



July 25, 2005

Via Electronic Mail

Ms. Jean A. Webb
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: CBOE Futures Exchange, LLC Rule Certification
Submission Number CFE-2005-20

Dear Ms. Webb:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended ("Act"), and § 40.6(a) of the regulations promulgated by the Commodity Futures Trading Commission under the Act, CBOE Futures Exchange, LLC ("CFE" or "Exchange") hereby submits new rules and policies and procedures and amendments to existing rules and policies and procedures to accommodate the trading of security futures on CFE ("Amendment"). The Amendment will become effective on July 26, 2005.

CFE is not aware of any substantive opposing views to the Amendment. CFE hereby certifies that the Amendment complies with the Act and the regulations thereunder.

The Amendment, marked to show additions in underlined text and deletions in ~~stricken~~ text, is attached as Appendix A.

Questions regarding this submission may be directed to David Doherty at (312) 786-7466. Please reference our submission number CFE-2005-20 in any related correspondence.

CBOE Futures Exchange, LLC

By: Edward J. Joyce
Edward J. Joyce
President

cc: Riva Adriance (CFTC)
Jane Croessmann (CFTC)
Mark Baumgardner (OCC)

Appendix A

CFE RULEBOOK
CHAPTER 1
DEFINITIONS

Scope of Definitions

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

Rules 101 – 123 No change

124. Contract

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

Rules 125 – 143 No change

144. NASD

The term “NASD” means the National Association of Securities Dealers, and includes any successor organization.

145. Narrow-Based Stock Index Future

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

~~146.144.~~ NFA

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

~~147.145.~~ Option

The term “Option” means any option from time to time traded subject to the Rules of the Exchange and issued or subject to issuance by the Clearing Corporation pursuant to the Rules of the Clearing Corporation, to buy or sell any Future.

~~148.146.~~ Order

The term “Order” means any Market Order, Limit Order, Cancel Order, Cancel Replace Order, Day Order, Good ‘til Canceled Order, Spread Order or Contingency Order (including any All or None Order, Fill or Kill Order, Immediate or Cancel Order, Stop Order or Stop Limit Order), all having the respective meanings set

forth in Rule 404, as well as any other types of Orders that may be approved by the Exchange from time to time.

~~149.147. Passwords~~

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

~~150.148. Person~~

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

~~151.149. President~~

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

~~152.150. Related Party~~

The term “Related Party” means, with respect to any Trading Privilege Holder: any partner, director, officer, branch manager, employee or agent of such Trading Privilege Holder (or any Person occupying a similar status or performing similar functions); any Person directly or indirectly Controlling, Controlled by, or under common Control with, such Trading Privilege Holder; or any Authorized Trader of such Trading Privilege Holder.

~~153.151. Respondent~~

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

~~154.152. Responsible Trader~~

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

~~155.153. Rule of the Clearing Corporation~~

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

~~156.154. Rule of the Exchange~~

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

157. ~~155.~~ Secretary

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

158. Security Future

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

159. Single Stock Future

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

160. Specifications Supplement

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

161. ~~156.~~ Standing Committees

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

162. ~~157.~~ Subject

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

163. ~~158.~~ Trading Hours

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

164. ~~159.~~ Trading Privilege Holder

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

165. ~~160.~~ Trading Privileges

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

166. ~~161.~~ Treasurer

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

167.162. Vice Chairman

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

168.163. Vice President

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

CHAPTER 2 GOVERNANCE OF THE EXCHANGE

General

Rules 201 – 212 No change

Confidentiality and Conflicts of Interest

213. Confidentiality

(a) No member of the Board or any committee established by the Board or the Rules of the Exchange shall use or disclose any material non-public information, obtained in connection with such member's participation in the Board or such committee, for any purpose other than the performance of his or her official duties as a member of the Board or such committee.

(b) No officer, employee or agent of the Exchange shall (i) trade in any commodity interest or security if such officer, employee or agent has access to material non-public information concerning such commodity interest or security or (ii) disclose to any other Person material non public information obtained in connection with such employee's, officer's or agent's employment, if such employee, officer or agent could reasonably expect that such information may assist another Person in trading any commodity interest or security.

(c) No Exchange employee shall accept directly or indirectly any gift, gratuity, compensation or any other form of remuneration valued at an amount greater than \$100 annually from any Trading Privilege Holder or any Related Party of a Trading Privilege Holder without the approval of the President.

(d) (e)– For purposes of this Rule 213, the terms “employee,” “material information,” “non-public information,” “related commodity interest” and “commodity interest” shall have the meanings ascribed to them in Commission Regulation § 4.59.1.59 and the term “security” shall have the meaning ascribed to it in Section 3(a)(10) of the Exchange Act.

Rule 214 No change

Regulatory Cooperation

215. Regulatory Cooperation

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

to provide information to any such organization, association, board of trade or regulator that is a party to an information sharing agreement with the Exchange, in accordance with the terms and subject to the conditions set forth in such agreement.

CHAPTER 3 MEMBERSHIP AND TRADING PRIVILEGES

Classes of Interest

301. LLC Members

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

302. Trading Privilege Holders

Each Trading Privilege Holder shall have the right to access the CBOE System, including the right to place Orders for each of its proprietary accounts and, if otherwise registered in any required capacity ~~and authorized to act on behalf of Customers under the CEA and Commission Regulations thereunder,~~ (if so required) to place Orders for the accounts of ~~such~~ Customers.

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

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

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

303. Authorized Traders

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

Trading Privilege Holders

304. Eligibility for Trading Privileges

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

~~(b) — Each Person that is not, at the time of application, a member of the CBOE with trading privileges on CBOE and that wishes to have Trading Privileges in any Contracts must (i) be of good financial standing, and must be (i) a registered futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker or floor trader, each as defined in Section 1a of the CEA (provided that a floor broker or floor trader need not be registered so long as it is exempt from registration pursuant to Section 4f(a)(3) of the CEA), (ii) any Person authorized to perform functions similar or equivalent to those of any of the Persons enumerated in clause (i) above, whether on a proprietary basis or for the account of Customers, in any jurisdiction outside the United States of America in which the Exchange may be permitted from time to time to operate CBOE Workstations or (iii) any other Person that meets such standards as may be prescribed by the Exchange from time to time; provided that any such Person referred to in clause (i), (ii) or (iii) that (ii) to the extent required by Applicable Law, be registered or otherwise permitted by the appropriate regulatory body or bodies to conduct business on the Exchange, and (iii) if such Person is not a Clearing Member, such Person shall be guaranteed by a Clearing Member in the manner described in Rule 1101. In granting Trading Privileges to Persons that are not, at the time of application, members of the CBOE with trading privileges on CBOE, the Exchange may impose such restrictions or limitations as it may deem necessary or appropriate.~~

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

~~The Exchange may deny (or may condition) the grant of Trading Privileges, or may prevent a Person from becoming associated (or may condition an association) with a Trading Privilege Holder for the same reasons for which the NFA may deny or revoke registration of such Person as a futures commission merchant. The Exchange also may deny (or may condition) the grant of Trading Privileges, or may prevent a Person from becoming associated (or may condition an association) with a Trading Privilege Holder addition, in each such case, the Exchange may deny (or may condition) the grant of Trading Privileges, or may prevent a Person from becoming associated (or may condition an association)~~

with a Trading Privilege Holder for the same reasons for which the NFA may deny or revoke registration of a futures commission merchant or if such Person:

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

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

(iii) would bring the Exchange into disrepute; or

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

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

(c) The Exchange may determine not to permit a Trading Privilege Holder or any Authorized Trader of a Trading Privilege Holder to keep its Trading Privileges or maintain its association with a Trading Privilege Holder, or may condition such Trading Privileges or association, as the case may be, if such Trading Privilege Holder or Authorized Trader:

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

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

(iii) violates any agreement with the Exchange.

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

Any applicant who has been denied Trading Privileges or association with a Trading Privilege Holder or granted only conditional Trading Privileges or association, pursuant to this Rule 304, and any Trading Privilege Holder or Authorized Trader of a Trading Privilege Holder who is not permitted to keep its Trading Privileges or maintain its association with a Trading Privilege Holder or whose Trading Privileges or association are conditioned pursuant to this Rule 304,

may appeal the Exchange's decision in accordance with the provisions of Chapter 9. No determination of the Exchange to discontinue or condition a Person's Trading Privileges or association with a Trading Privilege Holder pursuant to this Rule 304 shall take effect until the review procedures under Chapter 9 have been exhausted or the time for review has expired.

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

305. Application for Trading Privileges

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

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

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

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

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

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

(i) disciplinary history information;

(ii) executive officer information; and

(iii) information regarding ownership interests in the Trading Privilege Holder.

306. Dues, Assessments and Fees

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

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

307. Limitations of Trading Privileges

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

(b) If a Clearing Member revokes any authorization granted and guarantee made by it to any Trading Privilege Holder pursuant to Rule 1101(b), such Trading Privilege Holder's Trading Privileges shall be automatically terminated, and such Trading Privilege Holder must obtain another guarantee from a Clearing Member before its Trading Privileges will be reinstated. If such Trading Privilege Holder fails to obtain such a replacement guarantee within three months from the effective date of the revocation of the guarantee by its previous Clearing Member, its Trading Privileges shall be automatically terminated.

Rules 308 – 310 No change

CHAPTER 4 TRADING PROCEDURES AND STANDARDS

General

401. Contracts Traded on CBOE Futures Exchange

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

402. Trading Hours

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

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

Rules 403 – 410 No change

411. Errors of Trading Privilege Holders

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

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

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

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

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

Position Limits and Price Limits; Final Settlement Prices

412. Position Limits

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

(b) – (g) No change

413. Price Limits; Final Settlement Prices

(a) The rules governing a particular Contract shall contain any price limits that apply to trading in such Contract.

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

Off-Exchange Transactions

Rule 414 No change

415. Block Trading

(a) – (f) No change

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

(h)-(g)– Any Block Trade in violation of these requirements shall constitute conduct which is inconsistent with just and equitable principles of trade.

Special Circumstances

Rule 416 No change

417. Regulatory Halts

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

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

418.417. Emergencies

(a) – (b) No change

(c) Notification and Recording. The Exchange will notify the Commission of any action taken, or proposed to be taken, pursuant to this Rule ~~417~~418 in accordance with Commission Regulation § 40.6. The decision-making process with respect to, and the reasons for, any such action will be recorded in writing.

(d) Conflicts of Interest. The conflict of interest provisions set forth in Rule 214(b) and the related documentation requirements set forth in Rule 214(c) shall apply, with any such modifications or adaptations as may be necessary or appropriate under the circumstances, to the taking of any action under this Rule ~~417~~418 by the President, or his or her designee.

Limitation of Liability

419.418. Limitation of Liability; Legal Proceedings

EXCEPT AS OTHERWISE PROVIDED, AND EXCEPT IN INSTANCES WHERE THERE HAS BEEN A FINDING OF FRAUD OR WANTON OR WILLFUL MISCONDUCT, IN WHICH CASE THE PARTY FOUND TO HAVE ENGAGED IN SUCH CONDUCT CANNOT AVAIL ITSELF OF THE PROTECTIONS IN THIS RULE ~~418~~419, NEITHER THE EXCHANGE (INCLUDING

ITS AFFILIATES) NOR ANY OF ITS DIRECTORS, COMMITTEE MEMBERS, OFFICERS, EMPLOYEES, AGENTS OR CONTRACTORS SHALL BE LIABLE TO ANY OTHER PERSON, INCLUDING ANY TRADING PRIVILEGE HOLDER, AUTHORIZED TRADER OR CUSTOMER, FOR ANY LOSSES, DAMAGES, COSTS, EXPENSES OR CLAIMS (INCLUDING LOSS OF PROFITS, LOSS OF USE, DIRECT, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES) (COLLECTIVELY, "LOSSES"), ARISING FROM (A) ANY FAILURE OR MALFUNCTION OF, INCLUDING ANY INABILITY TO ENTER OR CANCEL ORDERS INTO, THE CBOE SYSTEM OR ANY EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE CBOE SYSTEM, (B) ANY FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY OR TERMINATION, OR ANY OTHER CAUSE, IN CONNECTION WITH THE FURNISHING, PERFORMANCE, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF THE CBOE SYSTEM OR ANY EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE CBOE SYSTEM OR (C) ANY ACTION TAKEN OR OMITTED TO BE TAKEN IN RESPECT TO THE BUSINESS OF THE EXCHANGE, EXCEPT, IN EACH CASE, TO THE EXTENT THAT SUCH LOSSES ARE ATTRIBUTABLE TO THE WILLFUL MISCONDUCT, GROSS NEGLIGENCE OR CRIMINAL ACTS OF THE EXCHANGE (INCLUDING ITS AFFILIATES) OR ITS DIRECTORS, COMMITTEE MEMBERS, OFFICERS, EMPLOYEES, AGENTS OR CONTRACTORS ACTING WITHIN THE SCOPE OF THEIR RESPECTIVE AUTHORITY. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, AND SUBJECT TO THE SAME EXCEPTION, THE EXCHANGE SHALL HAVE NO LIABILITY TO ANY PERSON FOR ANY LOSSES THAT RESULT FROM ANY ERROR, OMISSION OR DELAY IN CALCULATING OR DISSEMINATING ANY CURRENT OR CLOSING VALUE OR ANY REPORTS OF TRANSACTIONS IN OR QUOTATIONS FOR CONTRACTS, INCLUDING UNDERLYING SECURITIES. THE FOREGOING SHALL APPLY REGARDLESS OF WHETHER A CLAIM ARISES IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE.

THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS PROVIDED BY THE EXCHANGE (INCLUDING ITS AFFILIATES) RELATING TO THE CBOE SYSTEM OR ANY EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE CBOE SYSTEM, INCLUDING WARRANTIES OF MERCHANTABILITY AND WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE OR USE. THE SERVICES OF THE EXCHANGE ARE BEING PROVIDED ON AN "AS IS" BASIS AT EACH TRADING PRIVILEGE HOLDER'S SOLE RISK. NEITHER THE EXCHANGE (INCLUDING ITS AFFILIATES) NOR ITS DIRECTORS, COMMITTEE MEMBERS, OFFICERS, EMPLOYEES, AGENTS OR CONTRACTORS MAKE ANY WARRANTY WITH RESPECT TO, AND NO SUCH PARTY SHALL HAVE ANY LIABILITY TO ANY TRADING PRIVILEGE HOLDER FOR, THE ACCURACY, TIMELINESS, COMPLETENESS, RELIABILITY, PERFORMANCE OR CONTINUED AVAILABILITY OF THE CBOE SYSTEM OR THE EXCHANGE, FOR DELAYS, OMISSIONS OR INTERRUPTIONS THEREIN OR THE CREDITWORTHINESS OF

ANY OTHER TRADING PRIVILEGE HOLDER. THE EXCHANGE (INCLUDING ITS AFFILIATES) SHALL HAVE NO DUTY OR OBLIGATION TO VERIFY ANY INFORMATION DISPLAYED ON THE CBOE SYSTEM OR OTHERWISE. EACH TRADING PRIVILEGE HOLDER ACKNOWLEDGES AND AGREES THAT THE EXCHANGE (INCLUDING ITS AFFILIATES) DOES NOT AND SHALL NOT SERVE AS THE PRIMARY BASIS FOR ANY DECISIONS MADE BY ANY TRADING PRIVILEGE HOLDER AND THAT THE EXCHANGE (INCLUDING ITS AFFILIATES) IS NOT AN ADVISOR OR FIDUCIARY OF ANY TRADING PRIVILEGE HOLDER.

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

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

ANY TRADING PRIVILEGE HOLDER OR PERSON ASSOCIATED WITH A TRADING PRIVILEGE HOLDER WHO FAILS TO PREVAIL IN A LAWSUIT OR OTHER LEGAL PROCEEDING INSTITUTED BY SUCH PERSON AGAINST THE EXCHANGE (INCLUDING ITS AFFILIATES) OR ANY OF ITS DIRECTORS, COMMITTEE MEMBERS, OFFICERS, EMPLOYEES, AGENTS OR CONTRACTORS, AND RELATED TO THE BUSINESS OF THE EXCHANGE, SHALL PAY TO THE EXCHANGE ALL REASONABLE EXPENSES, INCLUDING ATTORNEYS' FEES, INCURRED BY THE EXCHANGE IN THE DEFENSE OF SUCH PROCEEDING TO THE EXTENT THAT SUCH EXPENSES EXCEED FIFTY THOUSAND DOLLARS (\$50,000.00). THIS PROVISION SHALL NOT APPLY TO DISCIPLINARY ACTIONS BY THE EXCHANGE, ADMINISTRATIVE APPEALS

OF EXCHANGE ACTIONS OR IN ANY SPECIFIC INSTANCE WHERE THE BOARD HAS GRANTED A WAIVER OF THIS PROVISION.

NO INDEX LICENSOR WITH RESPECT TO ANY INDEX UNDERLYING A CONTRACT TRADED ON THE EXCHANGE AND NO AFFILIATE OF SUCH INDEX LICENSOR MAKES ANY WARRANTY, EXPRESS OR IMPLIED, AS TO THE RESULTS TO BE OBTAINED BY ANY PERSON FROM THE USE OF SUCH INDEX, ANY OPENING, INTRA-DAY OR CLOSING VALUE THEREFOR, OR ANY DATA INCLUDED THEREIN OR RELATING THERETO, IN CONNECTION WITH THE TRADING OF ANY CONTRACT BASED THEREON OR FOR ANY OTHER PURPOSE. THE INDEX LICENSOR AND ITS AFFILIATES SHALL OBTAIN INFORMATION FOR INCLUSION IN, OR FOR USE IN THE CALCULATION OF, SUCH INDEX FROM SOURCES THEY BELIEVE TO BE RELIABLE, BUT THE INDEX LICENSOR AND ITS AFFILIATES DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INDEX, ANY OPENING, INTRA-DAY OR CLOSING VALUE THEREFOR, OR ANY DATE INCLUDED THEREIN OR RELATED THERETO. THE INDEX LICENSOR AND ITS AFFILIATES HEREBY DISCLAIM ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO SUCH INDEX, ANY OPENING, INTRA-DAY, OR CLOSING VALUE THEREFOR, ANY DATA INCLUDED THEREIN OR RELATING THERETO, OR ANY CONTRACT BASED THEREON. THE INDEX LICENSOR AND ITS AFFILIATES SHALL HAVE NO LIABILITY FOR ANY DAMAGES, CLAIMS, LOSSES (INCLUDING ANY INDIRECT OR CONSEQUENTIAL LOSSES), EXPENSES, OR DELAYS, WHETHER DIRECT OR INDIRECT, FORESEEN OR UNFORESEEN, SUFFERED BY ANY PERSON ARISING OUT OF ANY CIRCUMSTANCE OR OCCURRENCE RELATING TO THE PERSON'S USE OF SUCH INDEX, ANY OPENING, INTRA-DAY OR CLOSING VALUE THEREFOR, ANY DATA INCLUDED THEREIN OR RELATING THERETO, OR ANY CONTRACT BASED THEREON, OR ARISING OUT OF ANY ERRORS OR DELAYS IN CALCULATING OR DISSEMINATING SUCH INDEX. FOR PURPOSES OF THIS RULE ~~418~~419, THE TERM "INDEX LICENSOR" INCLUDES ANY PERSON THAT GRANTS THE EXCHANGE A LICENSE TO USE AN INDEX IN CONNECTION WITH THE TRADING ON THE EXCHANGE OF A CONTRACT BASED ON THE INDEX AND ANY PERSON DESIGNATED BY THE EXCHANGE AS THE SOURCE FOR CALCULATING AND/OR REPORTING THE LEVEL OF AN INDEX UNDERLYING A CONTRACT TRADED ON THE EXCHANGE, AND ALSO INCLUDES, WITH RESPECT TO ANY INDEX OF WHICH THE EXCHANGE OR AN AFFILIATE OF THE EXCHANGE IS THE PROPRIETOR OR FOR WHICH THE EXCHANGE OR AN AFFILIATE OF THE EXCHANGE CALCULATES AND/OR REPORTS LEVELS OF THE INDEX, THE EXCHANGE ITSELF AND ITS AFFILIATES.

NOTWITHSTANDING ANY OF THE FOREGOING PROVISIONS, THIS RULE ~~418~~419 SHALL IN NO WAY LIMIT THE LIABILITY OF ANY PERSON ARISING FROM ANY VIOLATION BY SUCH PERSON OF THE CEA OR THE COMMISSION REGULATIONS THEREUNDER.

Miscellaneous

420.419. Transfers of Positions

(a) – (c) No change

CHAPTER 5 OBLIGATIONS OF TRADING PRIVILEGE HOLDERS

Recordkeeping

501. Books and Records

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

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

Rules 502- 506 No change

Customer Protection

507. ~~NFA~~ Registration

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

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

Rule 508 No change

509. Customer Statements

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

~~balance, closing balance, commissions and fees incurred, income received and trades made.~~

510. Risk Disclosure Statement

~~Prior to opening an account for any Customer other than an institutional customer as defined in Commission Regulation § 1.3(g), a~~In accordance with applicable requirements of the NFA (in the case of any Trading Privilege Holder or Clearing Member that is registered with the NFA) or the NASD (in the case of any Trading Privilege Holder or Clearing Member that is registered with the NASD), each Trading Privilege Holder or Clearing Member, as the case may be, shall provide such Customer's Customers with a written disclosure statement in the form approved by the Exchange for purposes of Commission Regulation § 1.55 or § ~~41.42~~41.41(b), as applicable, and any other disclosure statement from time to time required by the Exchange.

Rules 511 –514 No change

515. DPMs

(a) – (c) No change

(d) Each ~~Exchange Member~~Trading Privilege Holder approved as a DPM shall retain such status until (x) it resigns as a DPM and the Exchange relieves such ~~Exchange Member~~Trading Privilege Holder of its obligations to act as a DPM, (y) the Exchange suspends or terminates such DPM's status or (z) if applicable, the time period referred to in paragraph (c)(ii) above expires. In any of the foregoing circumstances, the Exchange shall have discretion to do one or both of the following:

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

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

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

(e) – (j) No change

516. Customer Margin Requirements for Contracts other than Security Futures

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

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

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

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

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

Securities that have been issued by the Customer or an affiliate of the Customer shall not be accepted as margin unless the Clearing Member or Trading Privilege

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

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

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

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

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

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

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

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

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

(m) *Omnibus Accounts.*

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

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

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

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

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

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517. Customer Margin Requirements for Contracts that are Security Futures

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

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

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

(d) *Acceptable Margin Deposits.*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(j) Omnibus Accounts. Clearing Members and, if applicable, Trading Privilege Holders shall collect margin on a gross basis for positions held in domestic and foreign omnibus accounts. For omnibus accounts, initial margin requirements shall equal the corresponding maintenance margin requirements. Clearing Members and, if applicable, Trading Privilege Holders shall obtain and maintain written instructions from domestic and foreign omnibus accounts for positions that are eligible for offsets pursuant to paragraph (m) below.

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

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

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

(n) Exclusion for Market Makers.

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

(ii) Each Market Maker shall:

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

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

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

A Market Maker satisfies condition (C) above if:

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

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

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

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

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Schedule A to Chapter 5

Margin Levels for Offsetting Positions

	<u>DESCRIPTION OF OFFSET</u>	<u>SECURITY UNDERLYING THE SECURITY FUTURE</u>	<u>INITIAL MARGIN REQUIREMENT</u>	<u>MAINTENANCE MARGIN REQUIREMENT</u>
1	<u>Long security future (or basket of security futures representing each component of a narrow-based securities index¹) and long put option² on the same underlying security (or index)</u>	<u>Individual stock or narrow-based security index</u>	<u>20% of the current market value of the long security future, plus pay for the long put in full.</u>	<u>The lower of: (1) 10% of the aggregate exercise price³ of the put plus the aggregate put out-of-the-money⁴ amount, if any; or (2) 20% of the current market value of the long security future.</u>

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

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

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

⁴ “Out-of-the-money” amounts shall be determined as follows:

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

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

(3) for stock index call options and warrants, any excess of the aggregate exercise price of the option or warrant over the product of the current index value and the applicable index multiplier; and

(4) for stock index put options and warrants, any excess of the product of the current index value and the applicable index multiplier over the aggregate exercise price of the option or warrant. See, e.g., NYSE Rule 431 (Exchange Act Release No. 42011 (October 14, 1999), 64 FR 57172 (October 22, 1999) (order approving SR-NYSE-99-03)); Amex Rule 462 (Exchange Act Release No. 43582 (November 17, 2000), 65 FR 71151 (November 29, 2000) (order approving SR-Amex-99-27)); CBOE Rule 12.3 (Exchange Act Release No. 41658 (July 27, 1999), 64 FR 42736 (August 5, 1999) (order approving SR-CBOE-97-67)); or NASD Rule 2520 (Exchange Act Release No. 43581 (November 17, 2000), 65 FR 70854 (November 28, 2000) (order approving SR-NASD-00-15)).

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

⁵“In-the-money” amounts must be determined as follows:

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

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

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

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

CHAPTER 6 BUSINESS CONDUCT

Rules 601 –602 **No change**

603. Market Manipulation or Demoralization

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

Rule 604 **No change**

605. Sales Practice Rules

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

Rules 606 – 615 **No change**

**CHAPTER 7
DISCIPLINE AND ENFORCEMENT**

Rule 701. Disciplinary Jurisdiction

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

(b) – (c) No change

Rules 702 – 714 No change

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Chapters 8 – 10 No change

CHAPTER 11 CLEARING

1101. Clearing Member Guarantee

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

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

Rules 1102 – 1105 No change

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Chapters 12 – 17 No change

CHAPTER 18
SINGLE STOCK FUTURES

1801. **Scope of Chapter**

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

1802. **Contract Specifications**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

occurred. In making that determination, the Help Desk may consider all relevant factors, including the last trade price for such Contract, a better bid or offer price, a more recent price in a different contract month and the prices of related contracts trading in other markets.

(q) *Pre-execution Discussions.* Pursuant to Policy and Procedure IV, the time period a Trading Privilege Holder or Authorized Trader must wait after engaging in pre-execution discussions with the other side of an Order is five seconds after that Order has been entered into the CBOE System.

1803. Delivery

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

1804. Emergencies, Acts of God and Acts of Government

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

1805. DPM Provisions

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

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

1806. Form of Specifications Supplement

Supplement No. _____

Title of Single Stock Future: _____

Underlying Security:

Type of Underlying Security:

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

Trading Hours:

Delivery Months:

Termination Dates:

Trading Unit:

100 shares of the Underlying Security

Minimum Price Fluctuation:

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

Threshold Width:

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

Position Limit:

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

Reportable Position:

200 Contracts

Daily Price Limit:

Minimum Block Trade Quantity:

Time Period for Reporting Block

Without delay, but no more than ten minutes after
a Block Trade is negotiated.

Trades:

Last Day of Trading:

Delivery Day:

Depository for Underlying Security:

Other Specifications:

CHAPTER 19
NARROW-BASED STOCK INDEX FUTURES

1901. **Scope of Chapter**

This chapter applies to trading in any Contract that is a Security Future based on a “narrow-based security index” (as such term is defined in Section 1a(25) of the CEA) (each, a “Narrow-Based Stock Index Future”). The procedures for trading, clearing, settlement, and any other matters not specifically covered herein shall be governed by the other Rules of the Exchange.

1902. **Contract Specifications**

(a) *Specifications Supplements.* The general specifications set forth in this Rule 1902 shall be subject to, and qualified by, the specific terms applicable to trading, clearing or settlement of particular Narrow-Based Stock Index Futures, as provided in Specifications Supplements from time to time adopted by the Exchange. Each Specifications Supplement for a Narrow-Based Stock Index Future shall be substantially in the form set forth in Rule 1906 or such other form as the Exchange may from time to time approve. No Specifications Supplement shall become effective until the Exchange has submitted to the Commission (i) a certification satisfying the requirements set forth in Commission Regulation § 41.22 and (ii) a filing satisfying the requirements set forth in Commission Regulation § 41.23, with respect to the Narrow-Based Stock Index Future in question.

(b) *Underlying Securities.* Narrow-Based Stock Index Futures shall be based on such indices consisting of two or more Underlying Securities, which shall satisfy the requirements set forth in Commission Regulation § 41.21(b), as may be determined from time to time by the Exchange.

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

(d) *Minimum Price Fluctuations.* The minimum price fluctuation for Narrow-Based Stock Index Futures shall be \$0.01 per Contract.

(e) *Position Limits.* For purposes of Rule 412, the position limit applicable to positions in any physically settled Narrow-Based Stock Index Future held during the last five trading days of an expiring Narrow-Based Stock Index Future shall be the position limit adopted by the Exchange in accordance with Commission Regulation § 41.25. Commission Regulation § 41.25 applies the applicable position limit with respect to Narrow-Based Stock Index Futures to the security in the Narrow-Based Stock Index Future having the lowest average daily trading volume. Each such position limit shall be published by the Exchange.

Pursuant to Rule 412(a), the Exchange shall establish speculative position limits for each cash settled Narrow-Based Stock Index Future held during the last five trading days of an expiring Narrow-Based Stock Index Future according to the following methodology:

The position limit for each cash settled Narrow-Based Stock Index Future shall be the number of contracts calculated according to formula (i) "Market Cap Position Limit" or (ii) "SSF Position Limit" below, whichever is less, rounded to the nearest multiple of 1,000 contracts; provided, however, that if formula (i) or (ii), whichever is less, calculates a number less than 500 but not less than 400 for any such Security Future, the position limit will be 1,000 contracts.

(i) "Market Cap Position Limit"

(A) The Exchange will determine the market capitalization of the Standard & Poor's 500 index (the "S&P 500") as of the selection date for the component securities of the index underlying the Narrow-Based Stock Index Future (the "Selection Date") (the "S&P 500 Market Cap");

then

(B) The Exchange will calculate the notional value of a future position in Chicago Mercantile Exchange's ("CME") S&P 500 futures contract at its maximum limit (the "S&P 500 Notional Value Limit") by multiplying the S&P 500 by the position limit for CME's S&P 500 futures (20,000 contracts in all months combined) and by the S&P 500 contract multiplier (\$250) to calculate:

$$\text{S\&P 500 Notional Value Limit} = \text{S\&P 500} * 20,000 * \$250;$$

then

(C) The Exchange will divide the S&P 500 Market Cap by the S&P 500 Notional Value Limit to calculate the "Market Cap Ratio":

$$\text{Market Cap Ratio} = \text{S\&P 500 Market Cap} / \text{S\&P 500 Notional Value Limit};$$

then

(D) The Exchange will calculate the market capitalization of the stock index underlying the Narrow-Based Stock Index Future by adding together the market capitalization of each stock comprising the stock index (the "Stock Index Market Cap"); then

(E) The Exchange will calculate the notional value of the Narrow-Based Stock Index Future (the “Notional Value”) as follows:

Notional Value = Level of index underlying Narrow-Based Stock Index Future * contract multiplier

(F) The Exchange will calculate the Market Cap Position Limit of the Narrow-Based Stock Index Future by dividing the Stock Index Market Cap by the product of the Notional Value of the Narrow-Based Stock Index Future and the Market Cap Ratio:

Market Cap Position Limit = Stock Index Market Cap/

Notional Value * Market Cap Ratio

(ii) “SSF Position Limit”

(A) The Exchange will calculate the notional value of the Narrow-Based Stock Index Future (same as (i)(E) above):

Notional Value = Level of index underlying Narrow-Based Stock Index Future * contract multiplier

(B) For each component security in the index underlying the Narrow-Based Stock Index Future, the Exchange will multiply its index weight¹ by the Notional Value to determine that security’s proportion of the Narrow-Based Stock Index Future.

(C) For each component security, the Exchange will divide the result in (ii)(B) by the security’s price. This equals the number of shares of that security represented in the Narrow-Based Stock Index Futures contract.

(D) For each component security, the Exchange will divide the number of shares calculated in (ii)(C) by 100 to obtain the implied number of 100-share contracts per Narrow-Based Stock Index Futures contract.

(E) The Exchange will divide the applicable single stock futures contract speculative position limit set in Commission

¹Index weight of the component security = (assigned shares * price) of the component security/the sum of (assigned shares * price) for each component security.

Regulation § 41.25(a)(3) (either 13,500 or 22,500 contracts) by the number of implied 100-share contracts. This provides the number of Narrow-Based Stock Index Futures contracts that could be held without violating the speculative position limit on a futures contract on that component security (if such single stock futures contract existed). If the security qualifies for position accountability, ignore that security for purposes of this calculation.

(F) The Exchange will list the results of (ii)(D) and (ii)(E). The SSF Position Limit is the minimum number of implied contracts based on this list.

(f) Last Day of Trading. All trading in a particular Contract shall terminate at the close of the last Business Day preceding the termination date of such Contract.

(g) Contract Modifications. The specifications for a particular Narrow-Based Stock Index Future shall be as set forth in the filing made with respect thereto pursuant to Commission Regulation § 41.23. If any U.S. governmental agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, including specifications set forth in any specifications supplement, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.

(h) Contract Adjustments. Adjustments to Narrow-Based Stock Index Futures related to actions or transactions by or affecting any issuer of Underlying Securities shall be made under the circumstances and in the manner from time to time prescribed by the Clearing Corporation.

(i) Settlement Price.

(I) Daily Settlement Price. The daily settlement price for cash-settled Narrow-Based Stock Index Futures will be calculated in the same manner as Rule 1802(j).

(II) Final Settlement Price.

(A) The final settlement price for cash-settled Narrow-Based Stock Index Futures shall be determined on the third Friday of the contract month. If the Exchange is not open for business on the third Friday of the contract month, the final settlement price shall be determined on the Business Day prior to the third Friday of the contract month. The final settlement price for cash-settled Narrow-Based Stock Index Futures shall be based on a special opening quotation of the underlying stock index ("Stock Index").

(B) Notwithstanding subparagraph (II)(A) of this Rule, if an opening price for one or more securities underlying a Narrow-Based Stock Index Future is not readily available, the President of the Exchange or his designee for such purpose (referred to hereafter in this Rule 1902(i) as the “Designated Officer”) will determine whether the security or securities are likely to open within a reasonable time.

(1) If the Designated Officer determines that one or more component securities are not likely to open within a reasonable time, then for the component security or securities which the Designated Officer determined were not likely to open within a reasonable time, the last trading price of the underlying security or securities during the most recent regular trading session for such security or securities will be used to calculate the special opening quotation.

(2) If the Designated Officer determines that the security or securities are likely to open within a reasonable time, then for the component security or securities which the Designated Officer determined were likely to open within a reasonable time, the next available opening price of such security or securities will be used to calculate the special opening quotation.

(C) For purposes of this provision:

(1) “Opening price” means the official price at which a security opened for trading during the regular trading session of the national securities exchange or national securities association that lists the security. If the security is not listed on a national securities exchange or a national securities association, then “opening price” shall mean the price at which a security opened for trading on the primary market for the security. Under this provision, if a component security is an American Depositary Receipt (“ADR”) traded on a national securities exchange or national securities association, the opening price for the ADR would be derived from the national securities exchange or national securities association that lists it.

(2) “Special opening quotation” means the Stock Index value that is derived from the sum of the opening prices of each security of the Stock Index.

(3) “Regular trading session” of a security means the normal hours for business of a national securities

exchange or national securities association that lists the security.

(4) The price of a security is “not readily available” if the national securities exchange or national securities association that lists the security does not open on the day scheduled for determination of the final settlement price, or if the security does not trade on the securities exchange or national securities association that lists the security during regular trading hours.

(D) Notwithstanding any other provision of this Rule, this Rule shall not be used to calculate the final settlement price of a Narrow-Based Stock Index Future if The Option Clearing Corporation fixes the final settlement price of such Narrow-Based Stock Index Future in accordance with its rules and by-laws and as permitted by Commission Regulation § 41.25(b) and SEC Rule 6h-1(b)(3).

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

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

(l) Price Limits. Pursuant to Rule 413, Narrow Based Stock Index Futures are not subject to price limits.

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

No natural person associated with a Trading Privilege Holder or Authorized Trader that has knowledge of a pending Block Trade of such Trading Privilege Holder or Authorized Trader, or a Customer thereof in a Narrow-Based Stock

Index Future on the Exchange, may enter an Order or execute a transaction, whether for his or her own account or, if applicable, for the account of a Customer over which he or she has control, for or in the Narrow-Based Stock Index Future to which such Block Trade relates until after (i) such Block Trade has been reported to and published by the Exchange and (ii) any additional time period from time to time prescribed by the Exchange in its block trading procedures or contract specifications has expired.

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

(n) *No-Bust Range.* Pursuant to Rule 416, the Exchange error trade policy may only be invoked for a trade price that is greater than 10% on either side of the market price of the applicable Narrow-Based Stock Index Future. In accordance with Policy and Procedure III, the Help Desk will determine what the true market price for the relevant Contract was immediately before the potential error trade occurred. In making that determination, the Help Desk may consider all relevant factors, including the last trade price for such Contract, a better bid or offer price, a more recent price in a different contract month and the prices of related contracts trading in other markets.

(o) *Pre-execution Discussions.* Pursuant to Policy and Procedure IV, the time period a Trading Privilege Holder or Authorized Trader must wait after engaging in pre-execution discussions with the other side of an Order is five seconds after that Order has been entered into the CBOE System.

1903. Delivery

Delivery of the Underlying Securities upon termination of a Narrow-Based Stock Index Future, and payment of the price in respect thereof, shall be made in accordance with the Rules of the Clearing Corporation. As promptly as possible after the receipt of a notice of delivery from the Clearing Corporation with respect to a Narrow-Based Stock Index Future held by a Trading Privilege Holder or Authorized Trader, such Trading Privilege Holder or Authorized Trader shall require such Customer to deposit the Underlying Securities (in the case of a short position) or pay the aggregate price in respect thereof, in full and in cash (in the case of a long position), or in either case, if the

transaction is effected in a margin account, to make the required margin deposit in accordance with the applicable regulation of the Federal Reserve Board.

1904. Emergencies, Acts of God and Act of Government

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

1905. DPM Provisions

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

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

1906. Form of Specifications Supplement

Supplement No. _____

Title of Narrow-Based Stock Index Future: _____

Underlying Securities (including

numbers of values thereof):

Weighting Methodology:

Trading Hours:

Delivery Months:

Termination Dates:

Minimum Price Fluctuation: \$0.01 per Contract

Threshold Width:

Position Limit: During the last five trading days, _____ Contracts

Reportable Position:

Daily Price Limit:

Minimum Block Trade Quantity:

Time Period for Reporting Block Trades: Without delay, but no more than ten minutes after a Block Trade is negotiated

Last Day of Trading:

Delivery Day:

Depository for Underlying Security:

Other Specifications:

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Chapters 20 – 21 No change

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CFE Policies and Procedures I – VI No change

CFE Policy and Procedure VII. Security Futures Market Maker Registration Policy and Procedures

A. Security Futures Market Maker Program

Pursuant to Exchange Rule 514, the Exchange has adopted a market maker program under which one or more Trading Privilege Holders or Authorized Traders may be designated as market makers in respect of one or more Security Futures to provide liquidity and orderliness in the market for such Security Futures. To be designated as an Exchange market maker in Security Futures, a Trading Privilege Holder or Authorized Trader must complete and file with the Exchange a Market Maker Registration Form. By signing the registration form the Trading Privilege Holder or Authorized Trader will confirm that it meets and will continue to meet the qualifications to act as market maker in Security Futures in accordance with Exchange Rules. The member will be required to identify all Security Futures for which it seeks to be designated as a market maker and elect which of the two alternative sets of market maker obligations specified in Exchange Rule 517(n) it intends to undertake.

B. Market Maker Exclusion from Customer Margin Requirements

To qualify for the market maker exclusion in Exchange Rule 517(n) for purposes of the Exchange’s customer margin rules relating to Security Futures, a person must:

- (1) be a Trading Privilege Holder or Authorized Trader that is registered with the Exchange as a dealer in Security Futures as defined in Section 3(a)(5) of the Exchange Act;
- (2) be registered as a floor trader or a floor broker under Section 4f(a)(1) of the CEA or as a dealer with the Securities and Exchange Commission (“SEC”) under Section 15(b) of the Exchange Act;
- (3) maintain records sufficient to prove compliance with the requirements of Exchange Rule 517(n) and Commission Rule 41.42(c)(2)(v) and SEC Rule 400(c)(2)(v) under the Exchange Act as applicable, including without limitation trading account statements and other financial records sufficient to detail activity; and

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

In addition, the market maker exclusion provides that any market maker that fails to comply with the rules of the Exchange or the margin rules adopted by the SEC and the Commission shall be subject to disciplinary action in accordance with Chapter 7 of the Exchange's rules, and that appropriate sanctions in the case of any such failure shall include, without limitation, a revocation of such market maker's registration as a dealer in Security Futures.

C. Market Maker Categories

Exchange Rule 517(n) specifies two alternative ways for a Trading Privilege Holder or Authorized Trader to satisfy the requirement that a market maker hold itself out as being willing to buy and sell Security Futures for its own account on a regular or continuous basis. Each Trading Privilege Holder or Authorized Trader seeking market maker designation must register for one of the following two market maker categories and will undertake to perform all of the obligations set forth in the elected category:

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

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

For purposes of Categories 1 and 2 above, beginning on the 181st calendar

day after the commencement of trading of Security Futures, a “meaningful proportion of the total trading volume on the Exchange from Security Futures in which that market maker is designated as a market maker” shall mean a minimum of 20 percent of such trading volume.

D. Qualification for “60/40” Tax Treatment

To qualify as a “dealer” in security futures contracts within the meaning of Section 125(g)(9) of the Internal Revenue Code of 1986, as amended (the “Code”), a Trading Privilege Holder or Authorized Trader is required (i) to register as a market maker for purposes of the Exchange’s margin rules under Category 1 or Category 2 above; (ii) to undertake in its registration form to provide quotations for all products specified for the market maker exclusion from the Exchange margin rules; and (iii) to quote a minimum size of

- (A) ten (10) contracts for each product not covered by (B) or (C) below;
- (B) five (5) contracts for each product specified by the member to the extent such quotations are provided for delivery months other than the next two delivery months then trading; and
- (C) one (1) contract for any single stock futures contract where the average market price for the underlying stock was \$100 or higher for the preceding calendar month or for any futures contract on a narrow-based security index, as defined by Section 1a(25) of the CEA.

E. Products

As noted above in completing the Market Maker Registration Form, a member must specify all Security Futures for which it intends to act as a market maker. The Exchange will assign to the Trading Privilege Holder or Authorized Trader all of the Security Futures listed on its registration form, unless the Exchange provides written notice to the Trading Privilege Holder or Authorized Trader identifying any Security Futures for which such assignment is withheld. A Trading Privilege Holder or Authorized Trader may change the list of Security Futures for which it undertakes to act as market maker for any calendar quarter by filing a revised Market Maker Registration Form with the Exchange on any business day prior to the last trading day of such quarter, and such change shall be effective retroactive to the first trading day of such quarter. Each market maker shall be responsible for maintaining books and records that confirm that it has fulfilled its quarterly obligations under the market maker category elected on its Market Maker Registration Form in respect of all Security Futures designated for that calendar quarter.

CFE Policy and Procedure VIII. Eligibility and Maintenance Criteria for Security Futures

A. Initial Listing Standards for Single Stock Futures.

1. For a Single Stock Future that is physically settled to be eligible for initial listing, the security underlying the futures contract must meet each of the following requirements:
 - (i) It must be a common stock, an American Depositary Receipt (“ADR”) representing common stock or ordinary shares, a share of an exchange traded fund (“ETF Share”), a trust issued receipt (“TIR”) or a share of a registered closed-end management investment company (“Closed-End Fund Share”).
 - (ii) It must be registered under Section 12 of the Exchange Act, and its issuer must be in compliance with any applicable requirements of the Exchange Act.
 - (iii) It must be listed on a national securities exchange (a “National Securities Exchange”) or traded through the facilities of a national securities association (“Association”) and reported as a “national market system” security as set forth in Rule 11Aa3-1 under the Exchange Act (“NMS security”).
 - (iv) There must be at least seven million shares or receipts evidencing the underlying security outstanding that are owned by persons other than those required to report their security holdings pursuant to Section 16(a) of the Exchange Act.

Requirement (iv) as Applied to Restructure Securities:

In the case of an equity security that a company issues or anticipates issuing as the result of a spin-off, reorganization, recapitalization, restructuring or similar corporate transaction (“Restructure Security”), the Exchange may assume that this requirement is satisfied if, based on a reasonable investigation, it determines that, on the product’s intended listing date: (A) at least 40 million shares of the Restructure Security will be issued and outstanding; or (B) the Restructure Security will be listed on a National Securities Exchange or automated quotation system that is subject to an initial listing requirement of no less than seven million publicly owned shares.

In the case of a Restructure Security issued or distributed to the holders of the equity security that existed prior to the ex-date of a spin-off, reorganization, recapitalization, restructuring or similar corporate transaction (“Original Equity Security”), the Exchange may consider the number of outstanding shares of the Original Equity Security prior to the

spin-off, reorganization, recapitalization, restructuring or similar corporate transaction (“Restructuring Transaction”).

- (v) In the case of an underlying security other than an ETF Share, TIR or Closed-End Fund Share, there must be at least 2,000 security holders.

Requirement (v) as Applied to Restructure Securities:

If the security under consideration is a Restructure Security, the Exchange may assume that this requirement is satisfied if, based on a reasonable investigation, the Exchange determines that, on the product’s intended listing date: (A) at least 40 million shares of the Restructure Security will be issued and outstanding; or (B) the Restructure Security will be listed on a National Securities Exchange or automated quotation system that is subject to an initial listing requirement of at least 2,000 shareholders. In the case of a Restructure Security issued or distributed to the holders of the Original Equity Security, the Exchange may consider the number of shareholders of the Original Equity Security prior to the Restructuring Transaction.

- (vi) In the case of an underlying security other than an ETF Share, TIR or Closed-End Fund Share, it must have trading volume (in all markets in which the underlying security is traded) of at least 2,400,000 shares in the preceding 12 months.

Requirement (vi) as Applied to Restructure Securities:

Look-Back Test: In determining whether a Restructure Security that is issued or distributed to the shareholders of an Original Equity Security (but not a Restructure Security that is issued pursuant to a public offering or rights distribution) satisfies this requirement, the Exchange may “look back” to the trading volume history of the Original Equity Security prior to the ex-date of the Restructuring Transaction if the following Look-Back Test is satisfied:

- (a) The Restructure Security has an aggregate market value of at least \$500 million;
- (b) The aggregate market value of the Restructure Security equals or exceeds the Relevant Percentage (defined below) of the aggregate market value of the Original Equity Security;
- (c) The aggregate book value of the assets attributed to the business represented by the Restructure Security equals or exceeds \$50 million and the Relevant Percentage of the aggregate book value of the assets attributed to the business represented by the Original Equity Security; or

(d) The revenues attributed to the business represented by the Restructure Security equal or exceed \$50 million and the Relevant Percentage of the revenues attributed to the business represented by the Original Equity Security.

For purposes of determining whether the Look-Back Test is satisfied, the term “Relevant Percentage “means: (i) 25%, when the applicable measure determined with respect to the Original Equity Security or the business it represents includes the business represented by the Restructure Security; and (ii) 33-1/3%, when the applicable measure determined with respect to the Original Equity Security or the business it represents excludes the business represented by the Restructure Security.

In calculating comparative aggregate market values, the Exchange will use the Restructure Security’s closing price on its primary market on the last business day prior to the date on which the Restructure Security is selected as an underlying security for a Security Futures product (“Selection Date”), or the Restructure Security’s opening price on its primary market on the Selection Date, and will use the corresponding closing or opening price of the related Original Equity Security.

Furthermore, in calculating comparative asset values and revenues, the Exchange will use the issuer’s (i) latest annual financial statements or (ii) most recently available interim financial statements (so long as such interim financial statements cover a period of not less than three months), whichever are more recent. Those financial statements may be audited or unaudited and may be pro forma.

Limitation on Use of Look-Back Test: Except in the case of a Restructure Security that is distributed pursuant to a public offering or rights distribution, the Exchange will not rely upon the trading volume history of an Original Equity Security for any trading day unless it also relies upon the market price history for that trading day.

In addition, once the Exchange commences to rely upon a Restructure Security’s trading volume and market price history for any trading day, the Exchange will not rely upon the trading volume and market price history of the Original Equity Security for any trading day thereafter.

- (vii) In the case of an underlying security that is an ETF Share, TIR or Closed-End Fund Share, it must have had a total trading volume (in all markets in which the underlying security has traded) of at least 2,400,000 shares or receipts evidencing the underlying security in the preceding 12 months.
- (viii) If the underlying security is a “covered security” as defined under Section 18(b)(1)(A) of the Securities Act of 1933, the market price per share of the underlying security has been at least \$3.00 for the previous five

consecutive business days preceding the date on which the Exchange submits a certificate to The Options Clearing Corporation for listing and trading. For purposes of this provision, the market price of such underlying security is measured by the closing price reported in the primary market in which the underlying security is traded.

Requirement (viii) as Applied to Restructure Securities:

Look-Back Test: In determining whether a Restructure Security that is issued or distributed to the shareholders of an Original Equity Security (but not a Restructure Security that is issued pursuant to a public offering or rights distribution) satisfies this requirement, the Exchange may “look back” to the market price history of the Original Equity Security prior to the ex-date of the Restructuring Transaction if the following Look-Back Test is satisfied:

- (a) The Restructure Security has an aggregate market value of at least \$500 million;
- (b) The aggregate market value of the Restructure Security equals or exceeds the Relevant Percentage (defined below) of the aggregate market value of the Original Equity Security;
- (c) The aggregate book value of the assets attributed to the business represented by the Restructure Security equals or exceeds both \$50 million and the Relevant Percentage of the aggregate book value of the assets attributed to the business represented by the Original Equity Security; or
- (d) The revenues attributed to the business represented by the Restructure Security equals or exceeds both \$50 million and the Relevant Percentage of the revenues attributed to the business represented by the Original Equity Security.

For purposes of determining whether the Look-Back Test is satisfied, the term “Relevant Percentage” means: (i) 25%, when the applicable measure determined with respect to the Original Equity Security or the business it represents includes the business represented by the Restructure Security; and (ii) 33-1/3%, when the applicable measure determined with respect to the Original Equity Security or the business it represents excludes the business represented by the Restructure Security.

In calculating comparative aggregate market values, the Exchange will use the Restructure Security’s closing price on its primary market on the last business day prior to the Selection Date, or the Restructure Security’s opening price on its primary market on the Selection Date, and will use

the corresponding closing or opening price of the related Original Equity Security.

Furthermore, in calculating comparative asset values and revenues, the Exchange will use the issuer's (i) latest annual financial statements or (ii) most recently available interim financial statements (so long as such interim financial statements cover a period of not less than three months), whichever are more recent. Those financial statements may be audited or unaudited and may be pro forma.

Restructure Securities Issued in Public Offering or Rights Distribution: In determining whether a Restructure Security that is distributed pursuant to a public offering or a rights distribution satisfies requirement (viii), the Exchange may look back to the market price history of the Original Equity Security if: (i) the foregoing Look-Back Test is satisfied; (ii) the Restructure Security trades "regular way" on a National Securities Exchange or automatic quotation system for at least five trading days immediately preceding the Selection Date; and (iii) at the close of trading on each trading day on which the Restructure Security trades "regular way" prior to the Selection Date, as well as at the opening of trading on Selection Date, the market price of the Restructure Security was at least \$3.00.

Limitation on Use of Look-Back Test: Except in the case of a Restructure Security that is distributed pursuant to a public offering or rights distribution, the Exchange will not rely upon the market price history of an Original Equity Security for any trading day unless it also relies upon the trading volume history for that trading day. In addition, once the Exchange commences to rely upon a Restructure Security's trading volume and market price history for any trading day, the Exchange will not rely upon the trading volume and market price history of the related Original Equity Security for any trading day thereafter.

- (ix) If the underlying security is not a "covered security" as defined under Section 18(b)(1)(A) of the Securities Act of 1933, it must have had a market price per security of at least \$7.50, as measured by the lowest closing price reported in any market in which it has traded, for the majority of business days during the three calendar months preceding the date of selection.

Requirement (ix) as Applied to Restructure Securities:

Look-Back Test: In determining whether a Restructure Security that is issued or distributed to the shareholders of an Original Equity Security (but not a Restructure Security that is issued pursuant to a public offering or rights distribution) satisfies this requirement, the Exchange may "look back" to the market price history of the Original Equity Security prior to

the ex-date of the Restructuring Transaction if the following Look-Back Test is satisfied:

- (a) The Restructure Security has an aggregate market value of at least \$500 million;
- (b) The aggregate market value of the Restructure Security equals or exceeds the Relevant Percentage (defined below) of the aggregate market value of the Original Equity Security;
- (c) The aggregate book value of the assets attributed to the business represented by the Restructure Security equals or exceeds both \$50 million and the Relevant Percentage of the aggregate book value of the assets attributed to the business represented by the Original Equity Security; or
- (d) The revenues attributed to the business represented by the Restructure Security equals or exceeds both \$50 million and the Relevant Percentage of the revenues attributed to the business represented by the Original Equity Security.

For purposes of determining whether the Look-Back Test is satisfied, the term “Relevant Percentage” means: (i) 25%, when the applicable measure determined with respect to the Original Equity Security or the business it represents includes the business represented by the Restructure Security; and (ii) 33-1/3%, when the applicable measure determined with respect to the Original Equity Security or the business it represents excludes the business represented by the Restructure Security.

In calculating comparative aggregate market values, the Exchange will use the Restructure Security’s closing price on its primary market on the last business day prior to the Selection Date, or the Restructure Security’s opening price on its primary market on the Selection Date, and will use the corresponding closing or opening price of the related Original Equity Security.

Furthermore, in calculating comparative asset values and revenues, the Exchange will use the issuer’s (i) latest annual financial statements or (ii) most recently available interim financial statements (so long as such interim financial statements cover a period of not less than three months), whichever are more recent. Those financial statements may be audited or unaudited and may be pro forma.

Restructure Securities Issued in Public Offering or Rights Distribution: In determining whether a Restructure Security that is distributed pursuant to a public offering or a rights distribution satisfies requirement (ix), the Exchange may look back to the market price history of the Original Equity

Security if (i) the foregoing Look-Back Test is satisfied; (ii) the Restructure Security trades “regular way” on a National Securities Exchange or automatic quotation system for at least five trading days immediately preceding the Selection Date; and (iii) at the close of trading on each trading day on which the Restructure Security trades “regular way” prior to the Selection Date, as well as at the opening of trading on Selection Date, the market price of the Restructure Security was at least \$7.50.

Limitation on Use of Look-Back Test: Except in the case of a Restructure Security that is distributed pursuant to a public offering or rights distribution, the Exchange will not rely upon the market price history of an Original Equity Security for any trading day unless it also relies upon the trading volume history for that trading day. In addition, once the Exchange commences to rely upon a Restructure Security’s trading volume and market price history for any trading day, the Exchange will not rely upon the trading volume and market price history of the related Original Equity Security for any trading day thereafter.

(x) If the underlying security is an ADR:

(a) The Exchange must have in place an effective surveillance sharing agreement with the primary exchange in the home country where the stock underlying the ADR is traded;

(b) The combined trading volume of the ADR and other related ADRs and securities in the U.S. ADR market, or in markets with which the Exchange has in place an effective surveillance sharing agreement, represents (on a share equivalent basis) at least 50% of the combined worldwide trading volume in the ADR, the security underlying the ADR, other classes of common stock related to the underlying security, and ADRs overlying such other stock over the three-month period preceding the dates of selection of the ADR for futures trading (“Selection Date”);

(c) (1) The combined trading volume of the ADR and other related ADRs and securities in the U.S. ADR market, and in markets with which the Exchange has in place an effective surveillance sharing agreement, represents (on a share equivalent basis) at least 20% of the combined worldwide trading volume in the ADR and in other related ADRs and securities over the three-month period preceding the Selection Date;

(2) The average daily trading volume for the ADR in the U.S. markets over the three-month period preceding the Selection Date is at least 100,000 receipts; and

(3) The daily trading volume for the ADR is at least 60,000 receipts in the U.S. markets on a majority of the trading days for the three-month period preceding the Selection Date; or

(d) The Securities and Exchange Commission and Commodity Futures Trading Commission have otherwise authorized the listing.

(xi) The Exchange will not list for trading any Security Futures product where the underlying security is a Restructure Security that is not yet issued and outstanding, regardless of whether the Restructure Security is trading on a “when issued” basis or on another basis that is contingent upon the issuance or distribution of securities.

B. Maintenance Standards for Single Stock Futures.

1. The Exchange will not open for trading any Single Stock Future that is physically settled with a new delivery month, and may prohibit any opening transactions in the Single Stock Future already trading, to the extent it deems such action necessary or appropriate, unless the underlying security meets each of the following maintenance requirements; provided that, if the underlying security is an ETF Share, TIR or Closed-End Fund Share, the applicable requirements for initial listing of the related Single Stock Future (as described in A.1. above) shall apply in lieu of the following maintenance requirements:

(i) It must be registered under Section 12 of the Exchange Act.

(ii) There must be at least 6,300,000 shares or receipts evidencing the underlying security outstanding that are owned by persons other than those who are required to report their security holdings pursuant to Section 16(a) of the Exchange Act.

(iii) There must be at least 1,600 security holders.

(iv) It must have had an average daily trading volume (across all markets in which the underlying security is traded) of least 82,000 shares or receipts evidencing the underlying security in each of the preceding 12 months.

Requirement (iv) as Applied to Restructure Securities:

If a Restructure Security is approved for a Security Futures product trading under the initial listing standards in Section A, the average daily trading volume history of the Original Equity Security (as defined in Section A) prior to the commencement of trading in the Restructure Security (as defined in Section A), including “when issued” trading, may be taken into account in determining whether this requirement is satisfied.

(v) The market price per share of the underlying security has not closed below \$3.00 on the previous trading day to the Expiration Day of the nearest

expiring Contract on the underlying security. The market price per share of the underlying security will be measured by the closing price reported in the primary market in which the underlying security traded.

Requirement (v) as Applied to Restructure Securities:

If a Restructure Security is approved for Security Futures product trading under the initial listing standards in Section A, the market price history of the Original Equity Security prior to the commencement of trading in the Restructure Security, including “when-issued” trading, may be taken into account in determining whether this requirement is satisfied.

(vi) If the underlying security is an ADR and was initially deemed appropriate for Security Futures product trading under paragraph (x)(b) or (x)(c) in Section A, the Exchange will not open for trading Security Futures products having additional delivery months on the ADR unless:

(a) The percentage of worldwide trading volume in the ADR and other related securities that takes place in the U.S. and in markets with which the Exchange has in place an effective surveillance sharing agreement for any consecutive three-month period is: (1) at least 30%, without regard to the average daily trading volume in the ADR; or (2) at least 15% when the average U.S. daily trading volume in the ADR for the previous three months is at least 70,000 receipts;

(b) The Exchange has in place an effective surveillance sharing agreement with the primary exchange in the home country where the security underlying the ADR is traded; or

(c) The Securities and Exchange Commission and Commodity Futures Trading Commission have otherwise authorized the listing.

2. The Exchange will not open trading in a Single Stock Future with a new delivery month unless:

(i) The issuer of the underlying security satisfies applicable Exchange Act reporting requirements, or corrects any failure within 30 days after the date the report was due to be filed; and

(ii) The underlying security is listed on a National Securities Exchange or is principally traded through the facilities of a national securities association and is designated as an NMS security.

3. If prior to the withdrawal from trading of a Single Stock Future covering an underlying security that has been found not to meet the Exchange’s requirements for continued approval, the Exchange determines that the underlying security

again meets the Exchange's requirements, the Exchange may open for trading new delivery months in such Security Futures product and may lift any restriction on opening transactions.

4. Whenever the Exchange announces that approval of an underlying security has been withdrawn for any reason or that the Exchange has been informed that the issuer of an underlying security has ceased to be in compliance with Exchange Act reporting requirements, each Clearing Member and Exchange Member (as such terms are defined in the Rules of the Exchange as in effect from time to time) shall, prior to effecting any transaction in Security Futures products with respect to such underlying security for any customer, inform such customer of such fact and that the Exchange may prohibit further transactions in such Security Futures products as it determines is necessary and appropriate.

C. Initial Eligibility Criteria for a Security Futures Product Based on an Index Composed of Two or More Securities.

1. For a Security Futures product based on an index composed of two or more securities to be eligible for initial listing, the index must:

(i) Meet the definition of a narrow-based security index in Section 1a(25) of the CEA and Section 3(a)(55) of the Exchange Act; and

(ii) Meet the following requirements:

(a) It must be capitalization-weighted, modified capitalization-weighted, price-weighted, equal dollar-weighted or, in the case of an index underlying physically settled Security Futures products only, approximately equal dollar-weighted.

Weighting Methodology for Approximately Equal Dollar-Weighted Indices Underlying Physically Settled Security Futures Products:

In the case of a physically settled Security Futures product based on an approximately equal dollar-weighted index composed of one or more securities, each component security will be weighted equally based on its market price on the Selection Date, subject to rounding up or down the number of shares or receipts evidencing such security to the nearest multiple of 100 shares or receipts.

(b) Its component securities must be registered under Section 12 of the Exchange Act.

(c) Subject to (e) and (1) below, the component securities that account for at least 90% of the total index weight and at least 80% of the total number of component securities in the

index must meet the requirements for listing a single-security future, as set forth in Section A.

(d) Each component security in the index must have a minimum market capitalization of at least \$75 million, except that each of the lowest weighted securities in the index that in the aggregate account for no more than 10% of the weight of the index may have a minimum market capitalization of only \$50 million.

(e) The average daily trading volume in each of the preceding six months for each component security in the index must be at least 45,500 shares or receipts, except that each of the lowest weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index may have an average daily trading volume of only 22,750 shares or receipts for each of the last six months.

(f) Each component security in the index must be (1) listed on a National Securities Exchange or traded through the facilities of an Association and (2) reported as an NMS security.

(g) Foreign securities or ADRs thereon that are not subject to comprehensive surveillance sharing agreements must not represent more than 20% of the weight of the index.

(h) The current underlying index value must be reported at least once every 15 seconds during the time the Security Futures product is traded on the Exchange.

(i) An equal dollar-weighted index must be rebalanced at least once every calendar quarter, except that an approximately equal dollar-weighted index underlying a physically settled Security Futures product need only be rebalanced as provided in (j) below.

(j) An approximately equal dollar-weighted index underlying a physically settled Security Futures product must be rebalanced annually if the aggregate value (i.e., the original number of shares multiplied by their current price) of the security position with the highest value is two or more times greater than the aggregate value of the security position with the lowest value in the index for any period of 10 consecutive trading days within the last month preceding the date of determination. In addition, the Exchange may from time to time, but no more frequently than quarterly, elect to rebalance any approximately equal dollar-weighted index underlying a physically settled Security Futures product depending on several factors, including the relative price

changes of the component securities, the levels of volume and open interest in the contracts and input from market participants.

Procedure for Rebalancing under (j):

The date of determination for the mandatory annual rebalancing of an approximately equal dollar-weighted index underlying a physically settled Security Futures product as described in the first sentence of (j) will be the last trading day of the year. New contracts issued on or after a date on which the corresponding index is rebalanced in accordance with (j) will be based on an index consisting of the original component securities, weighted applying the methodology described under (a) above on the basis of security prices on the rebalancing date. Outstanding contracts will not be affected by any rebalancing.

(k) If the underlying index is maintained by a broker-dealer, the index must be calculated by a third party who is not a broker-dealer, and the broker-dealer must have in place an information barrier around its personnel who have access to information concerning changes in and adjustments to the index.

(l) In a capitalization-weighted index, the lesser of: (1) the five highest weighted component securities in the index each have had an average daily trading volume of at least 90,000 shares or receipts over the past six months; or (2) the highest weighted component securities in the index that in the aggregate represent at least 30% of the total number of securities in the index each have had an average daily trading volume of at least 90,000 shares or receipts over the past six months.

D. Maintenance Standards for a Security Futures Product Based on an Index Composed of Two or More Securities.

1. The Exchange will not open for trading Security Futures products based on an index composed of two or more securities with a new delivery month unless the underlying index:

(i) Meets the definition of a narrow-based security index in Section 1a(25) of the Commodity Exchange Act and Section 3(a)(55) of the Exchange Act; and

(ii) Meets the following requirements:

(a) Its component securities must be registered under Section 12 of the Exchange Act.

(b) Subject to (d) and (k) below, the component securities that account for at least 90% of the total index weight and at least 80% of the total number of component securities in the index must meet the requirements for listing a single-security future, as set forth in Section A.

(c) Each component security in the index must have a market capitalization of at least \$75 million, except that each of the lowest weighted component securities that in the aggregate account for no more than 10% of the weight of the index may have a market capitalization of only \$50 million.

(d) The average daily trading volume in each of the preceding six months for each component security in the index must be at least 22,750 shares or receipts, except that each of the lowest weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index may have an average daily trading volume of at least 18,200 shares or receipts for each of the last six months.

(e) Each component security in the index must be (1) listed on a National Securities Exchange or traded through the facilities of an Association and (2) reported as an NMS security.

(f) Foreign securities or ADRs thereon that are not subject to comprehensive surveillance sharing agreements must not represent more than 20% of the weight of the index.

(g) The current underlying index value must be reported at least once every 15 seconds during the time the Security Futures product is traded on the Exchange.

(h) An equal dollar-weighted index must be rebalanced at least once every calendar quarter, except that an approximately equal dollar-weighted index underlying a physically settled Security Futures product need only be rebalanced as provided in (i) below.

(i) An approximately equal dollar-weighted index underlying a physically settled Security Futures product must be rebalanced annually if the aggregate value (i.e., the original number of shares multiplied by their current price) of the security position with the highest value is two or more times greater than the aggregate value of the security position with the lowest value in the index for any period of 10 consecutive trading days within the last month preceding the date of determination. In addition, the Exchange may from time to time, but no more frequently than

quarterly, elect to rebalance any approximately equal dollar-weighted index underlying a physically settled Security Futures product depending on several factors, including the relative price changes of the component securities, the levels of volume and open interest in the contracts and input from market participants.

Procedure for Rebalancing under (i):

See under C. 1.(ii)(j) above.

(j) If the underlying index is maintained by a broker-dealer, the index must be calculated by a third party who is not a broker-dealer, and the broker-dealer must have in place an information barrier around its personnel who have access to information concerning changes in and adjustments to the index.

(k) In a capitalization-weighted index, the lesser of: (1) the five highest weighted component securities in the index each have had an average daily trading volume of at least 45,500 shares or receipts over the past six months; and (2) the highest weighted component securities in the index that in the aggregate represent at least 30% of the total number of stocks in the index each have had an average daily trading volume of at least 45,500 shares or receipts over the past six months.

(l) The total number of component securities in the index must not increase or decrease by more than 33-1/3% from the number of component securities in the index at the time of its initial listing.

2. If the foregoing maintenance standards are not satisfied, the Exchange will not open for trading a Security Futures product based on an index composed of two or more securities with a new delivery month, unless it receives the approval of the Securities and Exchange Commission and the Commodity Futures Trading Commission.