messages	100 MPS	Three seconds

14. ERROR MAKER LIABILITY CLAIM

14.1 ERROR MAKER LIABILITY CLAIM

Upon a request from a Trading Participant of a potential error trade BMD will review the trade. BMD will generally cancel the trade or adjust the price if the traded price is outside the Non-Reviewable Range. As a consequence of the trade being cancelled or its price adjusted, affected Trading Participant may claim compensation from the error maker. Once compensation is paid by the error maker, it is a full and final settlement of the claim and the affected Trading Participant cannot make a further claim in respect of the same error trade. Below is the rule on Error Maker Liability.

Rule 707.2A Error Maker Liability

- (1) A Trading Participant whose order was responsible for a trade adjustment or cancellation under Rule 707.2 (“the Error Maker”) shall be liable for claims of actual losses incurred by other Trading Participants whose trade prices were adjusted or cancelled as a result of the above order. However, a Trading Participant who makes a claim shall not be entitled to compensation for losses incurred as a result of any failure to take reasonable actions to mitigate the loss. The procedure for making a claim against the Error Maker is set out in the Trading Procedures.
- (2) To the extent that liability is denied by the Error Maker, the Trading Participant making the claim may submit the claim to Arbitration in accordance with Rule 513.
- (3) For the avoidance of doubt:
 - (a) a Trading Participant may not submit any claim in relation to the cancellation or price adjustment of a trade for Arbitration under Rule 513 unless the Trading Participant had submitted a claim under Rule 707.2A(1) and the said claim had been denied in part or in totality by the Error Maker; and
 - (b) any claim in relation to the cancellation or price adjustment of a trade must be made by or through a Trading Participant notwithstanding that the order may have been entered by a Direct Market Access Client or a Participant who is not a Trading Participant.

14.2 PROCEDURE FOR SUBMITTING ERROR MAKER LIABILITY CLAIM

The following are the submission procedures for error maker liability claim.

- (a) Affected Trading Participant to submit error maker liability claim on an Exchange claim form to the Head of Derivatives Exchange Operations within five business days of the incident. Claim that is not filed in a timely manner will be rejected by BMD.
- (b) BMD will review the claim submitted based on data collected from the trading engine. Eligible claims shall then be forwarded by BMD to the Trading Participant responsible for the order(s) that resulted in a trade cancellation or a price adjustment.
- (c) The Trading Participant responsible for the error order entry, shall, within ten business days of receipt of the claim, admit or deny responsibility in whole or in part. Failure to respond to the claim within ten business days shall be considered a denial of liability.
- (d) In the event liability is admitted payment shall be made within ten business days by such Trading Participant to BMD who will forward it to the claiming Trading Participant. Such payment is full and final settlement of the claim.

- (e) If Trading Participant responsible for the error order entry denies liability, the affected Trading Participant may submit the claim to arbitration in accordance with Rule 513.

Trade Cancellation / Adjustment Claim Form

Claimant Name: _____

Contact Person(if claimant is a firm): _____

What is the amount of your claim? _____

Claimant's Clearing Participant: _____

Date Claim Filed: _____ Date Received (to be completed by BMD): _____

Claimant Address: _____

City: _____ State: _____ Post code: _____

Country: _____

E-Mail Address: _____ Phone Number: _____

Date of Incident: _____ Time of Incident: _____

When did you discover a problem existed? _____ Commodity/Contract : _____

Did you contact BMD Exchange Operations? YES NO

If yes, to whom did you speak? _____

What was the result? _____

Did you speak to anyone else at BMD? YES NO

If yes, to whom did you speak? _____

What was the result? _____

Please describe your claim in detail including, but not limited to, how you determined the amount of your loss, how many of your contracts were affected by the trade cancellation or adjustment, the number and prices of your contracts prior to the trade cancellation or adjustment and the price that your contracts were adjusted to. (Attach additional sheets if necessary)

**Please attach all documentation to support your claim.
This Claim Form Must Be Submitted Within 10 Business Days of the
Trade Cancellation/Adjustment**

15. OPERATOR ID (“Tag 50 ID”) REQUIRED FOR ALL BMD ORDERS TRADED ON CME GLOBEX

Each order entered into CME Globex is required to include the submission of an operator ID, also referred to as the “Tag 50 ID” or “User ID”, which is unique to the party who entered the order. For orders entered manually, the Tag 50 ID must be unique to the individual entering the order into CME Globex. For orders entered by an automated trading system (“ATS”), the Tag 50 ID must be unique to the person, or the identified team of persons on the same shift, who are responsible for the operation of the ATS. All Tag 50 IDs must be unique at the level of the Trading Participant.

Each Globex terminal operator shall be identified to the Exchange by utilizing the Tag 50 ID. Each individual must use a unique user ID to access Globex. In no event may a person enter an order or permit the entry of an order by an individual using a user ID other than the individual’s own unique user ID.

Trading Participants must ensure that:

- | 13. all clients executing through the Trading Participant, including those clients with direct connections to CME Globex, are fully aware of the Tag 50 ID submission requirements;
- | 14. each Tag 50 ID is unique at the Trading Participant;
- | 15. the correct Tag 50 ID is submitted on each order entered into CME Globex and accurately transmitted to the Trading Participant and to the exchange.

Failure to comply will result in disciplinary action.

16. NEGOTIATED LARGE TRADES

16.1 Definition

Negotiated Large Trades (“NLT”) is an off-market trading facility that allows Trading Participants or their clients to arrange and transact orders of defined large size away from Trading System.

NLT allows large trades to be done at a single price and it minimizes the possible price impact and time delays that may occur when transacting orders of large size on the exchange. NLTs also allows for matching of large trades during off-exchange hours. These trades, however, will only be cleared as the following day’s trades.

16.2 Regulatory Framework

16.3.6 16.2.1 Eligibility

The NLT Facility will only be available to Trading Participants to transact block trades on behalf of their client account, house proprietary account or registered futures trader account. In executing a NLT, a Trading Participant has to comply with section 99(1) of the Capital Markets and Services Act 2007 (CMSA) which provides, amongst others, that a Trading Participant must not, as principal, trade with a person who is not a Trading Participant unless he first informs that person in writing that he is acting in the transaction as principal and not as agent. As an example, a Trading Participant must not take the other side of its client’s order unless the Trading Participant first informs that client in writing that he is taking the other side of the order as principal and not as agent.

16.3.7 16.2.2 Account Requirements

Only separate parties are permitted to conduct NLT. In this context, separate parties are defined to be those who have (i) accounts which belong to different beneficial owners; or (ii) accounts which are under separate control. The Trading Participants must undertake all reasonable steps to verify that this requirement is met and retain copies of all relevant documentary evidence relied on by the Trading Participants in its verification process.

Examples of accounts which are under separate control are:

4.1-Treasury and Structured Products division of same bank

4.1-Marketing and Purchasing division of a Refinery

16.3.8 16.2.3 Price Limits

The price of a NLT transaction must be mutually agreed to by the two parties to the transaction. The NLT transaction must be consummated at a price that falls within the daily price limit of the underlying futures contract (where such price limits have been set by the Exchange) and that is fair and reasonable in the opinion of the Exchange. For futures/options contracts that do not have a price limits, the NLT trades shall be conducted at a fair and reasonable price.

16.3.9 16.2.4 Position Limits

The speculative position limits imposed on futures and options contracts per client or Participant as specified in the Directive on Position Limits and Exercise Limits (No. 613-001) of the Rules of Exchange remain applicable and the positions arising from the NLTs are aggregated with the positions established during on-exchange trading.

16.3.1016.2.5 Futures and Options Contract Eligible for Transaction via the NLT Facility

The NLT Facility is available for these contracts currently:

	Contract
1.	FBM KLCI Futures (FKLI)
2.	Ringgit Malaysia Denominated Crude Palm Oil Futures (FCPO)
3.	3-Month KLIBOR Futures (FKB3)
4.	5-Year MGS Futures (FMG5)
5.	Options on FBM KLCI Futures (OKLI)
6.	Options on Ringgit Malaysia Denominated Crude Palm Oil Futures (OCPO)
7.	Gold Futures (FGLD)
8.	RBD Palm Olein Futures (FPOL)

16.3.1116.2.6 Minimum Volume Threshold (MVT)

To be eligible for the NLT Facility, a minimum volume threshold will be established. This is to prevent liquidity from normal trading from being conducted away from the derivatives market. The minimum volume thresholds can be found in the table below:

Contract	Contract Month	Minimum volume threshold level (contract)
FBM KLCI Futures (FKLI)	All contract months	100 outright 50 each leg of strategy
Ringgit Malaysia Denominated Crude Palm Oil Futures (FCPO) & RBD Palm Olein Futures (FPOL)	All contract months	200 outright 100 each leg of strategy
3-Month KLIBOR Futures (FKB3)	All contract months	200 outright 50 each leg of strategy Strips
5-Year MGS Futures (FMG5)	All contract months	500 100 outright 250 each leg of strategy
Gold Futures (FGLD)	All contract months	100 outright 50 each leg of strategy

**ANNEXURE 2
TRADING MANUAL**

Contract	Contract Month	Minimum volume threshold level (contract)
Options on FBM KLCI Futures (OKLI)	All contract months	100 outright 100 each leg of strategy
Options on Ringgit Malaysia Denominated Crude Palm Oil Futures (OCPO)	All contract months	200 outright 200 each leg of strategy

Trading Participants should not combine different clients' orders in order to meet the minimum volume threshold.

16.3-1216.2.7 Strategy Combinations

NLT is allowed for strategy combinations whereby options are traded in combination with futures.

Futures and Options combination

In the event the futures portion does not meet the MVT the NLT for strategy combinations is allowed provided that:

- (i) the options leg must meet the MVT;
- (ii) where the options portion consists of several legs, each leg must meet the MVT. However, to facilitate flexibility in hedging strategy, options legs that differ only in the premium paid may be combined to meet the minimum volume threshold (see examples below);
- (iii) the trades of both the options and corresponding futures contract must be done between the same counterparties; and
- (iv) the basis of the strategy (e.g. the delta used) must be disclosed on the NLT Facility Trade Registration form when registering the NLT with the Exchange. The delta value must correspond with the number of options and futures contracts i.e. Futures/Options = delta value

For clarity, strategy combination where futures portion meets the MVT (but not the options portion) will not be eligible for NLT.

Examples for combining options legs to meet the MVT

- (i) Allowed: (only the premium paid differs)

Options Contracts	Number of Contracts
2700 OCPO Jan 13 C @ 30	120 contracts

2700 OCPO Jan 13 C @ 35	80 contracts
Total OCPO	200 contracts

- (ii) Not allowed: (different strike prices/different contract months)
Note: Each OCPO leg will need to meet the MVT requirement of 200 contracts

Options Contracts	Number of Contracts
2800 OCPO Jan 13 C @ 30	100 contracts
2700 OCPO Jan 13 C @ 35	100 contracts
Total OCPO	200 contracts

16.3 Operational Framework

16.3.1 Reporting of NLT

The NLT may be executed between the client account, house account or registered futures trader account of an Exchange Participant. It comprises transactions privately negotiated between two parties.

For NLTs executed during exchange trading hours and before the cut off time, the broker for the seller and the broker for the buyer are obliged to call Exchange Operations (EO) after the trade has been agreed to notify the Exchange of the terms of trade. The details include the contract, price, quantity and contra-party information. After reporting the trade, both buyer and seller will have to fax or email a completed official NLT Facility Trade Registration Form to EO for confirmation of the proposed transaction. Trading Participants should not submit the NLT Facility Trade Registration form to the Exchange for validation until all details of the trade have been agreed.

The NLT Facility Trade Registration form needs to be sent to EO latest by **4.00pm** for FKLI, FKB3, FMG5 and OKLI and **5.00pm** for FCPO, FPOL, OCPO and FGLD to ensure same day trade registration.

NLT Facility Trade Registration forms received by EO after 4.00pm (FKLI, FKB3, and FMG5 and OKLI) and after 5.00pm (FCPO, FPOL, OCPO and FGLD) shall be processed on the next business day as the following day's trade. After submitting the NLT Facility Trade Registration form to the Exchange, Trading Participant is to liaise with Clearing Participant for the Clearing Participant to immediately create the pending NLT in Derivatives Clearing System (DCS) and before market close. Clearing and Settlement Operations will not register the NLT if it is created after market close.

NLTs transacted during the lunch break shall be reported after the market open for the afternoon trading session.

EO will forward the NLT Facility Trade Registration form to Risk Management department for risk evaluation and subsequently to Clearing and Settlement Operations department to register the NLT trade in the DCS. EO will then proceed to broadcast the transaction to the market via email.

16.416.3.2 Amendment/Cancellation of NLT

Before the NLT is registered, the transaction can be amended or cancelled provided that both the buyer and the seller have mutually agreed to do so. Instruction must be received by EO from both the counterparties to the NLT.

The NLT cannot be cancelled once it has been registered. The 2 parties will be required to enter into another NLT to reverse the first transaction.

16.3.3 Rejection of NLT Registration

The Trading Participants must ensure that all information provided in the NLT Trade Registration Form are true and correct. In considering whether to permit the NLT transaction, the Exchange may, in its absolute discretion, rely on the information specified in the NLT Trade Registration Form without undertaking additional steps to verify the information.

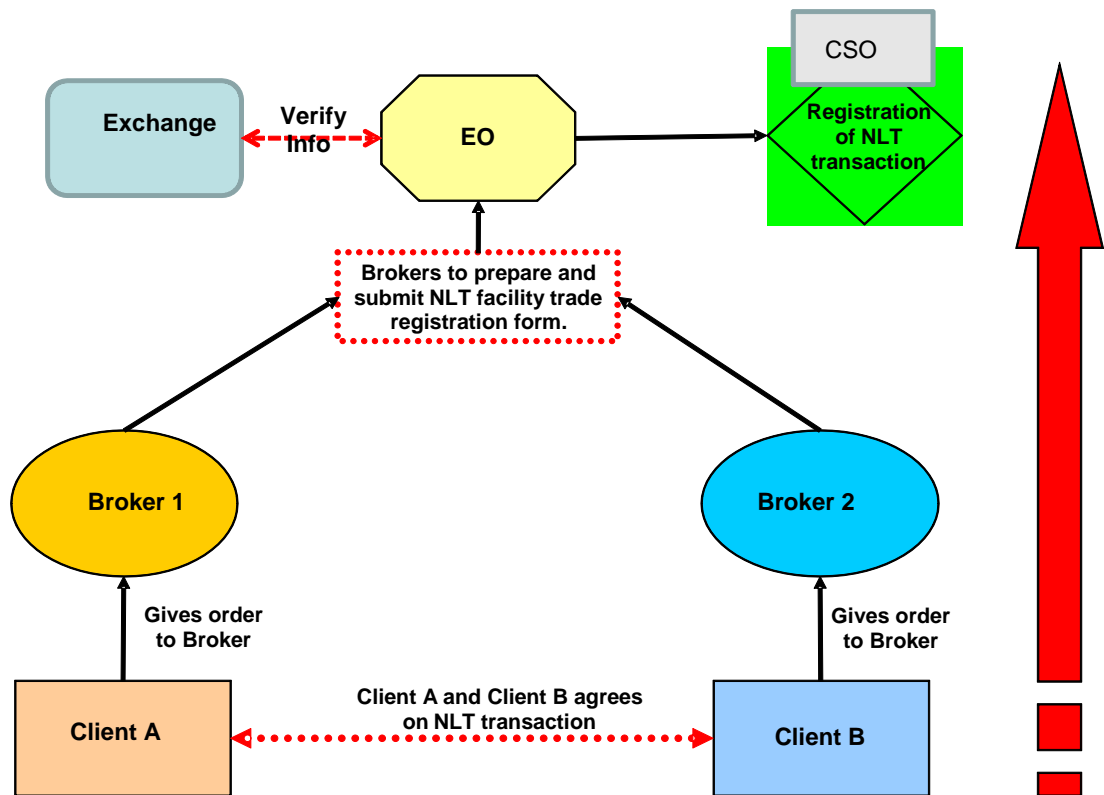
Notwithstanding the above, the Trading Participant must submit additional or other information or documents if the Exchange requires.

The NLT may be rejected if it does not comply with the Rules of BMD and the Trading Manual. Below are some of the examples of circumstances where a NLT may be rejected:

- ~~4-~~ Price of the transaction is deemed to be not fair and reasonable.
- ~~5-~~ Financial standing of the Clearing Participant and/or end-client if transaction results in a negative monetary position.
- ~~6-~~ Requirement that only separate parties are permitted to conduct NLT has not been met.
- ~~7-~~ The minimum volume threshold required for NLT is not met
- ~~8-~~ In the case of a strategy combination transaction, the futures leg and options leg are not executed between the same counterparties
- ~~9-~~ The delta value does not correspond with the number of options and futures contracts

16.3.4 Trading Flow

The diagram below shows the trading flow for using the NLT facility.



4

Procedure

- i) Client A and Client B agree on the details of the trade including contract, quantity and price.
- ii) Both clients will then inform their respective brokers on the agreed trade.
- iii) Brokers will report the pending NLT to the Exchange by submitting the NLT Facility Trade Registration form to Exchange Operations (EO). Trading Participant is to liaise with Clearing Participant for the Clearing Participant to immediately create the pending NLT in DCS and before market close. Clearing and Settlement Operations will not register the NLT if it is created after market close.
- iv) EO will submit the NLT Facility Trade Registration form to Risk Management for risk evaluation and subsequently to Clearing and Settlement Operations to register the NLT in the DCS. v) EO will then proceed to broadcast the transaction to the market via messaging/email.

16.3.5 Impact on Market

As an off-market trading facility, the NLT Facility does not influence the market. NLTs will not affect any open/high/low/close/volume information in the trading system nor will NLT trade prices be used for settlement price determination purposes.

11.2.216.3.6 Non-availability of NLT Facility

For physically delivered spot month contracts like the Crude Palm Oil futures contract, no NLT will be permitted once the contract enters the spot month.

16.3.7 Role of Clearing Participants

Each Trading Participant must ensure that the Clearing Participant clearing the NLT transaction entered into by that Trading Participant:

- (a) has been notified of the NLT transaction and of all relevant information relating to the transaction; and
- (b) has signed on the NLT Facility Trade Registration form as the Clearing Participant is responsible for the clearing and settlement of the NLT transaction.
- (c) has created the pending NLT in DCS immediately after submitting the NLT Facility Trade Registration form and before market close.

16.3.8 Settlement of NLTs

All NLTs are settled based on the futures/options daily settlement price and final settlement prices. In the event the contract is a physically delivered contract, the NLTs will be settled by delivery of the underlying during the tender period.

16.3.9 Facility Fee Imposed on NLT Transactions

In addition to the current exchange and clearing fees relevant to each contract, the facility charges set out below are applicable:

Product	NLT Fees / contract	Maximum
FCPO/ FKB3/ OCPO	RM 0.20	RM 80.00
FKLI/ FMG5/ FGLD/ OKLI	RM 0.20	RM 40.00
FPOL	USD 0.10	USD 30.00

16.3.10 Documentation

Upon request or in the event of subsequent audit by the Exchange, Trading Participants must produce or caused to be produced, within a reasonable time frame as may be specified by the Exchange, satisfactory documentary evidence, including the records of the name of the customer if the transaction is in the name of an omnibus account or foreign broker, to ensure that the NLTs were arranged in accordance with the Rules of BMD.

NEGOTIATED LARGE TRADE (NLT) FACILITY TRADE REGISTRATION FORM

In accordance with the requirements of the **Bursa Malaysia Derivatives Bhd**, we hereby advise that the following NLT transaction has been arranged: -

1. DETAILS OF THE FUTURES CONTRACTS

Date:

Futures Contract Code:

Delivery Month(s):Futures Price(s):

Number of Lots:

Name of Reporting Selling Trading Participant:

Seller 1 (Trading Participant's client):

Seller 2 (Client of Trading Participant's client) if above is omnibus account:

Name of Reporting Buying Trading Participant:

Buyer 1 (Trading Participant's client):

Buyer 2 (Client of Trading Participant's client) if above is omnibus account:

DETAILS OF THE OPTIONS CONTRACTS

Date:

Options Contract Code:

Delivery Month(s):

Exercise Price(s):

Call/Put:

Options Price(s):

Number of Lots:

Name of Reporting Selling Trading Participant:

Seller 1 (Trading Participant's client):

Seller 2 (Client of Trading Participant's client) if above is omnibus account:

Name of Reporting Buying Trading Participant:

Buyer 1 (Trading Participant's client):

Buyer 2 (Client of Trading Participant's client) if above is omnibus account:

We declare that we have obtained written confirmation from the clients stating that the account requirements set out in section 16.2.2 of the Trading Manual have been complied with and the above transaction is made between:

- (a) Accounts which belong to different beneficial owners; or
- (b) Accounts which are under separate control

We declare further that the above transaction was arranged in accordance with the Rules of the Bursa Malaysia Derivatives Bhd and acknowledge that registration of the futures/options contract is subject to the Rules of Bursa Malaysia Derivatives Clearing Bhd.

We declare (please mark one below):

This is a strategy combination

This is not a strategy combination

STRATEGY COMBINATION DELTA

Delta Value:

Number of Futures Contracts against number of Options Contracts:

Note: To complete if it is NLT for strategy combination. Delta value must correspond with the number of Options and Futures contracts i.e. Futures /Options = delta value

*Selling Trading Participant
Authorised Signature & Co. Stamp*

*Buying Trading Participant
Authorised Signature & Co. Stamp*

Note: After submitting the NLT Facility Trade Registration form to the Exchange, Trading Participant is to liaise with Clearing Participant for the Clearing Participant to immediately create the pending NLT in Derivatives Clearing System (DCS) and before market close. Clearing and Settlement Operations will not register the NLT if it is created after market close.

2. To be completed by Clearing Participants

We declare that we have obtained written confirmation from the clients stating that the position limits for the relevant contracts which are applicable pursuant to the Rules of Bursa Malaysia Derivatives Bhd will not be breached from the effecting of this NLT transaction.

*Selling Clearing Participant
Authorised Signature & Co. Stamp*

*Buying Clearing Participant
Authorised Signature & Co. Stamp*

Exchange & Clearing House Use Only

3. Exchange Operations (EO)

Complete list of documents received by: _____ Time received: _____

4. Risk Management

Verified by: _____

5. Clearing and Settlement Operations

Registered by: _____

Trade Ref. No. : _____

Approved by: _____
Head Operations & Risk Management or delegate