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To:
All Eurex US Members and ISVs
(Central Coordinators)

Related Circulars/Bulletins:
49/2005

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Amendments to US Futures Exchange L.L.C. Rule Book

Summary:

Eurex US has amended a number of its rules which became effective Thursday, September 22, 2005. The rule changes were made in connection with the introduction of currency futures at Eurex US and include an amendment to Rule 101, the definition of "Business Day", Mistrade ranges for the new currency contracts (Rule 408), and amendment to Rule 507 which provides for the settlement prices.

Please visit the Eurex US website for an updated version of the "Rule Book" at:

www.eurexUS.com – About Eurex US – Rules and Regulations – Rule Book

or

http://www.eurexus.com/download/pdf/futures_exchange_rules.pdf

Amendments to US Futures Exchange L.L.C. Rule Book

The following Rule changes became effective Thursday, September 22, 2005:

Please note that the underlined text signifies additions to the text and crossed-out text indicates deletion to the text.

101. Definitions

...
 ‘**Business Day**’ means any day on which the Exchange is open for trading the Contract(s).
The Exchange will publish the trading days for the Contracts on its website.
 ...

408. Cancellation of Transactions.

- (a) In order to ensure orderly and fair market conditions, the Exchange, in its discretion, may cancel a transaction *ex officio* if, in the judgment of the Exchange, the price of the transaction effected on the Trading System deviates significantly from its Fair Market Price; provided, however, that the Exchange shall not cancel any transaction under this Paragraph (a) where the transaction price falls within the applicable range specified in Paragraph (b)(ii) of this Rule;
- (b) The Exchange shall cancel a transaction executed on the Trading System which results from the erroneous entry of an order or a quote (“mistrade”) in order to ensure orderly and fair market conditions if:
 - (i) The Member which entered the erroneous order or quote into the Trading System informs the Exchange by telephone within 15 minutes of the execution of the transaction by the Trading System that the transaction was the result of an order or quote that was mistakenly entered into the Trading System; and
 - (ii) The price of the transaction effected by the erroneous entry of the order or quote is outside the following range as applicable:

Contract	Ticks Away From the Fair Market Price
2 Year U.S. Treasury Note Futures (FTNS)	12
Jumbo 2 Year U.S. Treasury Note Futures (FTN2)	12
3 Year U.S. Treasury Note Futures (FTN3)	20

Contract		Ticks Away From the Fair Market Price
5 Year U.S. Treasury Note Futures (FTNM)		20
10 Year U.S. Treasury Note Futures (FTNL)		20
30 Year U.S. Treasury Bond Futures (FTBX)		40
Russell 1000 Futures		30
Russell 2000 Futures		30
Option on Jumbo 2 Year U.S. Treasury Note Futures (OTN2)		Fair value/Range 0 - 6 3 ticks 7 - 19 4 ticks 20 - 38 6 ticks 39 - 63 8 ticks > 63 10 ticks
Option on 3 Year U.S. Treasury Note Futures (OTN3)		
Option on 5 Year Treasury U.S. Treasury Note Futures (OTNM)		
Option on 10 Year U.S. Treasury Note Futures (OTNL)		
Option on 30 Year U.S. Treasury Bond Futures (OTBX)		
<u>Currency Futures</u>		
<u>Delivery Currency</u>	<u>Pricing Currency</u>	
<u>euro</u>	<u>U.S. dollar</u>	<u>10</u>
<u>Australian dollar</u>	<u>U.S. dollar</u>	<u>10</u>
<u>British pound</u>	<u>U.S. dollar</u>	<u>10</u>
<u>U.S. dollar</u>	<u>yen</u>	<u>10</u>
<u>U.S. dollar</u>	<u>Swiss franc</u>	<u>10</u>
<u>U.S. dollar</u>	<u>Canadian dollar</u>	<u>10</u>
<u>euro</u>	<u>Swiss franc</u>	<u>10</u>
<u>euro</u>	<u>yen</u>	<u>10</u>
<u>British pound</u>	<u>yen</u>	<u>10</u>
<u>euro</u>	<u>British pound</u>	<u>10</u>

- (c) If a transaction is cancelled subject to paragraphs (a) or (b) of this Rule, the Exchange shall also cancel any and all trades that were executed outside the applicable range enumerated in paragraph (b)(ii) of this Rule resulting from contingent orders having been selected for execution because of the cancelled transaction.

- (d)
 - (i) If the mistrade forms part of a spread transaction, the Exchange shall determine whether one leg is, or both legs are, outside of the applicable range in paragraph (b)(ii) by determining the price of each leg of the spread separately, and shall cancel only the leg of the spread that is outside of the applicable range in paragraph (b)(ii).
 - (ii) If the Member entering the initial spread order would suffer a loss from cancellation of one of the transaction's legs, the Exchange shall make the Member entering the erroneous order or quote a party to the leg of the spread transaction that was not cancelled.
 - (iii) Notwithstanding subparagraphs (d)(i) and (ii) of this rule, if the mistrade was for a spread transaction executed through an Option Combination Quote Book, then the legs of the transaction shall not be separately priced, the Fair Market Price shall be determined under the procedure of paragraph (j)(ii) of this rule and, if the price of the spread is outside of the applicable range enumerated in paragraph (b)(ii) of this rule, all legs forming the transaction or strategy shall be cancelled.
- (e) The Exchange may charge the Member who caused the erroneous entry a handling fee reflecting expenses incurred by the Exchange. Provided, however, the fee charged shall be not less than \$500 nor more than \$1500 for futures and not less than \$150 nor more than \$450 for options per occurrence. The Exchange shall refund exchange fees for the initial and canceling transaction.
- (f) Cancellation of a transaction by the Exchange pursuant to this rule shall be effected promptly by means of entering a counter-transaction into the Trading System at the price at which the cancelled transaction was effected.
- (g) The Exchange shall promptly notify all Members of any Member's initial notification of a mistrade and any subsequent action taken by the Exchange and shall publish all necessary price corrections in a manner to be determined by the Exchange. The Exchange shall notify the concerned parties that it has cancelled the relevant transaction(s) within ten minutes of first receiving notice of the mistrade unless impractical to do so within that period.
- (h) The Exchange shall cancel any transaction under Rules 415, 416, 417, and 418 upon notice to the Exchange of a mistrade by the parties to the transaction and their agreement to its cancellation. The fees and refunds provided for under paragraph (e) of this rule shall apply to both parties to the cancelled transaction.

- (i) Cancellation of a transaction under this rule by the Exchange does not preclude the Exchange from instigating disciplinary proceedings under Part 6 of these Rules in the event that the cancelled transaction is subsequently found not to have been executed in accordance with the Rules of the Exchange.
- (j) **Fair Market Price.**
 - (i) The Fair Market Price within the meaning of paragraphs (a) and (b) of this Rule shall be the last traded price before the trade to be cancelled was matched by the Trading System. Provided, however, that for options, if the last traded price cannot be determined or, if in the Exchange's discretion, the last traded price does not correspond to fair market conditions, then the Exchange shall compute the Fair Market Price using the implicit option valuation based upon the price of the underlying futures at the time the trade to be canceled was matched by the Trading System.
 - (ii) If the Fair Market Price cannot be determined pursuant to the procedures in paragraph (j)(i) and the Exchange, in its discretion, determines that the price so determined does not correspond to fair market conditions, or if any Member which is a party to the transaction to be cancelled objects to its cancellation, the Exchange shall determine the Fair Market Price by:
 - (A) In the case of Contracts on Treasury instruments, selecting three competent Authorized Traders ("Traders") whose Member does not have an interest in the transaction, and requesting that each Trader calculate a Fair Market Price for the transaction concerned. The Fair Market Price shall be the average of the prices determined by these Traders. If three such Traders cannot be identified or cannot calculate a Fair Market Price, then the Exchange in its discretion shall establish the Fair Market Price;
 - (B) In the case of Futures Contracts on Russell Indexes during Core Trading hours as defined in Rules 920(h) and 921(h), employing the procedures set forth in subparagraph (A) above;
 - (C) In the case of Futures Contracts on Russell Indexes when outside of the Core Trading hours as defined in Rules 920(h) and 921(h), referring to index valuation information for other indexes and market indicators which the Exchange in its sole discretion determines to be highly correlated with the respective Russell Index.
 - (iii) The Fair Market Price determined under this paragraph shall not be subject to appeal.

507. Establishment of Settlement Prices

- (a) ~~Settlement prices shall be established by the Clearing Organization as provided under The Clearing Corporation Rule 9 409. The Exchange shall provide to the Clearing Organization a recommendation with respect to the settlement price at the time established by the Exchange with respect to each product as provided in the Contract specifications. The time set for determining the Settlement Price need not coincide with the end of a Trading Session or Trading Day.~~ The Exchange shall establish daily settlement prices at times provided in the Contract specifications. Such daily settlement prices shall be subject to subsequent review and revision by the Clearing Organization in accordance with its rules and procedures.
- (b) ~~In making the Exchange's recommendation to The Clearing Corporation with respect to the daily Settlement Price for Contracts, the Exchange or its designee shall consider the volume weighted average price of the last five trades preceding the time established by the Exchange for determination of the Settlement price as provided in the Contract specifications, provided that these five trades are not older than 15 minutes. Provided, however, if more than five trades are traded during the final minute, then the volume weighted average price shall be calculated using all trades during the final minute. If a Settlement cannot be determined using the above procedures, or if the price so determined, in the Exchange's discretion does not reflect true market conditions, then the Exchange will recommend a Settlement price in its discretion.~~
- (c) ~~The procedures for recommending a final settlement price will be the same as those in paragraph (b) of this Rule 507, except that the number of trades necessary to be averaged will be not less than ten during the last 30 minutes of trading or, if more than ten trades during the last minute of trading, all such trades. The final settlement price will be calculated for expiring futures contracts starting on the last business day of the month prior to expiration.~~ The settlement price for an expiring Contract on its last trading day shall not be subject to revision by the Clearing Organization in the event that the Contract provides for cash settlement of open positions.