

## **BURSA MALAYSIA DERIVATIVES BHD**

### **TRADING MANUAL**

(Version 6.0)

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## Version History

| Version | Date        | Author | Comments  |
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| V 1.0   | 9 Aug 2010  | BMDB   | Initial Version   |
| V 1.1   | 27 Aug 2010 | BMDB   | Updated # 6.6.3 Review of Trades – Price Adjustments and Cancellations  |
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| V2.7    | 7 Aug 2014  | BMDB   | Updated FMG5<br>Section 12.3 Market timing<br>Section 16.2.6 NLT volume threshold   |
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| V3.4    | 24 Aug 2017 | BMDB   | Added Velocity Logic in “Contents” and Section 6.9  |
| V3.5    | 26 Feb 2018 | BMDB   | Updated Trading Phases in Section 12  |
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| V4.9    | 13 Dec 2021   | BMDB   | Updated Trading Manual to incorporate the Security Futures Trading System (SFTS)              |
| V5.0    | 4 Mar 2022    | BMDB   | Updated Section 18 – Fees & Charges – to include Service Tax                                  |
| V5.1    | 11 April 2022 | BMDB   | Updated Section 18.2 to refine the NLT facility charges                                       |
| V5.2    | 19 Sep 2022   | BMDB   | Updated FGLD in Section 6, 11, 12, 16 & 18  |
| V5.3    | 2 Oct 2022    | BMDB   | Added Inter-Commodity Spread in “Contents” and Section 4                                      |
| V5.4    | 5 Dec 2022    | BMDB   | Updated Section 12.3 – Trading Phases and Market Timing                                       |
| V5.5    | 12 Dec 2022   | BMDB   | Added F4GM details in Sections 1,6,7,11,12,16 & 18  |
| V5.6    | 11 May 2023   | BMDB   | Updated Section 13 to include the EMT   |
| V5.7    | 11 Dec 2023   | BMDB   | Added FCNH details in Sections 1, 6, 11, 12, 16, 18   |
| V5.8    | 1 Mar 2024    | BMDB   | Updated Section 18 – Fees & Charges   |
| V5.9    | 4 Mar 2024    | BMDB   | Added FSOY details in Sections 1, 6, 7, 11, 12, 16, 18<br>Updated Section 18 – Fees & Charges |
| V6.0    | 2 May 2024    | BMDB   | Updated Section 18 – Fees & Charges – FCPO and FKLI   |

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## 1. INTRODUCTION

### 1.1 Scope of Coverage

**1.1.1** This manual is issued pursuant to Rule 6.01(6) of the Rules of Bursa Malaysia Derivatives Berhad (“BMD” / “the Exchange”). It provides pertinent information and guidelines relating to executing transactions and procedures on dealing with the Exchange.

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

### 1.2 Intended Audience

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

### 1.3 Ownership and Custody of Manual

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

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

### 1.4 Trading Systems

BMD operates 2 different trading platforms in hosting the trading of the respective products offered by the Exchange.

#### 1.4.1 CME Globex

BMD entered into the Globex Services Agreement (“GSA”) with the Chicago Mercantile Exchange Group (“CME”) to host a range of BMD products on CME’s Globex electronic trade execution system via an Application Services Provider (“ASP”) model. The BMD products currently listed on CME Globex are:

Equity Derivatives

- i) FKL1
- ii) FM70
- iii) F4GM
- iv) OKLI

Financial Derivatives

- i) FKB3

Commodity Derivatives

- i) FCPO
- ii) FEPO
- iii) FPOL
- iv) FPKO
- v) FUPO
- vi) FGLD
- vii) FTIN
- viii) OCPO
- ix) OPOL
- x) FSOY

Currency Derivatives

- i) FCNH

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



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

#### **1.4.2 Security Futures Trading System (SFTS)**

The SFTS hosts the trading for the following products:

Equity Derivatives

- i) SSFs

Financial Derivatives

- i) FMG3
- ii) FMG5
- iii) FMGA

For customer support and problem management, Trading Participants are to contact the Exchange Operations Division of BMD

#### **1.5 Compliance in relation to access, connectivity, specifications or use of CME Globex and SFTS**

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

## 2. ORDERS

### 2.1 CME Globex Orders

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

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

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

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

#### 2.1.1 Limit Orders

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

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

### 2.1.2 Market-limit Orders

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

Example: Market-limit Order (Bid)

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

### 2.1.3 Market Orders with Protection

Market orders with protection are intended to avoid cascading market orders being filled at extreme prices. Market orders with protection are filled within a pre-defined range of prices referred to as the protected range. For bid orders, protection points are added to the current best offer price to calculate the protection price limit. For offer orders, protection points are subtracted from the current best bid price.

CME Globex matches the order at the best available price level without exceeding the protection price limit. If the entire order cannot be filled within the protected range immediately, the unfilled quantity remains in the order book as a limit order at the limit of the protected range. The protected range is 50% of the "no bust" ranges for products.

#### 2.1.3.1 Example: Market Order with Protection Bid

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

- 1) The client sends a Market Order to CME Globex.  
Bid, FKLIZ8, Market Order.  
Best Offer = 900 and Protection Points = 60.  
Protection Price Limit =  $900 + 60 = 960$ .
- 2) CME Globex sends an Execution Report - Partial Fill.  
2-Lot @ 900

- 3) CME Globex sends an Execution Report - Partial Fill.  
3-Lot @ 930
  
- 4) CME Globex sends an Execution Report - Partial Fill.  
3-Lot @ 955
  
- 5) Next Best Offer = 967. This value exceeds the protection price limit. CME Globex places the remaining quantity on the order book at a protection price limit of 960.

### 2.1.3.2 Example: Market Order with Protection Offer

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

- 1) The client sends a Market Order to CME Globex.  
Offer, FKLIZ8, Market Order.  
Best Bid = 900 and Protection Points = 60  
Protection Price Limit =  $900 - 60 = 840$
  
- 2) CME Globex sends an Execution Report - Partial Fill.  
Orders 2-Lot @ 900
  
- 3) CME sends an Execution Report - Partial Fill.  
3-Lot @ 899
  
- 4) CME Globex sends an Execution Report - Partial Fill.  
3-Lot @ 896

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

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

- Stop-limit Orders
- Stop Orders with Protection

### 2.1.4 Stop-limit Orders

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

### 2.1.5 Stop Orders with Protection

Stop orders with protection are intended to avoid cascading stop orders being filled at extreme prices. A stop order with protection is activated when the market trades at the stop trigger price and can only be executed within the protection range limits. The order enters the order book as a limit order with the protection price limit equal to the trigger price plus or minus the pre-defined protection point range.

Protection point ranges are equal to 50% of the product's "no bust" range. For bid orders, protection points are added to the trigger price to calculate the protection price limit. For offer orders, protection points are subtracted from the trigger price.

CME Globex matches the order at all price levels between the trigger price and the protection price limit. If the order is not completely filled, the remaining quantity is placed in the order book at the protection price limit. Refer to "Stop Spike Logic" for more information.

#### 2.1.5.1 Example: Stop Order with Protection Bid

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

- 1) The client sends a Market Order to CME Globex.

Bid, FKLIZ8, Stop Order, 900 Trigger Price

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

Orders

Trigger Price = 900, Protection Points = 60

Protection Price Limit =  $900 + 60 = 960$

- 3) CME Globex sends an Execution Report - Partial Fill.

2-Lot @ 925

- 4) CME Globex sends an Execution Report - Partial Fill.

3-Lot @ 930

- 5) CME Globex sends an Execution Report - Partial Fill.

3-Lot @ 955

Next Best Offer = 967. This value exceeds the protection price limit. CME Globex places the remaining quantity on the order book at a protection price limit of 960.

### 2.1.5.2 Example: Stop Order with Protection Offer

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

- 1) The client sends a New Order to CME Globex.

Offer, FKLIZ8, Stop Order (with protection), 900 Trigger Price

- 2) CME Globex responds with an Execution Report - Order Confirmation.

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

Trigger Price = 900, Protection Points = 60

Protection Price Limit =  $900 - 60 = 840$

- 4) CME Globex sends an Execution Report - Partial Fill.

2-Lot @ 900

- 5) CME Globex sends an Execution Report - Partial Fill.

3-Lot @ 899

- 6) CME Globex sends an Execution Report - Partial Fill.

3-Lot @ 865

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

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

- Cabinet Orders

### 2.1.6 Cabinet Orders

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

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

### **2.1.7 Order Qualifiers**

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

CME Globex provides the trader with the following order qualifiers:

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

#### **2.1.7.1 Day**

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

#### **2.1.7.2 Good-Till-Cancelled (GTC)**

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

#### **2.1.7.3 Good-Till-Date (GTD)**

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

#### **2.1.7.4 Fill-and-Kill (FAK)**

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

#### **2.1.7.5 Fill-or-Kill (FOK)**

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

### 2.1.8 Display Quantity

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

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

### 2.1.9 Minimum Quantity

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

The following rules apply to Minimum Quantity:

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

### 2.1.10 Additional Information

See the topics below for additional information on orders.

#### 2.1.10.1 Stop Spike Logic

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

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

#### 2.1.10.2 GTC/GTD Outside Daily Price Limits

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



**2.1.10.2.1 GTD or GTC Example:**

- 1) A GTD or GTC order to buy 10 FKLIZ8 @ 1200 is entered on 10/9/2008.
  - The daily price limits are 1000 minimum and 1500 maximum
  - The GTD or GTC order is placed on the book
- 2) The market closes and reopens on 11/9/2008 with price limits of 800 for the minimum and 1300 for the maximum.
- 3) A sell order comes into the book to sell 10 FKLIZ8 @1200, which matches the buy order at 1200.
- 4) The order is filled at 1200, within the limits that were in place on 10/9/2008.

**2.1.10.3 Conflicting Order Status**

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

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

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

**2.2 SFTS Orders**

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

| Order Types                                     | Futures |
|---|---------|
| Limit   | X       |
| Market-limit<br>(Market-with-leftover-as-limit) | X       |
| Stop  | X       |
| Stop-limit                                      | X       |

### 2.2.1 Limit Orders

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

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

### 2.2.2 Market-Limit Orders

Market-limit orders are executed at the best prices available in the market. If the market-limit order can only be partially filled, the order becomes a limit order and the remaining quantity remains on the order book at the final matched limit price. If there is no opposite price at the time that the market-limit order was entered, then the entire quantity of the market-limit order will be automatically cancelled by the system.

Example: Market-limit Order (Bid)

The following orders are resting in the sell order book:

1-Lot @ 1500

2-Lot @ 1501

The client sends a New Order to EP3.

Bid, FKLIZ1, 10-Lot Market-Limit.

EP3 responds with an Execution Report - Order Confirmation.

EP3 sends an Execution Report - Partial Fill.

- 1-Lot @ 1500
- 2-Lot @ 1501

The remaining quantity (7 lots) rests on the book @ 1501.

### 2.2.3 Stop Orders

Stop orders are orders that when accepted, does not immediately go on the book, but must be triggered by a trade in the market at the price level submitted with the order. Beyond that price point, stop orders are converted into market-limit orders that are executed at the best available prices.

### 2.2.4 Stop Limit Orders

Stop-limit orders are activated when an order's trigger price is traded in the market. For a bid order, the trigger price must be higher than the last traded price. For a sell order, the trigger price must be lower than the last traded price. After the trigger price is traded in the market, the order enters the order book as a limit order at the order limit price. The limit price is the highest/lowest

price at which the stop order can be filled. The order can be filled at all price levels between the trigger price and the limit price. If any quantity remains unfilled, it remains on the order book as a limit order at the limit price.

### **2.2.5 Order Qualifiers**

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

SFTS provides the trader with the following order qualifiers:

#### **2.2.5.1 Day**

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

#### **2.2.5.2 Good-Till-Cancelled (GTC)**

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

#### **2.2.5.3 Fill-and-Kill (FAK)**

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

### 3. OPTIONS AND OPTIONS SPREADS *(Applicable exclusively on CME Globex)*

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

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

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

#### 3.1 Options Naming Conventions

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

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

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

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

#### 3.2 Options Spreads Naming Conventions

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

### 3.3 CME Globex Exchange Recognized Spread Type

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

### 3.4 CME Globex Unrecognized Spread Type

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

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

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

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

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

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

UDS functionality does not support intercommodity spreads.

### 3.5 Exchange Recognized Options Spread Construction Summary

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

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

**Table 3.5 Spread Type Compatibility Summary**

| Options                  |           |   |
|--------------------------|-----------|---|
| Strategy                 | Type Code | Construction  |
| Calendar<br>• Horizontal | HO        | Call Horizontal:<br>Sell1callstrike1exp1<br>Buy1callstrike1exp2<br><br>Put Horizontal:<br>Sell1putstrike1exp1 |

| Options             |           |  |
|---------------------|-----------|--|
| Strategy            | Type Code | Construction   |
|                     |           | Buy1putstrike1exp2   |
| • Calendar Diagonal | DG        | Call<br>buy1callstrike1exp1<br>sell1callstrike2exp2<br><br>Put<br>buy1 putstrike1exp1<br>sell1 putstrike2exp2  |
| Straddle            | ST        | Buy1callstrike1exp1<br>Buy1putstrike1exp1  |
| Strangle            | SG        | Buy1putstrike1exp1<br>Buy1callstrike2exp1  |
| Vertical            | VT        | Call<br>Buy1callstrike1exp1<br>Sell1callstrike2exp1<br><br>Put<br>Buy1putstrike2exp1<br>Sell1putstrike1exp1  |
| Box                 | BX        | Buy1callstrike1exp1<br>Sell1putstrike1exp1<br>Buy1putstrike2exp1<br>Sell1callstrike2exp1   |
| Butterfly           | BO        | Call<br>Buy1callstrike1exp1<br>Sell2callstrike2exp1<br>Buy1callstrike3exp1<br><br>Put<br>Buy1putstrike3exp1<br>Sell2putstrike2exp1<br>Buy1putstrike1exp1 |
| Conditional Curve   | CC        | Call<br>Buy1callstrikeexp1 instr1<br>Sell1callstrikeexp1 instr2<br><br>Put<br>Buy1putstrikeexp1 instr1<br>Sell1putstrikeexp1 instr2                      |
| Condor              | CO        | Call<br>Buy1callstrike1exp1  |

| Options             |           |  |
|---------------------|-----------|--|
| Strategy            | Type Code | Construction   |
|                     |           | Sell1callstrike2exp1<br>Sell1callstrike3exp1<br>Buy1callstrike4exp1<br><br>Put<br>Buy1putstrike4exp1<br>Sell1putstrike3exp1<br>Sell1putstrike2exp1<br>Buy1putstrike1exp1 |
| Double 1            | DB        | Call<br>Buy1callstrike1exp1<br>Buy1callstrike2exp1<br><br>Put<br>Buy1putstrike2exp1<br>Buy1putstrike1exp   |
| Horizontal Straddle | HS        | Buy1callstrike1exp2<br>Buy1putstrike1exp2<br>Sell1callstrike1exp1<br>Sell1putstrike1exp1   |
| Iron Condor         | IC        | Sell1putstrike1exp1<br>Buy1putstrike2exp1<br>Buy1callstrike3exp1<br>Sell1callstrike4exp1   |
| Ratio 1x2           | 12        | Call<br>Buy1callstrike1exp1<br>Sell2callstrike2exp1<br><br>Put<br>Buy1putstrike2exp1<br>Sell2putstrike1exp1  |
| Ratio 1x3           | 13        | Call<br>Buy1callstrike1exp1<br>Sell3callstrike2exp1<br><br>Put<br>Buy1putstrike2exp1<br>Sell3putstrike1exp1  |
| Ratio 2x3           | 23        | Call<br>Buy2callstrike1exp1<br>Sell3callstrike2exp1<br><br>Put<br>Buy2putstrike2exp1   |

| Options         |            |  |
|-----------------|------------|--|
| Strategy        | Type Code  | Construction   |
|                 |            | Sell3putstrike1exp1  |
| Strip           | SR         | <p>Call</p> <p>Buy1callstrike1exp1<br/>Buy1callstrike1exp2<br/>Buy1callstrike1exp3<br/>Buy1callstrike1exp4</p> <p>Put</p> <p>Buy1putstrike1exp1<br/>Buy1putstrike1exp2<br/>Buy1putstrike1exp3<br/>Buy1putstrike1exp4</p> |
| Risk Reversal   | RR         | Buy1callstrike2exp1<br>Sell1putstrike1or2exp1  |
| Straddle Strips | SS         | Buy1callstrike1exp1<br>Buy1putstrike1exp1<br>Buy1callstrike1exp2<br>Buy1putstrike1exp2<br>Buy1callstrike1exp3<br>Buy1putstrike1exp3<br>Buy1callstrike1exp4<br>Buy1putstrike1exp4   |
| Xmas Tree       | XT         | <p>Call</p> <p>Buy1callstrike1exp1<br/>Sell1callstrike2exp1<br/>Sell1callstrike3exp1</p> <p>Put</p> <p>Buy1putstrike3exp1<br/>Sell1putstrike2exp1<br/>Sell1putstrike1exp1</p>  |
| 3-Way           | 3W         | <p>Call</p> <p>Buy1callstrike2exp1<br/>Sell1callstrike3exp1<br/>Sell1putstrike1exp1</p> <p>Put</p> <p>Buy1putstrike2exp1<br/>Sell1putstrike1exp1<br/>Sell1callstrike3exp1</p>  |
| Iron Butterfly  | IB (eye-B) | Sell1putstrike1exp1<br>Buy1putstrike2exp1<br>Buy1callstrike2exp1<br>Sell1callstrike3exp1   |



| Options                           |           |   |
|-----------------------------------|-----------|---|
| Strategy                          | Type Code | Construction  |
| Jelly Roll                        | JR        | Buy<br>Sell1callstrike1exp1<br>Buy1putstrike1exp1<br>Buy1callstrike2exp2<br>Sell1putstrike2exp2<br>Sell<br>Buy1callstrike1exp1<br>Sell1putstrike1exp1<br>Sell1callstrike2exp2<br>Buy1putstrike2exp2 |
| Guts                              | GT        | Buy1callstrike1exp1<br>Buy1putstrike2exp1   |
| 3-way: Straddle<br>versus<br>Call | 3C        | Construction:<br>Buy1callstrike1exp1<br>Buy1putstrike1exp1<br>Sell1callstrike(?)exp1  |
| 3-way: Straddle<br>versus<br>Put  | 3P        | Buy1callstrike1exp1<br>Buy1putstrike1exp1<br>Sell1putstrike(?)exp1  |

### 3.6 Options Spread Description

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

#### 3.6.1 Calendar (Horizontal or Diagonal)

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

##### 3.6.1.1 Horizontal

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

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

##### Call Horizontal

Construction: Buy1callstrike1exp1 Sell1callstrike1exp2

Example: Call Horizontal

Buy 1 December 2008 OKLI 1260 Call and

Sell 1 July 2008 OKLI 1260 Call

**Buy Call 1**

**Put Horizontal**

Construction: Buy1putstrike1exp1 Sell1putstrike1exp2

Example: Put Horizontal

Buy 1 December 2008 OKLI 1260 Call and

Sell 1 July 2008 OKLI 1260 Call

**Buy Put 1**

**3.6.1.2 Diagonal**

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

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

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

**Call Diagonal**

Construction: Buy1callstrike1exp1 Sell1callstrike2exp2

Example: Call Spread

Buy 1 December 2008 OKLI 1260 Call and

Sell 1 July 2008 OKLI 1280 Call

**Buy Call 1**

**Put Diagonal**

Construction: Buy1putstrike1exp1 Sell1putstrike2exp2

Example: Put Spread

Buy 1 December 2008 OKLI 1260 Put and

Sell 1 July 2008 OKLI 1280 Put

**Buy Put 1**

**3.6.2 Straddle**

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

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

**Construction:** Buy1callstrike1exp1 Buy1putstrike1exp1

Example: Buy the Straddle

Buy 1 December 2008 OKLI 1260 Call and

Buy 1 December 2008 OKLI 1260 Put

**Buy 1**

**3.6.3 Strangle**

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

**Spread ratio: (Buy 1: Buy1)**

**Construction:** Buy1putstrike1exp1 Buy1callstrike2exp1

Example: Buy the Strangle

Buy 1 December 2008 OKLI 9800 Put and

Buy 1 December 2008 OKLI 9900 Call

**Buy 1**

### 3.6.4 Vertical

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

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

#### Call Vertical

Construction: Buy1callstrike1exp1 Sell1callstrike2exp1

Example: Call Spread

Buy 1 December 2008 OKLI 1260 Call and

Sell 1 December 2008 OKLI 1280 Call

**Buy 1 Call**

#### Put Vertical

Construction: Buy1putstrike2exp1 Sell1putstrike1exp1

Example: Put Spread

Buy 1 December 2008 OKLI 1280 Put and

Sell 1 December 2008 OKLI 1260 Put

**Buy 1 Put**

### 3.6.5 Box

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

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

**Construction:** Buy1callstrike1exp1 Sell1putstrike1exp1 Buy1putstrike2exp1 Sell1callstrike2exp1

Example: Box

Buy 1 December OKLI 1200 Call,

Sell 1 December OKLI 1200 Put,

Buy 1 December OKLI 1300 Put,

Sell 1 December OKLI 1300 Call

**Buy 1**

### 3.6.6 Butterfly

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

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

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

#### Call Butterfly

Construction: Buy1callstrike1exp1 Sell2callstrike2exp1 Buy1callstrike3exp1

Example: Call Butterfly

Buy 1 December 2008 OKLI 1240 Call

Sell 2 December 2008 OKLI 1260 Call

Buy 1 December 2008 OKLI 1280 Call

**Buy Call 1**

#### Put Butterfly

Construction: Buy1putstrike3exp1 Sell2putstrike2exp1 Buy1putstrike1exp1

Example: Put Butterfly

Buy 1 December 2008 OKLI 1280 Put

Sell 2 December 2008 OKLI 1260 Put

Sell 1 December 2008 OKLI 1240 Put

**Buy Put 1**

### 3.6.7 Condor

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

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

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

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

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

**Call Condor**

Construction: Buy1callstrike1exp1 Sell1callstrike2exp1 Sell1callstrike3exp1Buy1callstrike4exp1

Example: Call Condor

Buy 1 December 2008 OKLI 1240 Call

Sell 1 December 2008 OKLI 1260 Call

Sell 1 December 2008 OKLI 1280 Call

Buy 1 December 2008 OKLI 1300 Call

**Buy Call 1**

**Put Condor**

Construction: Buy1putstrike4exp1 Sell1putstrike3exp1 Sell1putstrike2exp1Buy1putstrike1exp1

Example: Put Condor

Buy 1 December 2008 OKLI 1300 Put

Sell 1 December 2008 OKLI 1280 Put

Sell 1 December 2008 OKLI 1260 Put

Buy 1 December 2008 OKLI 1240 Put

**Buy Put 1**

**3.6.8 Double**

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

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

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

**Spread ratio is (Buy 1: Buy 1)**

**Call Double**

Construction: Buy1callstrike1exp1 Buy1callstrike2exp1

Example: Call Double

Buy 1 December 2008 OKLI 1260 Call

Buy 1 December 2008 OKLI 1280 Call

**Buy Call 1**

**Put Double**

Construction: Buy1putstrike2exp1 Buy1putstrike1exp1

Example: Put Double

Buy 1 December 2008 OKLI 1280 Put

Buy 1 December 2008 OKLI 1260 Put

**Buy Put 1**

### 3.6.9 Horizontal Straddle

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

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

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

**Construction:** Buy1callstrike1exp2 Buy1putstrike1exp2 Sell1callstrike1exp1 Sell1putstrike1exp1

Example: Horizontal Straddle

Buying 1 Sept 2008 OKLI 1260 Call,

Buying 1 Sept 2008 OKLI 1260 Put

Selling 1 June 2008 OKLI 1280 Call

Selling 1 June 2008 OKLI 1280 Put

**Buy 1**

### 3.6.10 Iron Condor

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

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

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

**Construction:** Sell1putstrike1exp1 Buy1putstrike2exp1 Buy1callstrike3exp1 Sell1callstrike4exp1

Example: Put Spread

Sell 1 June 2008 OKLI 1240 Put,

Buy 1 June 2008 OKLI 1260 Put,

Buy 1 June 2008 OKLI 1280 Call,

Sell 1 June 2008 OKLI 1300 Call.

**Buy 1 Put**

### 3.6.11 Ratio 1x2

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

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

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

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

#### **Call 1x2**

Construction: Buy1callstrike1exp1 Sell2callstrike2exp1

Example: Call 1x2

Buy 1 March 2008 OKLI 1260 Call

Sell 2 March 2008 OKLI 1280 Call

**Buy 1 Call**

#### **Put 1x2**

Construction: Buy1putstrike2exp1 Buy1putstrike1exp1

Example: Put 1x2

Buy 1 March 2008 OKLI 1280 Put

Sell 2 March 2008 OKLI 1260 Put

**Buy 1 Put**

### **3.6.12 Ratio 1x3**

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

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

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

**Spread ratio: (Buy 1: Sell 3)**

#### **Call 1x3**

Construction: Buy1callstrike1exp1 Sell3callstrike2exp1

Example: Call 1x3

Buying 1 March 2008 December OKLI 1200 Call

Selling 3 March 2008 December OKLI 1300 Call

**Buy 1 Call**

#### **Put 1x3**

Construction: Buy1putstrike2exp1 Sell3putstrike1exp1

Example: Put 1x3

Buying 1 March 2008 December OKLI 1300 Put

Selling 3 March 2008 December OKLI 1200 Put

**Buy 1 Put**

### 3.6.13 Ratio 2x3

A Ratio 2x3 (23) option spread is constructed of all calls (Call Ratio 2x3) or all puts (Put Ratio 2x3).

The Call Ratio 2x3 consists of buying two calls at one strike and selling three calls at a higher strike price within the same contract and expiry month.

The Put Ratio 2x3 consists of buying two puts at one strike price and selling three puts at a lower strike price within the same contract and expiry month.

**Spread ratio: (Buy 2: Sell 3)**

#### Call 2x3

Construction: Buy2callstrike1exp1 Sell3callstrike2exp1

Example: Call 2x3

Buy 2 March 2008 OKLI 1260 Call

Sell 3 March 2008 OKLI 1280 Call

**Buy 1 Call**

#### Put 2x3

Construction: Buy2putstrike2exp1 Sell3putstrike1exp1

Example: Put 2x3

Buy 2 March 2008 OKLI 1280 Put

Sell 3 March 2008 OKLI 1260 Put

**Buy 1 Put**

### 3.6.14 Strip

A Strip (SR) option spread is constructed of all calls (Call Strip) or all puts (Put Strip).

The Call Strip consists of buying calls within the same contract and strike price for each of four consecutive quarterly expiry months, resulting in a total of four (4) calls purchased.

The Put Strip consists of buying puts within the same contract and strike price for each of four consecutive quarterly expiry months, resulting in a total of four (4) puts purchased.

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

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

#### Call

Construction: Buy1callstrike1exp1 Buy1callstrike1exp2 Buy1callstrike1exp3Buy1callstrike1exp4

Example: Call

Buy 1 June 2008 OKLI 1280 Call

Buy 1 Sept 2008 OKLI 1280 Call

Buy 1 Dec 2008 OKLI 1280 Call

Buy 1 March 2009 OKLI 1280 Call

**Buy 1 Call**



**Put**

Construction: Buy1putstrike1exp1 Buy1putstrike1exp2 Buy1putstrike1exp3Buy1putstrike1exp4

Example: Put

Buy 1 June 2008 OKLI 1280 Put

Buy 1 Sept 2008 OKLI 1280 Put

Buy 1 Dec 2008 OKLI 1280 Put

Buy 1 March 2009 OKLI 1280 Put

**Buy 1 Put**

**3.6.15 Risk Reversal**

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

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

**Construction:** Buy1callstrike2exp1 Sell1putstrike1or2exp1

Example: Risk Reversal

Buy 1 June 2008 OKLI 1280 Call

Sell 1 June 2008 OKLI 1260 Put

**Buy 1**

**3.6.16 Straddle Strips**

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

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

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

**Call**

Construction: Buy1callstrike1exp1 Buy1putstrike1exp1 Buy1callstrike1exp2 Buy1putstrike1exp2

Buy1callstrike1exp3 Buy1putstrike1exp3 Buy1callstrike1exp4 Buy1putstrike1exp4

Example: Call

Buy 1 June 2008 OKLI 1280 Call

Buy 1 June 2008 OKLI 1280 Put

Buy 1 Sept 2008 OKLI 1280 Call

Buy 1 Sept 2008 OKLI 1280 Put

Buy 1 Dec 2008 OKLI 1280 Call

Buy 1 Dec 2008 OKLI 1280 Put

Buy 1 March 2009 OKLI 1280 Call

Buy 1 March 2009 OKLI 1280 Put

**Buy Call 1**

## Buy Put 1

### 3.6.17 Xmas Tree

An Xmas Tree (XT) option spread is constructed of all calls (Call Xmas Tree) or all puts (Put Xmas Tree).

The Call Xmas Tree consists of buying a call at one strike, selling a call at a higher strike and selling yet another call at a higher strike, all within the same contract and expiration month.

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

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

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

#### Call Xmas Tree

Construction: Buy1callstrike1exp1 Sell1callstrike2exp1 Sell1callstrike3exp1

Example: Call Xmas Tree

Buy 1 June 2008 OKLI 1240 Call

Sell 1 June 2008 OKLI 1260 Call

Sell 1 June 2008 OKLI 1280 Call

#### Buy Call 1

#### Put

Construction: Buy1putstrike3exp1 Sell1putstrike2exp1 Sell1putstrike1exp1

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Example: Put

Buy 1 June 2008 OKLI 1280 Put

Sell 1 June 2008 OKLI 1260 Put

Sell 1 June 2008 OKLI 1240 Put

#### Buy Put 1

### 3.6.18 3-Way

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

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

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

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

#### **Call**

Construction: Buy1callstrike2exp1 Sell1callstrike3exp1 Sell1putstrike1exp1

Example: Call Spread

Buy 1 July 2008 OKLI 1280 Call

Sell 1 July 2008 OKLI 1300 Call

Sell 1 July 2008 OKLI 1260 Put

**Buy Call 1**

#### **Put**

Construction: Buy1putstrike2exp1 Sell1putstrike1exp1 Sell1callstrike3exp1

Example: Put Spread

Buy 1 July 2008 OKLI 1280 Put

Sell 1 July 2008 OKLI 1260 Put

Sell 1 July 2008 OKLI 1300 Call

**Buy Put 1**

### **3.6.19 Iron Butterfly (IB)**

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

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

Construction: Sell1putstrike1exp1 Buy1putstrike2exp1 Buy1callstrike2exp1 Sell1callstrike3exp1

#### **Example: Iron Butterfly**

Sell 1 March 2009 OKLI 1240 Put

Buy1 March 2009 OKLI 1260 Put

Buy 1 March 2009 OKLI 1260 Call

Sell 1 March 2009 OKLI 1280 Call

### **3.6.20 Jelly Roll (JR)**

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

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

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

**Buy Jelly Roll**

Construction: Sell1callstrike1exp1 Buy1putstrike1exp1 Buy1callstrike2exp2 Sell1putstrike2exp2

**Example: Buy Jelly Roll**

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

**Sell Jelly Roll**

Construction: Buy1callstrike1exp1 Sell1putstrike1exp1 Sell1callstrike2exp2 Buy1putstrike2exp2

**Example: Sell Jelly Roll**

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

**3.6.21 Guts (GT)**

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

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

Construction: Buy1callstrike1exp1 Buy1putstrike2exp1

**Example: Buy the Guts**

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

**3.6.22 3-way: Straddle versus Call (3C)**

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

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

Construction: Buy1callstrike1exp1 Buy1putstrike1exp1 Sell1callstrike(?)exp1

**Example: Buy the 3-way: Straddle versus Call**

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

### 3.6.23 3-way: Straddle versus Put (3P)

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

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

Construction: Buy1callstrike1exp1 Buy1putstrike1exp1 Sell1putstrike(?)exp1

**Example: Buy the 3-way: Straddle versus Put**

Buy 1 December 2009 OKLI 1280 Call

Buy 1 December 2009 OKLI 1280 Put

Sell 1 December 2009 OKLI 1260 Put

## 4. FUTURES SPREADS

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

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

### 4.1 CME Globex Futures Spreads

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

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

**All strategies are shown from the buyer's perspective.**

#### Leg Description

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

#### Abbreviations

EQ = Equity

FX = Foreign Exchange

AG = Agricultural

IR = Interest Rate

MT = Metals

RT = Reduced Tick

Vol = Volatility

exp = expiry

#### 4.1.1 Spread Type Compatibility

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

**Table 4.1.1 Spread Type Compatibility**

| Futures         |           | CME |    |    |    | BMD |    |    |    |
|-----------------|-----------|-----|----|----|----|-----|----|----|----|
| Strategy        | Type Code | EQ  | FX | AG | IR | EQ  | AG | IR | MT |
| Calendar        |           |     |    |    |    |     |    |    |    |
| Standard        | SP        |     |    | x  | x  | x   | x  | x  | x  |
| Strip           | FS        | x   | x  | x  |    |     |    | x  |    |
| Butterfly       | BF        |     |    | x  |    |     | x  |    |    |
| Condor          | CF        |     |    | x  |    |     | x  |    |    |
| Inter-Commodity |           |     |    |    |    |     | x  |    |    |

\* = GSCI equity supports FX strategy

#### 4.1.2 Futures Spread Construction

The following table summarizes the construction of Futures Spreads.

**Table 4.1.2 Futures Spread Construction Summary**

| Futures               |           |                                       |                                       |
|-----------------------|-----------|---------------------------------------|---------------------------------------|
| Strategy              | Type Code | Construction                          | Instrument Code / Security Definition |
| Calendar              |           |                                       |                                       |
| Standard              | SP        | Buy1exp1 Sell1exp2                    | FCPOZ8-FCPOH9                         |
| Strip<br>Month Expiry | FS        | Buy1exp1 Buy1exp2 Buy1exp3 Buy1exp4   | FKB3:FS 03M U8                        |
| Butterfly             | BF        | Buy1exp1 Sell2exp2 Buy1exp3           | FCPO:BF K6-M6-N6                      |
| Condor                | CF        | Buy1exp1 Sell1exp2 Sell1exp3 Buy1exp4 | FCPO:CF K6M6N6Q6                      |
| Inter-Commodity       | IS        | Buy1FCPOexp1/exp2 Sell1FEPOexp1/exp2  | FCPOV2-FEPOV2                         |

### 4.1.3 Futures Spread Description

The following futures spread types are compatible with CME Globex.

#### 4.1.3a Calendar (Horizontal or Diagonal)

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

#### 4.1.3b Standard

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

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

**Products:** All Products

**Construction:** Buy1exp1 Sell1exp2

Example: Buy the Spread

Buy 1 December 2008 FKLI and

Sell 1 March 2009 FKLI

**Instrument Code/Securitydesc:** Buying 1 FKLIZ8-FKLIH9

Example: Sell the Spread

Sell 1 December 2008 FKLI and

Buy 1 March 2009 FKLI

**Instrument Code/Securitydesc:** Selling 1 FKLIZ8-FKLIH9

#### 4.1.4 Strip

Strip Spread (FS) is the simultaneous purchase (or sale) of futures positions in consecutive quarterly months. The average of the prices for the futures contracts bought (or sold) is the price level of the hedge. A four-month strip, for example, consists of an equal number of futures contracts for each of



four consecutive quarterly contract months, also known as a calendar strip. The Strip Spread consists of 4 to 20 contracts within the same instrument group and with consecutive quarterly months.

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

**Products:** FKB3

**Construction:** Buy1exp1 Buy1exp2 Buy1exp3 Buy1exp4

**Example:** Buy the Strip

Buy 1 September 2008 FKB3 and

Buy 1 December 2008 FKB3 and

Buy 1 March 2009 FKB3

Buy 1 June 2009 FKB3

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

**Example:** Sell the Strip

Sell 1 September 2008 FKB3 and

Sell 1 December 2008 FKB3 and

Sell 1 March 2009 FKB3

Sell 1 June 2009 FKB3

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

#### 4.1.5 Butterfly

Butterfly (BF) consists of 3 instruments within the same product group and with consecutive listed maturity months (e.g., K6-M6-N6). Buy 1 butterfly = buy 1 of the closer maturity leg, sell 2 of the next maturity leg, and buy 1 of the further maturity leg (+1:-2:+1 ratio).

**Products:** FCPO

**Construction:** Buy1exp1 Sell2exp2 Buy1exp3

**Example:** Buy the Butterfly

Buy 1 May 2016 FCPO and

Sell 2 June 2016 FCPO and

Buy 1 July 2016 FCPO

**Instrument Code/Securitydesc:** Buying 1 FCPO:BF K6-M6-N6

**Example:** Sell the Butterfly

Sell 1 May 2016 FCPO and

Buy 2 June 2016 FCPO and

Sell 1 July 2016 FCPO

**Instrument Code/Securitydesc:** Selling 1 FCPO:BF K6-M6-N6

#### 4.1.6 Condor

Condor (CF) consists of 4 instruments within the same product group and with consecutive listed maturity months (e.g. K6-M6-N6-Q6). Buy 1 condor = buy 1 of the closer month leg, sell 1 of the next maturity leg, sell 1 of the next maturity leg, and buy 1 of the further maturity leg (+1:-1:-1:+1 ratio).

**Products:** FCPO

**Construction:** Buy1exp1 Sell1exp2 Sell1exp3 Buy1exp4

**Example:** Buy the Condor

Buy 1 May 2016 FCPO and

Sell 1 June 2016 FCPO and

Sell 1 July 2016 FCPO and

Buy 1 August 2016 FCPO

**Instrument Code/Securitydesc:** Buying 1 FCPO:CF K6M6N6Q6

**Example:** Sell the Condor

Sell 1 May 2016 FCPO and

Buy 1 June 2016 FCPO and

Buy 1 July 2016 FCPO and

Sell 1 August 2016 FCPO

**Instrument Code/Securitydesc:** Selling 1 FCPO:CF K6M6N6Q6

#### 4.1.7 Inter-Commodity

Inter-Commodity spread (IS) consists of 2 instruments from 2 product groups with same or different maturity months. Buy 1 inter-commodity = buy 1 instrument from a product group, sell 1 instrument from a different product group. (+1: -1 ratio)

**Product:** FCPO-FEPO

**Construction:** Buy1FCPOexp1/exp2 Sell1FEPOexp1/exp2

**Example 1:** Buy the Inter-Commodity

Buy 1 October 2022 FCPO and

Sell 1 October 2022 FEPO

**Example 2:** Buy the Inter-Commodity

Buy 1 December 2022 FCPO and

Sell 1 November 2022 FEPO

**Example 3:** Sell the Inter-Commodity

Sell 1 November 2022 FCPO and

Buy 1 December 2022 FEPO

## 4.2 SFTS Futures Spreads

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

### 4.2.1 Standard Calendar Spreads

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

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

**Products:** All Products

**Construction:** Buy1exp1 Sell1exp2

**Example:** Buy the Spread

Buy 1 December 2021 FMG3 and

Sell 1 March 2022 FMG3

**Instrument Code/Securitydesc:** Buying 1 FMG3Z1-FMG3H2

**Example:** Sell the Spread

Sell 1 December 2021 FMG3 and

Buy 1 March 2022 FMG3

**Instrument Code/Securitydesc:** Selling 1 FMG3Z1-FMG3H2

## 5. INDICATIVE OPENING PRICE (IOP) AND MATCHING ALGORITHM

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

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

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

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

35-MessageType=X Message, Opening Data Block is sent when:

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

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

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

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

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

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

### 5.1 Calculating/ Determining the IOP

CME Globex and SFTS share the same principles and specific set of rules to determine the IOP:

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

**Rule 2:** Determine the minimum non-matching quantity

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

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

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

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

### 5.1.1 Stop Orders in IOP

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

### 5.1.2 Determining Cumulative Quantity

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

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

**Table 5.1.2 Cumulative Quantity Process**

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

### 5.1.3 Examining for IOP

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

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

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

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

### 5.1.4 Applying the Rules to Establish the Indicative Opening Price

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

**Table 5.1.4a Maximum Matching Quantity**

| Cumulative Total of Bids and Offers |              |           |              |                          |
|-------------------------------------|--------------|-----------|--------------|--------------------------|
| Cumulative Sum of Bids              | Bid Quantity | Price     | Ask Quantity | Cumulative Sum of Offers |
| 10                                  | 10           | 51        | 30           | 357                      |
| 30                                  | 20           | 50        | 100          | 327                      |
| 60                                  | 30           | 49        | 1            | 227                      |
| 100                                 | 40           | 48        | 25           | 226                      |
| 150                                 | 50           | 47        | 1            | 201                      |
| <b>220</b>                          | 70           | <b>46</b> | 100          | <b>200</b>               |
| 320                                 | 100          | 45        | 90           | 100                      |
| 321                                 | 1            | 44        | 4            | 10                       |

|     |    |    |   |   |
|-----|----|----|---|---|
| 351 | 30 | 43 | 6 | 6 |
|-----|----|----|---|---|

**Note: Executed Quantity = 200**

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

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

**Rule 2:** Determine the minimum non-matching quantity.

**Table 5.1.4b Minimum Non-Matching Quantity**

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

**Note: Executed Quantity = 150**

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

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

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

**Table 5.1.4c Highest Price**

| Cumulative Total of Bids and Offers |              |       |              |                          |
|-------------------------------------|--------------|-------|--------------|--------------------------|
| Cumulative Sum of Bids              | Bid Quantity | Price | Ask Quantity | Cumulative Sum of Offers |
| 10                                  | 10           | 51    | 30           | 306                      |

| Cumulative Total of Bids and Offers |              |       |              |                          |
|-------------------------------------|--------------|-------|--------------|--------------------------|
| Cumulative Sum of Bids              | Bid Quantity | Price | Ask Quantity | Cumulative Sum of Offers |
| 30                                  | 20           | 50    | 100          | 276                      |
| 60                                  | 30           | 49    | 1            | 176                      |
| 100                                 | 40           | 48    | 25           | 175                      |
| <b>180</b>                          | 80           | 47    | 0            | <b>150</b>               |
| <b>180</b>                          | 0            | 46    | 50           | <b>150</b>               |
| 280                                 | 100          | 45    | 90           | 100                      |
| 281                                 | 1            | 44    | 4            | 10                       |
| 311                                 | 30           | 43    | 6            | 6                        |

**Note: Executed Quantity = 150**

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

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

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

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

**Table 5.1.4d Lowest Price**

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

**Note: Executed Quantity = 110**



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

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

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

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

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

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

| Cumulative Total of Bids and Offers |              |       |              |                          |
|-------------------------------------|--------------|-------|--------------|--------------------------|
| Cumulative Sum of Bids              | Bid Quantity | Price | Ask Quantity | Cumulative Sum of Offers |
| 50                                  | 50           | 51    | 30           | 280                      |
| 70                                  | 20           | 50    | 100          | 250                      |
| <b>150</b>                          | 80           | 49    | 0            | <b>150</b>               |
| <b>150</b>                          | 0            | 48    | 0            | <b>150</b>               |
| <b>150</b>                          | 0            | 47    | 0            | <b>150</b>               |
| <b>150</b>                          | 0            | 46    | 0            | <b>150</b>               |
| <b>150</b>                          | 0            | 45    | 70           | <b>150</b>               |
| <b>150</b>                          | 0            | 44    | 60           | 80                       |
| <b>150</b>                          | 0            | 43    | 20           | 20                       |

**Note: Executed Quantity = 150**

Settlement Price (Reference Price) = 46

At price levels 45 through 49, matches can occur at the calculated maximum number of 150 contracts.

Each price level shows accumulated totals of 150 Bids and 150 Offers which when matched results in zero remaining contracts. IOP is the price closest to settlement

### 5.1.5 Stops in IOP

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

#### **5.1.6 Display Quantity Orders in IOP**

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

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

BMD is adopting FIFO matching algorithm for both CME Globex and SFTS.

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

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

- Increase the quantity
- Change the price
- Change the account number

## 6. MARKET INTEGRITY CONTROLS *(This entire chapter is applicable exclusively for CME Globex except for Section 6.6)*

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

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

### 6.1 Order Activity Restrictions

Order activities are restricted to specific market states.

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

### 6.2 Daily Price (Trading) Limits

Daily price limits are applicable for trading in some products in BMD. For further details refer to Chapter 7 - Static Thresholds and Invalid Trade.

### 6.3 Price Banding

To ensure a fair and orderly market, CME Globex has also instituted a price banding mechanism where all incoming electronic orders are subject to price verification and all orders with clearly erroneous prices

are rejected. Price banding on the CME Globex platform is designed to mitigate the impact of erroneous order entries.

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

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

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

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

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

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

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

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

### 6.3.1 Price Banding with Market Limit orders

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

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

| Bid Quantity | Price  | Offer Quantity |
|--------------|--------|----------------|
|              | 150.75 | 300            |
|              | 150.50 | 100            |
|              | 150.25 | 50             |
|              | 150.00 | 25             |
| 35           | 149.75 |                |
| 60           | 149.25 |                |

| Bid Quantity | Price  | Offer Quantity |
|--------------|--------|----------------|
| 75           | 149.00 |                |
| 25           | 148.75 |                |

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

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

### 6.3.2 Price Banding with Stop orders

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

### 6.3.3 Price Band Variation (PBV)

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

If market conditions dictate a wider price band, for example, in a volatile market where prices are fluctuating rapidly, CME Group may elect to temporarily relax or suspend the price banding restriction. In addition to the PBVR, Daily Trading Limits may be in effect for certain products. Daily Trading Limits are always given priority over PBVR in rejecting orders with erroneous prices. PBVR are monitored throughout the day by the CME GCC and may be adjusted if necessary.

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

### 6.3.4 Reserve Price Band Multiplier

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

The Reserve Price Band Multiplier expands the default Price Band by a positive whole number multiplier (e.g., 2x or 3x) during the Reserved State, to allow Limit and Stop order entry from the

non-biased Buy or Sell side of the market. Allowing Limit and Stop order entry supports the creation of an Indicative Opening Price (IOP) at a fair market value level, thus supporting a more accurate reopening.

#### 6.4 Futures Banding

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

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

- The contract's Settlement Price will serve as the PBVR reference price during the Pre-Open and the Pre-Open/No-Cancel period, until the Indicative Opening Price (IOP) is calculated.
- Once an IOP is established, the IOP becomes the PBVR reference price.
- During the continuous trading, the CME Globex Last Price serves as the reference price for the PBVR
- If a contract has transitioned to continuous trading with no IOP or CME Globex Last Price being established, then the Settlement Price will continue to serve as the PBVR reference price until a CME Globex Last Price is established.
- In the event of a market emergency where a market is placed in a non-trading mode after continuous trading has begun, then the IOP will serve as the PBVR reference price during the non-regular Pre-Open and the Pre-Open/ No-Cancel Period. If no IOP is available, then the CME Globex Last Price will serve as the PBVR reference price.
- The PBVR adjusts dynamically as the CME Globex Last Price changes for a given product.

Example: PBVR Adjustment

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

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

#### 6.5 Options Banding

Price Banding for options markets requires specific considerations.

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

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

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

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

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

- Last Price of the option or spread
- Theoretical Options Price (TOP), based on well established options pricing algorithms
- Last Price in combination with the TOP, if practical.

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

## 6.6 Trade Cancellation

### 6.6.1 BMD Trade Cancellation Policy

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

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

A party responsible for an order(s) which results in a trade price adjustment, or a trade cancellation may be liable for actual losses incurred by affected parties pursuant to the criteria outlined in BMD Rule 6.18. **Cancellation of a Trade Or Price Adjustment. For further details please refer to Chapter 14 Error Maker Liability Claim**

**6.6.2 Non-Reviewable Range - Trade Cancellation**

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

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

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

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

The decision of BMD shall be final.

The Non-Reviewable Range is specified in the table:

| Contracts  | NRR  | Trade Review Reference Price   |
|--|--|--|
| Option on FKLI (OKLI)<br>Option on FCPO (OCPO)<br>Option on FPOL (OPOL)                              | 20% of premium up to ¼ of the underlying futures Non-Reviewable Range with a minimum of 1 tick | Bid/Ask Reasonability – the greater of the delta times the underlying futures Non-Reviewable Range or 20% of the fair value premium up to the underlying futures Non-Reviewable Range with a minimum reasonability of 50 ticks   |
| US Dollar Denominated Crude Palm Oil Futures (FUPO)<br>Bursa Malaysia DCE Soybean Oil Futures (FSOY) | +/- 120 ticks  | i. The last traded price on the same Business Day before the execution of the erroneous trade.<br>ii. If there are no trades on that Business Day prior to the execution of the erroneous trade, then the Best Buy Price or the Best Sale Price available before the execution of the erroneous trade.<br>iii. If there is no Best Buy Price or Best Sale Price, then the 'Daily Settlement Price' as referred to in the Clearing House Rules. |
| RBD Palm Olein Futures (FPOL)  | +/- 60 ticks   |  |
| Tin Futures (FTIN)   | +/- 150 ticks  |  |



|  |               |   |
|--|---------------|---|
| Mini FTSE Bursa<br>Malaysia Mid 70 Index<br>Futures (FM70)             | +/- 50 ticks  | iv. Where the Exchange is of the opinion that the price stated in the foregoing is not reflective of the value of a Contract at any given time, then the theoretical value of the Contract based on the cost of carry methodology at the point of execution of the erroneous trade. |
| Mini United States Dollar /<br>Chinese Renminbi (HK)<br>Futures (FCNH) | +/- 300 ticks |   |
| All other Futures<br>Contracts   | +/- 100 ticks |   |

### 6.6.3 Review of Trades

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

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

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

### Price Adjustments and Cancellations

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

1) Trade Price Inside the Non-Reviewable Range

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

2) Trade Price Outside the Non-Reviewable Range

a) Futures Contracts

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

b) Option Contracts (Not applicable for SFTS)

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

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

#### 6.6.4 GCC Trade Cancellation

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

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

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

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

### **Administrative Fees**

When GCC cancels or price adjusts a trade, the party responsible for entering the order into the electronic trading system that gave rise to the trade cancellation or price adjustment shall pay an administrative fee to the Exchange for each such occurrence as specified in Section 18 of this manual.

## **6.7 Stop Spike Logic**

In highly volatile markets, the market bid and ask can have significant price changes. These price swings can result from market conditions but can also be generated as a result of cascading stop price orders.

Cascading Stop Orders is a condition triggered by a spike in the market prices that triggers stop orders which in turn causes the market to trigger still other stop orders and inappropriately moving the market.

Stop Spike Logic is designed to prevent excessive, improper price movements.

The stop price logic detects market movement due to the triggering, election, and trading of stop price orders. When this situation causes a secondary condition where the market triggers and trades additional stop price orders at extreme market prices the Stop Spike Logic is engaged. A typical situation would be when initial triggered stops would cause the market to trade outside predefined values (typically the same as the Non-Reviewable Ranges).

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

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

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

### **6.7.1 Market Is Open**

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

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

### 6.7.2 Market Is Reserved

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

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

### 6.7.3 Market Reserved Activities

While the market is in a reserved state:

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

### 6.7.4 Market Reopens

The Instrument Status (MG) message is generated.

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

## 6.8 e-Stop

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

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

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

## 6.9 Velocity Logic

Velocity Logic monitors potential significant price movements in extremely small-time increments on the CME Globex trading platform to address market price movements that are too far, too fast.

Velocity Logic is designed to detect market movement of a predefined number of ticks either up or down within a predefined time. For all BMD products, the predefined number of ticks is 2x Price Banding and the predefined time is 5 seconds. Velocity Logic introduces a momentary suspension in matching by transitioning the futures instrument(s) and related options as follows:

**WHEN** a lead month futures instrument triggers an event:

- the entire group will transition into the Pre-Open state; **ELSE**
- the instrument will transition into the Reserved/Pause state

**AND**

the following actions occur in the corresponding options markets:

- options auto-reserve functionality automatically pauses matching in the associated options and options strategies markets
- all resting mass quotes are canceled when the auto-reserve functionality is initiated.

This Reserved State is maintained for a few seconds after the futures instrument has resumed trading. During the reserved period, customers can submit, modify, and cancel orders. Mass quotes are rejected.

Allowing the user community this momentary opportunity to enter, modify, or cancel orders in this situation provides the ability to re-establish the proper market prices. The market data Security Status (tag 35-MessageType=f) message is used to communicate the instrument status during the Velocity Logic event.

**Note:** In the event that a Fill and Kill, Minimum Quantity, or Market order is determined by CME Globex to trigger Velocity Logic:

- an Execution Report - Order Acknowledgment is sent
- an Execution Report - Order Cancel is sent (tag 35-MessageType=8, tag 39-OrdStatus=4); Fill and Kill and Minimum Quantity order eliminated (tag 35-MessageType=8, tag 39-OrdStatus=C)

- The market will remain open

The following examples describe the Velocity Logic event and the use of the Security Status message.

| State                      | Description   |
|----------------------------|---|
| Market Is Open             | When a price moves the market up or down through a predefined number of ticks within a predefined time period, the Velocity Logic event is triggered. If the order is a Minimum Quantity, FAK or Market order, it is rejected via an Execution Report-Reject message (tag 35-MessageType=8, tag 39-OrdStatus=8), and tag 58-Text= <b>Order price submitted/derived violates Velocity Logic Threshold</b> , and the market remains open.   |
| Market Is Reserved         | If the execution price has moved the market up or down outside a predefined tick value within a predefined time period, the Velocity Logic functionality is triggered, and the instrument is placed in reserved state for a predetermined amount of time (2 minutes for all BMD products). A Security Status (tag 35-MessageType=f) message is generated to notify the market of this state.<br><b>Note:</b> When the market is in a reserved state, any external event, such as a market close or manual market intervention, will cause the market to transition from the reserved state and proceed with processing of the external event. |
| Market Reserved Activities | While the market is in a <b>reserved state</b> : <ul style="list-style-type: none"> <li>• A 2-minutes timer is activated.</li> <li>• The Indicative Opening Price is communicated via the Indicative Opening Price data block (tag 35-MessageType=X, tag 269-MDEntryType=4, tag 286-NoMDEntries=5).</li> <li>• While the corresponding options market is in the Pause state, clients can cancel resting orders. No other actions are allowed. During the Pause state CME Globex cancels all options quotes.</li> </ul>  |
| Market Reopens             | <ul style="list-style-type: none"> <li>• The market reopens when the 2 minutes has elapsed.</li> <li>• The Security Status (tag 35-MessageType=f) message is generated.</li> <li>• Once the futures Velocity Logic event has been resolved, the options market transitions from 'Pause' to 'Open' with no indicative opening price; price discovery occurs via customer quote submission.</li> </ul>  |

The link below provides a video overview of Velocity Logic:

<http://www.cmegroup.com/education/understanding-velocity-logic.html>

### 6.10 Trading Controls Settings

The Trading Controls Settings are as below.

#### Futures Contracts

|      | Maximum Quantity | Price Banding | Protection Points | Stop Spike range | Non-Reviewable Range |
|------|------------------|---------------|-------------------|------------------|----------------------|
| FKLI | 500              | +/- 80 ticks  | +/- 40 ticks      | +/- 100 ticks    | +/- 100 ticks        |
| FCPO | 500              | +/- 80 ticks  | +/- 40 ticks      | +/- 100 ticks    | +/- 100 ticks        |
| FPKO | 500              | +/- 80 ticks  | +/- 40 ticks      | +/- 100 ticks    | +/- 100 ticks        |
| FUPO | 500              | +/- 96 ticks  | +/- 48 ticks      | +/- 120 ticks    | +/- 120 ticks        |
| FKB3 | 500              | +/- 80 ticks  | +/- 40 ticks      | +/- 100 ticks    | +/- 100 ticks        |
| FGLD | 500              | +/- 80 ticks  | +/- 40 ticks      | +/- 100 ticks    | +/- 100 ticks        |
| FPOL | 500              | +/- 50 ticks  | +/- 25 ticks      | +/- 60 ticks     | +/- 60 ticks         |
| FTIN | 500              | +/- 120 ticks | +/- 60 ticks      | +/- 150 ticks    | +/- 150 ticks        |
| FM70 | 500              | +/- 40 ticks  | +/- 20 ticks      | +/- 50 ticks     | +/- 50 ticks         |
| FEPO | 500              | +/- 80 ticks  | +/- 40 ticks      | +/- 100 ticks    | +/- 100 ticks        |
| F4GM | 500              | +/- 80 ticks  | +/- 40 ticks      | +/- 100 ticks    | +/- 100 ticks        |
| FCNH | 500              | +/- 280 ticks | +/- 140 ticks     | +/- 300 ticks    | +/- 300 ticks        |
| FSOY | 500              | +/- 96 ticks  | +/- 48 ticks      | +/- 120 ticks    | +/- 120 ticks        |

**Option Contracts**

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



## 7. STATIC THRESHOLDS

### 7.1 STATIC PRICE THRESHOLDS (PRICE LIMITS)

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

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

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

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

### 7.2 BUSINESS RULES – SCHEDULE 2 (FKLI, FM70 and F4GM)

7.2.1 The price limit for the respective contract months is 20% (or a percentage as determined by the Exchange) in either direction from the latest Daily Settlement Price.

7.2.2 The price limits in paragraph 7.2.1 do not apply to trades in:

7.2.2.1 the spot month Contract: and

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

### 7.3 BUSINESS RULES – SCHEDULE 1 (FCPO, FPKO, FUPO FPOL and FEPO)

7.3.1 Trades for future delivery of FCPO, FPKO, FUPO, FPOL and FEPO in any month, must not be made, during any 1 Business Day, at prices varying more than 10% above or below the settlement prices of the preceding Business Day ("the 10% Limit") except as provided below:

(a) When the 10% Limit is triggered, the Exchange will announce a 10-minute cooling off period ("the Cooling Off Period") for Contracts of all contract months during which trading may only take place within the 10% Limit.

(b) Following the Cooling Off Period, Contracts of all contract months will be specified as reserved for a period of 5 minutes, after which the price limit will be expanded to 15%. The prices traded for Contracts of all contract months must then not vary more than 15% above or below the settlement prices of the preceding Business Day ("the 15% Limit").

- (c) If the 10% Limit is triggered less than 30 minutes before the end of the morning trading session, the 10% Limit will apply to Contracts of all contract months for the rest of the morning trading session and the 15% Limit will apply to Contracts of all contract months during the afternoon trading session.
  - (d) If the 10% Limit is triggered less than 30 minutes before the end of afternoon trading session, the 10% Limit will apply to Contracts of all contract months for the rest of the afternoon session.
  - (e) If the 10% Limit is triggered less than 30 minutes before the end of the after-hours (T+1) trading session, the 10% Limit will apply to Contracts of all contract months (except the current month) for the rest of the after-hours (T+1) trading session and the 15 % Limit will apply to Contracts of all contract months (except the current month) for the following morning and afternoon trading sessions.
- 7.3.2 The requirements in paragraph 7.3.1 are not applicable to trades in the current delivery month.
- 7.3.3 For the purposes of paragraph 7.3.1, the 10% Limit will be considered triggered in manner as may be prescribed by the Exchange.

#### **7.4 BUSINESS RULES – SCHEDULE 3 (FGLD and FTIN)**

There must be no trading at a price more than 10% above or below the latest Daily Settlement Price (“the 10% Limit”) except as provided below:

- 7.4.1 If spot month Contract trades at the 10% Limit, the Exchange will announce a 10-minute cooling off period (“the Cooling Off Period”) for Contracts of all contract months (including the spot month) during which trading may only take place within the 10% Limit for Contracts of all contract months (including the spot month).
- 7.4.2 After the Cooling Off Period, Contracts of all contract months (including the spot month) will be specified as reserved for a period of 5 minutes, after which the price limit will be expanded to 20%. The prices traded for Contracts of all contract months (including the spot month) must then not vary more than 20% above or below the latest Daily Settlement Price (“the 20% Limit”).
- 7.4.3 If spot month Contract trades at the 10% Limit less than 30 minutes before the end of the morning trading session, the 10% Limit will apply to Contracts of all contract months (including the spot month) for the rest of the morning trading session, and the 20% Limit will apply to Contracts of all contract months (including the spot month) during the afternoon trading session.
- 7.4.4 If spot month Contract trades at the 10% Limit less than 30 minutes before the end of the afternoon trading session, the 10% Limit will apply to Contracts of all contract months (including the spot month) for the rest of the afternoon trading session.
- 7.4.5 If spot month Contract trades at the 10% Limit less than 30 minutes before the end of the after-hours (T+1) trading session the 10% Limit will apply to Contracts of all contract months

(including the spot month) for the rest of the after-hours (T+1) trading session, and the 20% Limit will apply to Contracts of all months (including the spot month) for the following morning and afternoon trading sessions.

7.4.6 On any Business Day other than the Final Trading Day, the price limits in the above paragraphs apply to trades in Contracts of all contract months including the spot month. On the Final Trading Day, the price limits in the above paragraphs do not apply to trades in spot month Contracts.

## 7.5 BUSINESS RULES – SCHEDULE 1 (FSOY)

7.5.1 With the exception of trades in the spot month, trades of the Contract in any of the contract months must not be made, during any Business Day, at prices varying more than a prescribed percentage above or below the settlement prices of the preceding Business Day (“Price Limits”), as determined by the Exchange.

7.5.2 For the purpose of paragraph (7.5.1) above, the price limits (in percentages) of the Bursa Malaysia DCE Soybean Oil Futures Contract will be used to calculate the Price Limits unless the Exchange determines otherwise due to market conditions.

## 7.6 INVALID ORDER

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

## 7.7 INVALID TRADE

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

## 7.8 TRADE CANCELLATION

Trade cancellation process will be guided by BMD Rule 6.18 and as detailed in Chapter 6.6 of this Manual.

### Rule 6.18 Cancellation of a Trade or Price Adjustment

- 1) The Exchange may adjust trade prices or cancel trades where it believes such action is necessary in the interest of an orderly and fair Market.
- 2) Notwithstanding any other provisions of this Rule, the Exchange may review a trade executed on the Market, on its own or upon the request of a Trading Participant.
- 3) A request for review by a Trading Participant must be made within the time prescribed by the Exchange.

- 4) For the avoidance of doubt any request for review of a trade must be made by a Trading Participant even if the order for the trade were entered by a Direct Market Access Client or a Participant who is not a Trading Participant
- 5) The Exchange will notify the Market of any trade that is under review.
- 6) If the price of the trade under review is determined to be within the Non-Reviewable Range, the trade will stand.
- 7) If the price of the trade under review is determined to be outside the Non-Reviewable Range, the price of the trade will either be adjusted in accordance with the formula set out in the Trading Procedures or cancelled as the Exchange sees fit.
- 8) Before the Exchange cancels a trade or adjusts the price of the trade pursuant to Rule 6.18(7), the Trading Participants to the trade may, with the approval of the Exchange, mutually agree to adjust the price of the trade or cancel the trade.
- 9) The cancellation or price adjustment of a trade resulting from a mistake by a Participant does not preclude the Exchange from taking action against the Participant and/or Registered Persons for the breach of Rule 6.10(7).

## 8. UNPLANNED HOLIDAY

Generally, a holiday is known in advance and can fall on a normal trading day or an expiration day.

There are however exceptions where a public holiday is announced in less than a day's notice.

### 8.1 HOLIDAYS CAN BE CATEGORIZED AS FOLLOWS:

#### 8.1.1 Scenario A — Potential Holiday Known in Advance

More than 30 minutes before the pre-open of the T+1 night session

#### 8.1.2 Scenario B — Holiday Not Known in Advance

Less than 30 minutes before the pre-open of the T+1 night session

### 8.2 PROCEDURES

The procedures for handling unplanned holidays are as follows:

#### 8.2.1 Holiday falls on a business day

If the unplanned holiday is known less than 30 minutes before the scheduled pre-open of the T+1 night session, trading for the T+1 night session will proceed as scheduled. However, the following day's regular sessions will not be open for trading.

BMD will broadcast a BMD Market Notice to confirm this event and the action that will be taken.

If the unplanned holiday is known in advance in excess of 30 minutes before the pre-open of the T+1 session is scheduled, then the T+1 as well as the following day's regular sessions will be closed for trading. BMD will broadcast a BMD Market Notice to confirm this event and the action that will be taken. Post-dated orders entered into the system and expiring on the business date which the holiday falls on, will be deleted from the order book and will not appear when the trader logs in on the business day following the holiday.

#### 8.2.2 Holiday falls on expiration day

The conditions as stated under 8.2.1 will also apply should the potential unplanned holiday happens to be an expiration day.

The Final Settlement Value for all contracts expiring on the day the holiday falls will be calculated by the Exchange. Under such circumstances, the Exchange will apply the BMD Rules 9.04 sub section 2 which gives the Exchange the discretion in determining the Final Settlement Value from time to time.

## 9. CIRCUIT BREAKER

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

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

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

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

### 9.1 Business Rule 6.22(1)

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

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

### 9.2 Bursa Malaysia Circuit Breaker Trigger Limits

| BURSA MALAYSIA Circuit Breaker Trigger Conditions & Trading Halt Duration |  |                          |                             |                        |                             |
|---|--|--------------------------|-----------------------------|------------------------|-----------------------------|
| Trigger Level   | FBM KLCI Decline   | 9:00am – before 11:15 am | 11:15am – 12:30pm           | 2:30pm – before 3:30pm | 3:30pm – 5:00pm             |
| 1   | FBM KLCI falls by an aggregate of 10% or more but less than 15% of the previous market | 1 Hour                   | Rest of the Trading Session | 1 Hour                 | Rest of the Trading Session |

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

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

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

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

### 9.3. Procedures

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

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

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

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

## **10. MARKET EMERGENCY**

### **10.1 GENERAL**

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

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

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

### **10.2 EMERGENCY TRADING**

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

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

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

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

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

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



## 11. EXCHANGE FOR RELATED POSITIONS (EFRPs)

### 11.1 Definition

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

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

### 11.2 Definitions of EFRP Classes

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

#### 11.2.1 Exchange for Physical (EFP)

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

#### 11.2.2 Exchange for Swap (EFS)

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

#### 11.2.3 Exchange for Futures (EFF)

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

### 11.3 Regulatory Framework

#### 11.3.1 Execution

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

#### 11.3.2 Futures Contract Month

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

### **11.3.3 Price**

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

### **11.3.4 Trade Conformation**

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

### **11.3.5 Account Requirements**

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

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

### **11.3.6 Position Limits**

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

### **11.3.7 Registration of EFRP**

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

## **11.4 Eligible Related Positions in Relation to BMD Products**

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

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

| Contract   | Eligible Related Positions   |
|--|--|
| <ul style="list-style-type: none"> <li>• Crude Palm Oil Futures (FCPO)</li> <li>• Crude Palm Kernel Oil Futures (FPKO)</li> <li>• USD Crude Palm Oil Futures (FUPO)</li> <li>• RBD Palm Olein Futures (FPOL)</li> <li>• East Malaysia Crude Palm Oil Futures (FEPO)</li> </ul> | <ul style="list-style-type: none"> <li>• Crude Palm Oil</li> <li>• Crude Palm Olein</li> <li>• Crude Palm Stearin</li> <li>• RBD Palm Oil</li> <li>• RBD Palm Olein</li> <li>• RBD Palm Stearin</li> <li>• Crude Palm Kernel Oil</li> <li>• Palm Kernel Cake</li> <li>• RBD Palm Kernel Oil</li> <li>• RBD Palm Kernel Olein</li> <li>• RBD Palm Kernel Stearin</li> <li>• Palm Fatty Acid Distillate</li> <li>• Palm Oleochemicals</li> <li>• Palm Biodiesel</li> <li>• Palm Oil related Swaps</li> </ul> |
| <ul style="list-style-type: none"> <li>• 3-Year MGS Futures (FMG3)</li> <li>• 5-Year MGS Futures (FMG5)</li> <li>• 10-Year MGS Futures (FMGA)</li> </ul>   | <ul style="list-style-type: none"> <li>• Malaysian Government Securities</li> <li>• Cagamas Bonds</li> <li>• Khazanah Bonds</li> <li>• Interest Rate Swaps</li> </ul>  |
| <ul style="list-style-type: none"> <li>• 3-Month KLIBOR Futures (FKB3)</li> </ul>  | <ul style="list-style-type: none"> <li>• Negotiable Certificate of Deposits</li> <li>• Banker's Acceptance</li> <li>• Malaysian Treasury Bills</li> <li>• KLIBOR Deposits</li> <li>• Forward Rate Agreements</li> <li>• Interest Rate Swaps</li> <li>• Bank Negara Malaysia Bills</li> </ul>   |
| <ul style="list-style-type: none"> <li>• FTSE Bursa Malaysia KLCI Index Futures (FKLI)</li> <li>• Option on FKLI (OKLI)</li> <li>• Mini FTSE Bursa Malaysia Mid 70 Index Futures (FM70)</li> <li>• FTSE4Good Bursa Malaysia Index Futures (F4GM)</li> </ul>                    | <ul style="list-style-type: none"> <li>• Exchange Traded Funds</li> </ul>  |
| <ul style="list-style-type: none"> <li>• Gold Futures (FGLD)</li> </ul>  | <ul style="list-style-type: none"> <li>• Physical Gold</li> </ul>  |
| <ul style="list-style-type: none"> <li>• Tin Futures (FTIN)</li> </ul>   | <ul style="list-style-type: none"> <li>• Physical Tin</li> </ul>   |

| Contract   | Eligible Related Positions  |
|--|---|
|  | <ul style="list-style-type: none"> <li>• KLTM approved warrants</li> </ul>  |
| <ul style="list-style-type: none"> <li>• Mini United States Dollar / Chinese Renminbi (HK) Futures (FCNH)</li> </ul> | <ul style="list-style-type: none"> <li>• Not eligible for EFRP</li> </ul>   |
| <ul style="list-style-type: none"> <li>• Bursa Malaysia DCE Soybean Oil Futures (FSOY)</li> </ul>                    | <ul style="list-style-type: none"> <li>• Crude Soybean Oil</li> <li>• Refined Soybean Oil</li> <li>• Soybean</li> <li>• Soybean Meal</li> <li>• Soybean related swaps</li> <li>• Soybean Oil Biodiesel</li> </ul> |

## 11.5 EFRP Requirements

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

### 11.5.1

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

### 11.5.2

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

- a) accounts which belong to different beneficial owners; or
- b) account which are under separate control.

### 11.5.3

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

### 11.5.4

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

### 11.5.5

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

### 11.5.6

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

#### 11.5.6.1

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

#### 11.5.6.2

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

### 11.5.7

Letter of Intention from parties of EFRP

### 11.5.8

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

### 11.5.9

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

## 11.6 Operational Framework

### 11.6.1 Reporting of EFRP

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

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

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

The 3 documents are to be sent to Exchange Operations (EO) before the cut-off time as follows:

| Contracts  | Cut-off time |
|--|--------------|
| FTIN   | 3:15pm       |
| FKB3   | 5:15pm       |
| FKLI, FM70, F4GM, SSF, OKLI                                      | 5:30pm       |
| FGLD   | 5:45pm       |
| FCPO, OCPO, FPKO, FEPO, FUPO, FPOL, OPOL, FMG3, FMG5, FMGA, FSOY | 6:15pm       |

All EFRP applications received after the cut-off time will be deemed as the following day's submission and processed by the next business day.

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

EFRP facility is not available during after-hours (T+1) trading session.

#### **11.6.2 Amendment/Cancellation of EFRP**

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

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

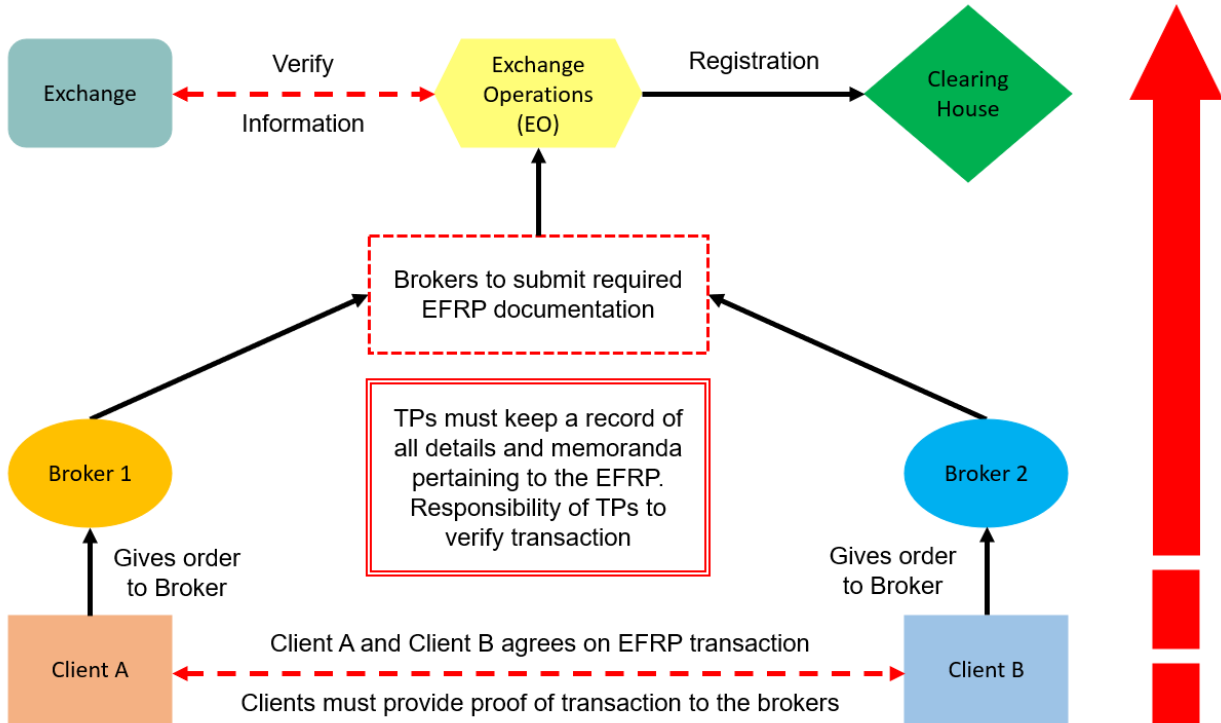
#### **11.6.3 Rejection of EFRP Transaction**

The Trading Participants must ensure that all information provided in the Notification of EFRP Transaction Form and Letter of Intention To Do EFRP Transaction ("the Forms") are true and correct. The Trading Participant must submit additional or other information or documents if requested by the Exchange.

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

### 11.6.4 Trading Flow

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



Procedure:

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

### 11.6.5 Impact on Market

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

### 11.6.6 Role of Clearing Participants

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

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

## 11.7 Procedure for submitting EFRP applications

The following are the submission procedures for EFRP.

- Step 1) Trading Participants verify the details of all EFRP documents to ensure it is in order.
- Step 2) Complete the Notification of EFRP Transaction form
- Step 3) Submit the following to the Exchange: -
  - Notification of EFRP Transaction form
  - Dealing Slips/Dealing Confirmation/Physical Contract Notes (proof of underlying transaction)
  - Letter of Intention to do EFRP
  - The client's particulars on the Notification of EFRP Transaction Form.

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

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

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



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

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

### **11.8 Market Data**

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



### NOTIFICATION OF EFRP TRANSACTION FORM

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

#### 1. DETAILS OF THE FUTURES CONTRACTS

Date:

Futures Contract Code:

Delivery Month(s):

Futures Price(s):

Number of Lots:

Name of Reporting Selling Trading Participant:

Seller 1 (Trading Participant's client):

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

Name of Reporting Buying Trading Participant:

Buyer 1 (Trading Participant's client):

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

#### 2. DETAILS OF RELATED POSITION LEG TRANSACTION

Date:

Instrument:

Price/Rate:

Amount/Quantity:

Tenor:

Seller 1 (Trading Participant's client):

|  |
|--|
| Seller 2 (Client of Trading Participant's client) if above is omnibus account: |
| Buyer 1 (Trading Participant's client):  |
| Buyer 2 (Client of Trading Participant's client) if above is omnibus account:  |

|   |
|---|
| <b>3. NUMBER OF FUTURES CONTRACTS</b>         |
| Type of Ratio <i>(if applicable)</i> :        |
| <u>Calculation of No. of Futures Contract</u> |

**4. To be completed by Trading Participants**

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

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

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

\_\_\_\_\_  
*Selling Trading Participant  
 Authorised Signature & Co. Stamp*

\_\_\_\_\_  
*Buying Trading Participant  
 Authorised Signature & Co. Stamp*

**5. To be completed by Clearing Participants**

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

\_\_\_\_\_  
*Selling Clearing Participant*

\_\_\_\_\_  
*Buying Clearing Participant*

*Authorised Signature & Co. Stamp*

*Authorised Signature & Co. Stamp*

***Exchange & Clearing House Use Only***

**6. Exchange Operations (EO)**

**Complete list of documents received by:** \_\_\_\_\_

**Time received:** \_\_\_\_\_

**EFRP registered by:** \_\_\_\_\_

**Trade Ref. No.:** \_\_\_\_\_

**7. Approved by:** \_\_\_\_\_

**Head of Derivatives Trading Operations or delegate**

**Time : \_\_\_\_\_ Date: \_\_\_\_\_**

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

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

**1. DETAILS OF THE FUTURES CONTRACTS**

Date:

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

Futures Contract Code:

Delivery Month(s):

Futures Price(s):

Number of Lots:

Name of Counterparty:

**2. DETAILS OF RELATED POSITION LEG TRANSACTION**

Date:

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

Instrument:

Price/Rate:

Amount/Quantity:

Tenor:

Name of Counterparty:

### 3. NUMBER OF FUTURES CONTRACTS

Type of Ratio *(if applicable)*:

Calculation of No. of Futures Contract

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

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

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

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

### 4. To be completed by party to the EFRP

\_\_\_\_\_  
*Name & Address*

\_\_\_\_\_  
*Authorised Signature & Co. Stamp*

*Exchange Use Only*

5. Exchange Operations (EO) Section

Time received: \_\_\_\_\_

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

\_\_\_\_\_

## 12. TRADING PHASES AND STATES

### 12.1 TRADING DAY

A typical trading day has the following characteristics:

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

### 12.2 TRADING PHASES

#### 12.2.1 CME Globex Trading Phases

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

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



### 12.2.2 SFTS Trading Phases

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

- Pre-Opening
- Continuous Trading
- Pause
- Pre-Opening
- Continuous Trading
- Surveillance Intervention
- Maintenance Period

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

### 12.3 TRADING PHASES AND MARKET TIMING

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

| Market Timing                            |  |  |   |                   |                 |
|--|--|--|---|-------------------|-----------------|
| Trading Phases                           | Equity Financial (FKLI/FM70/F4G M/OKLI/SSFs) | Non-Equity Financial (FKB3/FMG3/FMG5/FMGA) | Commodity   |                   | Currency (FCNH) |
|  |  |  | Agriculture (FCPO/FPOL/FUPO/FPKO/FEPO/OCPO/OPOL/FSOY)         | Metal (FGLD/FTIN) |                 |
| Pre-Opening (Morning Session)            | 8:15 am                                      | 8:30am                                     | 8:30am (FPOL/OPOL/FEPO/FSOY)<br>10:00am (FCPO/FUPO/FPKO/OCPO) | 8:30am            | 8:30am          |
| No-Cancel (30 seconds) (Morning Session) | 8:44:30 am (Not Applicable for SSFs)         | 8:59:30am (Not applicable for FMG3/5/A)    | 8:59:30am (FPOL/OPOL/FEPO/FSOY)<br>10:29:30am                 | 8:59:30am         | 8:59:30am       |

|  |  |  |  |  |           |
|--|--|--|--|--|-----------|
|  |  |  | (FCPO/FUPO/FPKO/OCPO)  |  |           |
| Continuous Trading (Morning Session)       | 8:45am                                 | 9:00am                                       | 9:00am<br>(FPOL/OPOL/FEPO/FSOY)<br><br>10:30am<br>(FCPO/FUPO/FPKO/OCPO)      | 9:00am   | 9:00am    |
| Pause (Morning Session)                    | 12:45pm                                | 12:30pm                                      | 12:00pm<br>(FPOL/OPOL)<br><br>12:30pm<br>(FCPO/FUPO/FPKO/OCPO/FEPO/FSOY)     | 12:00pm<br>(FTIN)<br><br>12:30pm<br>(FGLD)     | NA        |
| Pre-Opening (Afternoon Session)            | 2:00pm                                 | 2:00pm                                       | 1:00pm<br>(FPOL/OPOL/FSOY)<br><br>2:00pm<br>(FCPO/FPKO/FUPO/OCPO/FEPO)       | 1:00pm<br>(FTIN)<br><br>2:00pm<br>(FGLD)       | NA        |
| No-Cancel (30 seconds) (Afternoon Session) | 2:29:30pm<br>(Not Applicable for SSFs) | 2:29:30pm<br>(Not applicable for FMG3/5/A)   | 1:29:30pm<br>(FPOL/OPOL/FSOY)<br><br>2:29:30pm<br>(FCPO/FPKO/FUPO/OCPO/FEPO) | 1:29:30pm<br>(FTIN)<br><br>2:29:30pm<br>(FGLD) | NA        |
| Continuous Trading (Afternoon Session)     | 2:30pm                                 | 2:30pm                                       | 1:30pm<br>(FPOL/OPOL/FSOY)<br><br>2:30pm<br>(FCPO/FPKO/FUPO/OCPO/FEPO)       | 1:30pm<br>(FTIN)<br><br>2:30pm<br>(FGLD)       | NA        |
| Surveillance Intervention                  | 5:15pm                                 | 5:00pm<br>(FKB3)<br><br>6:00pm<br>(FMG3/5/A) | 6:00pm   | 3:00pm<br>(FTIN)<br><br>5:30pm<br>(FGLD)       | 6:00pm    |
| Maintenance Period                         | 5:30pm                                 | 5:15pm<br>(FKB3)<br><br>6:15pm<br>(FMG3/5/A) | 6:15pm   | 3:15pm<br>(FTIN)<br><br>5:45pm<br>(FGLD)       | 6:15pm    |
| Pre-Opening (After-hour T+1 session)       | 8:45pm<br>(Not Applicable for SSFs)    | 8:45pm<br>(Not applicable for FMG3/5/A)      | 8:45pm   | 8:45pm   | 8:45pm    |
| No-Cancel (30 seconds) (After-hour)        | 8:59:30pm<br>(Not Applicable for SSFs) | 8:59:30pm<br>(Not applicable for FMG3/5/A)   | 8:59:30pm  | 8:59:30pm                                      | 8:59:30pm |

|   |                                      |  |         |         |         |
|---|--------------------------------------|--|---------|---------|---------|
| T+1 session)                                |                                      |  |         |         |         |
| Continuous Trading (After-hour T+1 session) | 9:00pm<br>(Not Applicable for SSFs)  | 9:00pm<br>(Not applicable for FMG3/5/A)  | 9:00pm  | 9:00pm  | 9:00pm  |
| Pause (After-hour T+1 session)              | 2:30am*<br>(Not Applicable for SSFs) | 2:30am*<br>(Not applicable for FMG3/5/A) | 11:30pm | 2:30am* | 2:30am* |

\* The after-hour T+1 session ceases at 2:30am the next day.

After-hour T+1 session only applicable for products traded on CME Globex.

After-hour T+1 session only applicable from Monday to Thursday. There will not be any Friday after-hour T+1 session.

Trades executed during the after-hour T+1 session would be deemed as the next business day trade and settled on the next business day.

There will be no after-hour T+1 session on the eve of a public holiday and on the night of the public holiday. The only exception is when the after-hour T+1 session has already started on the eve of an unplanned holiday.

Negotiated Large Trade (NLT) and Exchange for Related Positions (EFRP) facilities are not available during after-hour T+1 session.

**12.4 Trading Status Of Product Groups**

| <b>Trading Status</b> | <b>Functions/Activities</b>  |
|-----------------------|--|
| Pre-Opening           | <ul style="list-style-type: none"> <li>• Orders and quotes can be entered, maintained, modified, and deleted.</li> <li>• No matching of orders and quotes.</li> <li>• Opening Price Calculation is done on a continuous basis called an Indicative Opening Price (IOP) Information is broadcast to market based on orders and quotes in order book.</li> </ul> |
| No-Cancel             | <ul style="list-style-type: none"> <li>• A predetermined time (30 seconds) before the session opens when traders can only enter orders but cannot cancel, execute, or modify orders. (Opening price calculations are updated during this time)</li> <li>• This feature is good for preventing price manipulation during the Pre-opening phase.</li> </ul>      |

| Trading Status            | Functions/Activities   |
|---------------------------|--|
| Continuous Trading        | <ul style="list-style-type: none"> <li>• Orders can be entered, maintained, modified, and deleted.</li> <li>• Trading takes place on a continuous basis.</li> <li>• Each incoming order are checked immediately for possible execution.</li> <li>• Unexecuted portion of such order is added to the order book.</li> <li>• Matched trades can be viewed on Broker Front End.</li> <li>• Matching will be based on Price and Time Priority.</li> <li>• Opening match is calculated without implied orders.</li> </ul> |
| Surveillance Intervention | <ul style="list-style-type: none"> <li>• Market is paused</li> <li>• During this time, only order cancellation can occur. This allows traders to maintain their order books before the next trading day</li> </ul>   |
| Maintenance Period        | <ul style="list-style-type: none"> <li>• The period of time that begins when CME Globex sends the notification that trading has closed for a group of products for that particular trade date.</li> <li>• No access allowed to all users</li> </ul>  |
| Reserved                  | <ul style="list-style-type: none"> <li>• Orders and quotes can be entered, maintained, modified, and deleted.</li> <li>• No matching of orders and quotes.</li> </ul>  |

### 12.5 Stopping Trading On A Group Or On The Market

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

## 13. MESSAGING AND MARKET PERFORMANCE PROTECTION POLICY *(Applicable exclusively on CME Globex)*

### 13.1 CME Globex Market Performance Protection Policy

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

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

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

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

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

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

### 13.2 CME Globex Excessive Messaging Threshold

The CME Globex Excessive Messaging Threshold (EMT) is to promote efficient messaging and foster high quality, liquid markets. The EMT is applicable to BMD markets and the thresholds are governed by the rules of BMD.

The associated EMT calculations pertaining to BMD iLink Session ID are as follows:

- **Raw Message Count** (Orders + Modifications + Cancellations + Eliminations)
- **Messaging Score** (Number of modifications) + (Number of orders cancellations multiple by 3) + (Number of FAK or FOK orders eliminated multiple by 3)
- **Volume Ratio** =  $\frac{\text{iLink Session ID Product Group Messaging Score}}{\text{iLink Session ID Product Group Volume}}$

Any iLink Session ID which exceeds a Raw Message Count of 1 million for a Globex trade date and a Volume Ratio >500:1 in each individual product group that subject to the EMT, may result in the following escalations by the CME:

- Warning notification stating the iLink Session ID(s) exceeded the EMT threshold.
- Second warning notification stating the associated market participant's GCC port will be closed if a third instance occurs within a rolling 12-month period.
- iLink Session port closure with accompanying USD1,000 port closure fee.

#### Case Example 1:

Product Group = BC (FCPO)  
 Globex iLink session activity on a Trade Date:

| Trade Date | Orders | Modifications | Cancellations | Eliminations | Trade Volume |
|------------|--------|---------------|---------------|--------------|--------------|
| 1 Nov 22   | 13,645 | 1,049,554     | 13,322        | 122          | 849          |

$$\text{Raw Message Count} = 13,645 + 1,049,554 + 13,322 + 122 = 1,076,643$$

$$\text{Messaging Score} = (1,049,554) + (13,322 \times 3) + (122 \times 3) = 1,089,886$$

$$\text{Volume Ratio} = 1,089,886 / 849 = 1,283.7$$

In this example, the iLink session has exceeded the Raw Message Count of 1 million and with a Volume Ratio higher than 500:1. Hence, it has exceeded the EMT threshold.

**Case Example 2:**

Product Group = BC (FCPO)  
 Globex iLink session activity on a Trade Date:

| Trade Date | Orders | Modifications | Cancellations | Eliminations | Trade Volume |
|------------|--------|---------------|---------------|--------------|--------------|
| 1 Nov 22   | 13,145 | 973,554       | 12,822        | 122          | 849          |

$$\begin{aligned} \text{Raw Message Count} &= 13,145 + 973,554 + 12,822 + 122 \\ &= 999,643 \end{aligned}$$

$$\begin{aligned} \text{Messaging Score} &= (973,554) + (12,822 \times 3) + (122 \times 3) \\ &= 1,012,386 \end{aligned}$$

$$\begin{aligned} \text{Volume Ratio} &= 1,012,386 / 849 \\ &= 1,192.5 \end{aligned}$$

In this example, the Volume Ratio is higher than 500:1 but the Raw Message Count is below 1 million. Hence, the iLink session does not exceed the EMT threshold.

**13.2.1 Reopening iLink Session Ports**

TP’s authorised personnel to contact CME Global Command Center (GCC) via phone or e-mail to request for port reopening. iLink Session ports will be reopened upon GCC determination that the detrimental behaviour has been corrected.

The GCC will require a written explanation from the TP to ensure that the TP and its client (if any) have a complete understanding of the root cause.

In addition to the explanation, the GCC will require detailed information as to the mitigating and programmatic steps that have been taken or will be taken to ensure the offending activity will not occur again. The mitigating and programmatic steps in this context refer to the controlling actions or steps specific to the TP and its client’s trading system that could be taken to reduce/mitigate the potential violation. This typically means that the action taken is on the specific client’s trading system and the firm’s solution.

TP is required to e-mail to GCC (with cc to BMD) with the explanation and information as mentioned above.

**13.2.2 Request for Port Closure Fee Waiver**

TP can submit a port closure fee waiver request (via e-mail to GCC with cc to BMD) by providing its justification to GCC. The fee waiver will be subjected to GCC’s review and decision.

## 14. ERROR MAKER LIABILITY CLAIM

### 14.1 ERROR MAKER LIABILITY CLAIM

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

#### Rule 6.19 Error Maker Liability

- 1) A Trading Participant whose order was responsible for a trade adjustment or cancellation under Rule 6.18 ("the Error Maker") is liable for claims of actual losses incurred by other Trading Participants whose trade prices were adjusted or cancelled as a result of the above order. However, a Trading Participant who makes a claim is not entitled to compensation for losses incurred as a result of any failure to take reasonable actions to mitigate the loss. The procedure for making a claim against the Error Maker is set out in the Trading Procedures.
- 2) To the extent that liability is denied by the Error Maker, the Trading Participant making the claim may settle the dispute in accordance with Part F of Chapter 4 of the BMD Rules.
- 3) For the avoidance of doubt:
  - a) a Trading Participant may not make any claim in relation to the cancellation or price adjustment of a trade under Part F of Chapter 4 of the BMD Rules unless the Trading Participant had submitted a claim under Rule 6.19(1) and the said claim had been denied in part or in totality by the Error Maker; and
  - b) any claim in relation to the cancellation or price adjustment of a trade must be made by or through a Trading Participant notwithstanding that the order may have been entered by a Direct Market Access Client or a Participant who is not a Trading Participant.

### 14.2 PROCEDURE FOR SUBMITTING ERROR MAKER LIABILITY CLAIM

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

- a) Affected Trading Participant to submit error maker liability claim on an Exchange claim form to the Head of Derivatives Exchange Operations within five business days of the incident. Claim that is not filed in a timely manner will be rejected by BMD.
- b) BMD will review the claim submitted based on data collected from the trading engine. Eligible claims shall then be forwarded by BMD to the Trading Participant responsible for the order(s) that resulted in a trade cancellation or a price adjustment.



- c) The Trading Participant responsible for the error order entry, shall, within ten business days of receipt of the claim, admit or deny responsibility in whole or in part. Failure to respond to the claim within ten business days shall be considered a denial of liability.
- d) In the event liability is admitted payment shall be made within ten business days by such Trading Participant to BMD who will forward it to the claiming Trading Participant. Such payment is full and final settlement of the claim.
- e) If the Trading Participant responsible for the error order entry denies liability, the affected Trading Participant may submit the claim to arbitration in accordance with Part F of Chapter 4 of the BMD Rules.

## Trade Cancellation / Adjustment Claim Form

Claimant Name: \_\_\_\_\_

Contact Person (if claimant is a firm): \_\_\_\_\_

What is the amount of your claim? \_\_\_\_\_

Claimant's Clearing Participant: \_\_\_\_\_

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

Claimant Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Post code: \_\_\_\_\_

Country: \_\_\_\_\_

E-Mail Address: \_\_\_\_\_ Phone Number: \_\_\_\_\_

Date of Incident: \_\_\_\_\_ Time of Incident: \_\_\_\_\_

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

Did you contact BMD Exchange Operations? YES  NO

If yes, to whom did you speak? \_\_\_\_\_

What was the result? \_\_\_\_\_

Did you speak to anyone else at BMD? YES  NO

If yes, to whom did you speak? \_\_\_\_\_

What was the result? \_\_\_\_\_

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

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

## 15. OPERATOR ID (“Tag 50 ID”) REQUIRED FOR ALL BMD ORDERS

### TRADED ON CME GLOBEX *(Applicable exclusively on CME Globex)*

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

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

Trading Participants must ensure that:

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

Failure to comply will result in disciplinary action.

## 16. NEGOTIATED LARGE TRADES

### 16.1 Definition

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

NLT allows large trades to be done at a single price and it minimizes the possible price impact and time delays that may occur when transacting orders of large size on the exchange. NLTs also allows for matching of large trades during off-exchange hours.

### 16.2 Regulatory Framework

#### 16.2.1 Eligibility

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

#### 16.2.2 Account Requirements

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

Examples of accounts which are under separate control are:

- Treasury and Structured Products division of same bank
- Marketing and Purchasing division of a Refinery

#### 16.2.3 Price Limits

The price of a NLT transaction must be mutually agreed to by the two parties to the transaction. The NLT transaction must be consummated at a price that falls within the daily price limit of the underlying futures contract (where such price limits have been set by the Exchange) and that is

fair and reasonable in the opinion of the Exchange. For futures/options contracts that do not have a price limits, the NLT trades shall be conducted at a fair and reasonable price.

#### 16.2.4 Position Limits

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

#### 16.2.5 Futures and Options Contract Eligible for Transaction via the NLT Facility

The NLT Facility is available for these contracts currently:

|    | <b>Contract</b>  |
|----|--|
| 1. | FTSE Bursa Malaysia KLCI Index Futures (FKLI)                    |
| 2. | Single Stock Futures (SSF)                                       |
| 3. | Ringgit Malaysia Denominated Crude Palm Oil Futures (FCPO)       |
| 4. | Crude Palm Kernel Oil Futures (FPKO)                             |
| 5. | 3-Month KLIBOR Futures (FKB3)                                    |
| 6. | 3-Year MGS Futures (FMG3)  |
| 7. | 5-Year MGS Futures (FMG5)  |
| 8. | 10-Year MGS Futures (FMGA)                                       |
| 9. | Option on FKLI (OKLI)  |
| 10 | Option on FCPO (OCPO)  |
| 11 | Gold Futures (FGLD)  |
| 12 | Tin Futures (FTIN)   |
| 13 | USD Crude Palm Oil Futures (FUPO)                                |
| 14 | RBD Palm Olein Futures (FPOL)                                    |
| 15 | Mini FTSE Bursa Malaysia Mid 70 Index Futures (FM70)             |
| 16 | Option on FPOL (OPOL)  |
| 17 | East Malaysia Crude Palm Oil Futures (FEPO)                      |
| 18 | FTSE4Good Bursa Malaysia Index Futures (F4GM)                    |
| 19 | Mini United States Dollar / Chinese Renminbi (HK) Futures (FCNH) |
| 20 | Bursa Malaysia DCE Soybean Oil Futures (FSOY)                    |

### 16.2.6 Minimum Volume Threshold (MVT)

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

| <b>Contract</b>  | <b>Contract Month</b> | <b>Minimum volume threshold level (contract)</b>                |
|--|-----------------------|---|
| FTSE Bursa Malaysia KLCI Index Futures (FKLI)              | All contract months   | 100 outright<br>Sum of the legs in a strategy must equal to 100 |
| Single Stock Futures (SSF)                                 | All contract months   | 10 outright<br>Sum of the legs in a strategy must equal to 10   |
| Ringgit Malaysia Denominated Crude Palm Oil Futures (FCPO) | All contract months   | 200 outright<br>Sum of the legs in a strategy must equal to 200 |
| Crude Palm Kernel Oil Futures (FPKO)                       | All contract months   | 10 outright<br>Sum of the legs in a strategy must equal to 10   |
| 3-Month KLIBOR Futures (FKB3)                              | All contract months   | 10 outright<br>Sum of the legs in a strategy must equal to 10   |
| 3-Year MGS Futures (FMG3)                                  | All contract months   | 10 outright<br>Sum of the legs in a strategy must equal to 10   |
| 5-Year MGS Futures (FMG5)                                  | All contract months   | 10 outright<br>Sum of the legs in a strategy must equal to 10   |
| 10-Year MGS Futures (FMGA)                                 | All contract months   | 10 outright<br>Sum of the legs in a strategy must equal to 10   |
| Gold Futures (FGLD)  | All contract months   | 10 outright<br>Sum of the legs in a strategy must equal to 10   |
| Tin Futures (FTIN)   | All contract months   | 10 outright<br>Sum of the legs in a strategy must equal to 10   |
| USD Crude Palm Oil Futures (FUPO)                          | All contract months   | 10 outright<br>Sum of the legs in a strategy must equal to 10   |

| Contract   | Contract Month      | Minimum volume threshold level (contract)                     |
|--|---------------------|---|
| RBD Palm Olein Futures (FPOL)                                    | All contract months | 10 outright<br>Sum of the legs in a strategy must equal to 10 |
| Option on FKLI (OKLI)  | All contract months | 50 outright<br>Sum of the legs in a strategy must equal to 50 |
| Option on FCPO (OCPO)  | All contract months | 50 outright<br>Sum of the legs in a strategy must equal to 50 |
| Mini FTSE Bursa Malaysia Mid 70 Index Futures (FM70)             | All contract months | 10 outright<br>Sum of the legs in a strategy must equal to 10 |
| Option on FPOL (OPOL)  | All contract months | 10 outright<br>Sum of the legs in a strategy must equal to 10 |
| East Malaysia Crude Palm Oil Futures (FEPO)                      | All contract months | 10 outright<br>Sum of the legs in a strategy must equal to 10 |
| FTSE4Good Bursa Malaysia Index Futures (F4GM)                    | All contract months | 10 outright<br>Sum of the legs in a strategy must equal to 10 |
| Mini United States Dollar / Chinese Renminbi (HK) Futures (FCNH) | All contract months | 10 outright<br>Sum of the legs in a strategy must equal to 10 |
| Bursa Malaysia DCE Soybean Oil Futures (FSOY)                    | All contract months | 10 outright<br>Sum of the legs in a strategy must equal to 10 |

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

### 16.2.7 Strategy Combinations

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

#### Futures and Options combination

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

- i) the options leg must meet the MVT;



- ii) where the options portion consists of several legs, the total combined volume of each leg must meet the MVT. (See examples below);
- iii) the trades of both the options and corresponding futures contract must be done between the same counterparties; and

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

Examples for combining options legs to meet the MVT

- i) Options contracts with different Premiums.

| Options Contracts       | Number of Contracts |
|-------------------------|---------------------|
| 2700 OCPO Jan 13 C @ 30 | 20 contracts        |
| 2700 OCPO Jan 13 C @ 35 | 30 contracts        |
| <b>Total OCPO</b>       | <b>50 contracts</b> |

- ii) Options contracts with different strike prices

| Options Contracts       | Number of Contracts |
|-------------------------|---------------------|
| 2800 OCPO Jan 13 C @ 30 | 25 contracts        |
| 2700 OCPO Jan 13 C @ 35 | 25 contracts        |
| <b>Total OCPO</b>       | <b>50 contracts</b> |

- iii) Options contracts with different contract month

| Options Contracts       | Number of Contracts |
|-------------------------|---------------------|
| 2700 OCPO Jan 13 C @ 30 | 25 contracts        |
| 2700 OCPO Feb 13 C @ 35 | 25 contracts        |

|            |              |
|------------|--------------|
| Total OCPO | 50 contracts |
|------------|--------------|

## 16.3 Operational Framework

### 16.3.1 Reporting of NLT

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

For NLTs executed during exchange trading hours and before the cut off time, the broker for the seller and the broker for the buyer are obliged to complete the NLT submission request via QST OMS platform to EO for confirmation of the proposed transaction. Trading Participants should not submit the NLT request to the Exchange for validation until all details of the trade have been agreed.

The NLT needs to be sent to EO before the cut-off time as follows:

| Contracts  | Cut-off time |
|--|--------------|
| FTIN   | 3:15pm       |
| FKB3   | 5:15pm       |
| FKLI, FM70, F4GM, SSF, OKLI  | 5:30pm       |
| FGLD   | 5:45pm       |
| FCPO, OCPO, FPKO, FEPO, FUPO, FPOL, OPOL, FMG3, FMG5, FMGA, FCNH, FSOY | 6:15pm       |

The NLT submission request received by EO after the above cut-off time will not be processed. The unprocessed NLT will be removed in the Derivatives Clearing System (DCS) by end of the day.

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

EO will then proceed to broadcast the transaction to the market via email.

NLT facility is not available during after-hours (T+1) trading session.

### 16.3.2 Amendment/Cancellation of NLT

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

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

### **16.3.3 Rejection of NLT Registration**

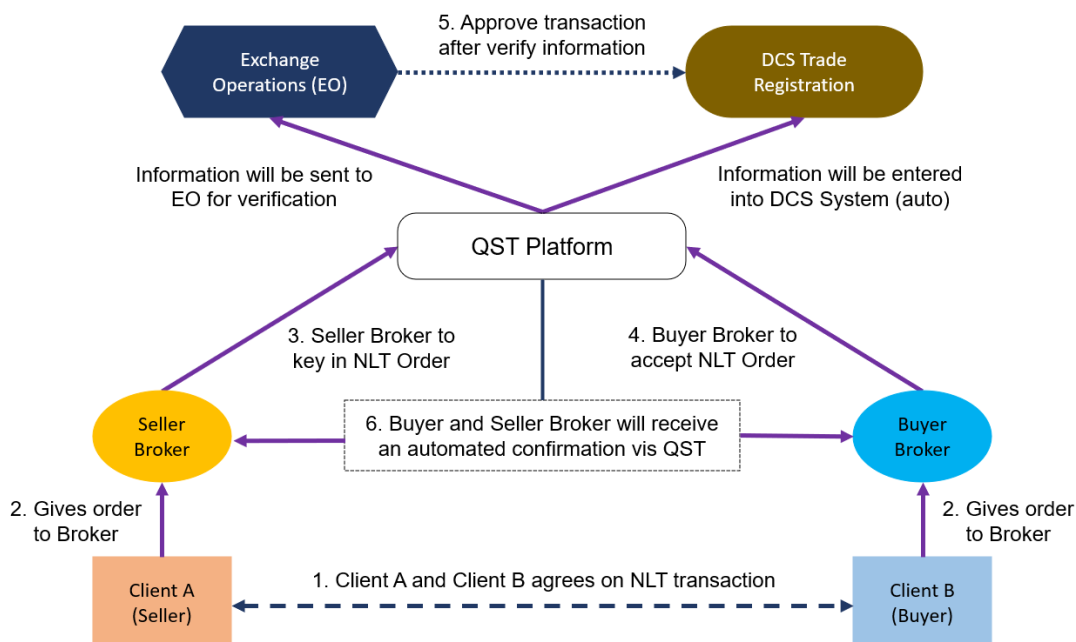
The Trading Participants must ensure that all information provided to the Exchange are true and correct. The Trading Participant must submit additional or other information or documents if requested by the Exchange.

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

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

### **16.3.4 Trading Flow**

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



Procedure:

- 1) Client A and Client B agree on the details of the trade including contract, quantity and price.
- 2) Both clients will then inform their respective brokers on the agreed trade.
- 3) Seller broker to initiate the NLT registration process by key in the NLT order into the QST OMS platform. Once Seller Broker completed the initiation, Buyer Broker will see the order in QST OMS eNLT Orders Monitor screen.
- 4) Buyer broker to check the details and to accept or reject the NLT order in QST OMS platform. Once Buyer broker accepted the NLT order, the NLT will be automatically entered into DCS system.
- 5) EO verify and approve or reject the NLT in DCS system.
- 6) Once EO approved the NLT in DCS, Buyer and Seller broker will receive an automated trade registration confirmation through QST OMS platform.

**16.3.5 Impact on Market**

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

### 16.3.6 Non-availability of NLT Facility

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

### 16.3.7 Settlement of NLTs

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

### 16.3.8 Documentation

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

#### Sample for initiating NLT in QST platform:

The screenshot shows the 'Ticket Entry 1' window in the QST platform. The form is configured for a 'Futures' contract, 'Single - 1 Leg' order type. The account is 'BEA008@QOR-SIMSG - TAF eNLT TEST'. The transaction details are: Side 'Sell', Quantity '200', Instrument 'MPCZ21', and Price '3952'. The session is set to 'eNLT', the contra firm is 'CSM - Credit Suisse Securitie', and the order type is 'LIMIT'. The contra account is 'Test Account'. There are two declaration sections with radio buttons for selection. The special instruction field is empty, and the instrument and price are displayed as 'MPCZ21' and '3952' respectively. At the bottom, a summary line reads 'Sell 200 MPCZ21 @3952', with 'Reset' and 'SELL' buttons.

## 17. CME GLOBEX SELF MATCH PREVENTION *(Applicable exclusively on CME Globex)*

CME Globex Self Match Prevention is an optional functionality that allows an executing firm to prevent the matching of orders for accounts with common ownership if both the buy and sell orders contain the same Self Match Prevention Identifier (SMP ID) and Executing Firm ID. The functionality allows the executing firm to indicate whether to cancel the resting or aggressing self match order.

Customers choosing to use this feature will submit tag 7928-SelfMatchPreventionID and tag 8000-SelfMatchPreventionInstruction on each order to indicate whether to cancel the resting or incoming (aggressing) order in the event of a self-match. If tag 8000 is not submitted, CME Globex will cancel the resting self-match order by default. If there are orders with conflicting SMP instructions assigned, the aggressing order instruction will be followed.

### Note:

- Applicable for all markets, all order types, and all order qualifiers
- Tag 8000-SelfMatchPreventionInstruction is not supported for Mass Quotes
- Aggressing order instruction always applied in case of instruction conflict.

### FIX Tag for Self Match Prevention ID

Tag 7928-SelfMatchPreventionID must be submitted on the following inbound application iLink messages by market participants on each quote and order to prevent self-trading:

- New Order (tag 35-MessageType=D)
- Order Cancel-Replace Request (tag 35-MessageType=G)
- Mass Quote (tag 35-MessageType=i)

CME Globex will send tag 7928-SelfMatchPreventionID on the following outbound application iLink Messages (only if present in incoming messages):

- Execution Report - Order Creation (tag 35-MessageType=8, tag 39-OrdStatus=0)
- Execution Report - Order Modify (tag 35-MessageType=8, tag 39-OrdStatus=5)
- Execution Report - Order Cancel (tag 35-MessageType=8, tag 39-OrdStatus=4)
- Execution Report - Reject (tag 35-MessageType=8, tag 39-OrdStatus=8)
- Execution Report - Fill Notice (tag 35-MessageType=8, tag 39-OrdStatus=1 or 2)
- Execution Report - Order Cancel Reject (tag 35-MessageType=9, tag 434-CancelRejResponseTo=1)

- Execution Report - Order Elimination (tag 35-MessageType=8, tag 39-OrdStatus=4 or C)
- Execution Report - Trade Cancel (tag 35-MessageType=8, tag 39-OrdStatus=H)
- Quote Acknowledgment (tag 35-MessageType=b)
- Quote Cancel Acknowledgment (tag 35-MessageType=b, tag 297-QuoteAckStatus=1, 3, 4 or 5)

**Note:**

The incoming value will be sent back to customers in the Execution Report. If the tag value is greater than the max length, the quote or order will be rejected with tag 58=Business Reject: Fix Field Length Exceeds Max Length '7928 (SELF\_MATCH\_PREVENTION\_ID) length: <Field Length> max: 12':

- The order will be rejected with a Session Level Reject (tag 35=Msg-Type=3) message.
- The quote will be rejected with a Business Level Reject (tag 35=Msg-Type=j) message.

**17.2 FIX Tag for Self Match Prevention Instruction**

- Tag 8000-SelfMatchPreventionInstruction will be submitted by market participants on each order to indicate whether to cancel the resting or aggressing self match order.
- Tag 7928-SelfMatchPreventionID must be present on both the buy and sell orders in order to opt-in to SMP functionality.
- Tag 8000-SelfMatchPreventionInstruction is an optional tag for to dictate which order is cancelled in the event of a self-match (resting or aggressing).

**Note:**

Mass Quotes will not support tag 8000-SelfMatchPreventionInstruction.

| Tag  | FIX Name                       | Req | Format   | Description  |
|------|--------------------------------|-----|----------|--|
| 8000 | SelfMatchPreventionInstruction | N   | Char (1) | <p>Use of this tag will indicate a cancel instruction when Self Match Prevention is triggered.</p> <p>O=Cancel Resting<br/>N=Cancel Aggressing</p> <p><b>Note:</b><br/>To use tag 8000-SelfMatchPreventionInstruction, client systems must include tag 7928-SelfMatchPreventionID on the originating message</p> <p>If tag 8000-SelfMatchPreventionInstruction is not sent, the resting order will be cancelled.</p> |

**Tag 8000-SelfMatchPreventionInstruction can be submitted on the following messages:**

- New Order Single (tag 35-MessageType=D)
- Order Cancel-Replace Request (tag 35-MessageType=G)

**Note:**

If tag 8000-SelfMatchPreventionInstruction is sent in an inbound (client system to CME Globex) message other than New Order Single (35=D) or Order Cancel Replace Request (35=G), the message is accepted but tag 8000-SelfMatchPreventionInstruction is ignored and not returned on the order acknowledgment.

If tag 8000-SelfMatchPreventionInstruction is not sent, the default behavior is to cancel the resting order

New Orders (35=D) and Order Cancel-Replace Requests (35=G) will be rejected with a Session Level Reject (35=3) message:

- If the tag value is greater than the max length
- If an invalid value is sent on the incoming message

A modification to the value of tag 8000-SelfMatchPreventionInstruction does not cause the order to lose priority in the book.

If tag 8000-SelfMatchPreventionInstruction is not present on the Cancel-Replace Request (35=G) message, CME Globex will not preserve the original value submitted on the New Order (35=D) message.

**Tag 8000-SelfMatchPreventionInstruction will be returned on the following messages** when the combination of tag 7928-SelfMatchPreventionID and valid values for tag 8000-SelfMatchPreventionInstruction are submitted in the originating message:

- Execution Report - Order Creation (tag 35-MessageType=8, tag 39-OrdStatus=0) message

**Note:**

**Exception:** not sent in the Execution Report response to a New Order Cross (tag 35-MessageType=s) message.

- Execution Report - Cancel Replace (tag 35-MessageType=8, tag 39-OrdStatus=5) message
- Execution Report - Reject (tag 35-MessageType=8, tag 39-OrdStatus=8) message
- Execution Report - Order Elimination (tag 35-MessageType=8, tag 39-OrdStatus=C) message



**17.3 Table: Tag 7928-SelfMatchPreventionID and Tag 8000-SelfMatchPreventionInstruction**

The following table illustrates how Self Match Prevention will function based on the values for tag 7928-SelfMatchPreventionID and tag 8000-SelfMatchPreventionInstruction submitted in the originating message:

| Tag 7928 is present on originating message | Tag 8000 value on the originating message | Tag 7928 is returned on Execution Report | Tag 8000 value on the Execution Report | Result   |
|--|---|--|--|--|
| Yes  | N   | Yes                                      | N                                      | Self match prevented<br>Aggressing order cancelled |
| Yes  | O   | Yes                                      | O                                      | Self match prevented<br>Resting order cancelled    |
| Yes  | Not sent                                  | Yes                                      | Not returned                           | Self match prevented<br>Resting order cancelled    |
| Yes  | Invalid value                             | N/A                                      | N/A                                    | Session Level Reject sent                          |
| No   | N   | No                                       | Not returned                           | Self match occurs                                  |
| No   | O   | No                                       | Not returned                           | Self match occurs                                  |
| No   | Not sent                                  | No                                       | Not returned                           | Self match occurs                                  |
| No   | Invalid value                             | N/A                                      | N/A                                    | Session Level Reject sent                          |

**17.4 Cancel Type Indicators**

In Execution Report - Order Cancel (tag 35-MessageType=8, OrdStatus=4) messages, tag 378-ExecReinstatementReason values will be available to indicate whether the **resting** or **aggressing** order was cancelled due to Self Match Prevention.

| Tag | Name                  | Req | Format  | Values   | Description                            |
|-----|-----------------------|-----|---------|--|--|
| 378 | ExecRestatementReason | N   | Int (3) | 103=Cancel Oldest (Resting) due to Self Match Prevention<br>107=Cancel Newest (Aggressing) | Identifies origin of the order cancel. |

| Tag | Name | Req | Format | Values                       | Description |
|-----|------|-----|--------|------------------------------|-------------|
|     |      |     |        | due to Self Match Prevention |             |

In Quote Cancel Acknowledgment (tag 35-MessageType=b) messages, tag 9775-UnsolicitedCancelType=H indicates that the quotes were cancelled due to Self Match Prevention.

### 17.5 Table: Tag 8000 Values for Aggressing and Resting Orders

The following table illustrates how Self Match Prevention will function based on the values for tag 8000-SelfMatchPreventionInstruction submitted in the aggressing and resting orders.

**Note:**

If there are orders with conflicting SMP instructions assigned, the aggressing order instruction will be followed.

| Aggressing OrderSelf Match Prevention Instruction | Resting OrderSelf Match Prevention Instruction | Result                     |
|---|--|----------------------------|
| Cancel Aggressing                                 | Cancel Aggressing                              | Aggressing Order Cancelled |
| Cancel Aggressing                                 | Cancel Resting                                 | Aggressing Order Cancelled |
| Cancel Aggressing                                 | Unspecified                                    | Aggressing Order Cancelled |
| Cancel Resting                                    | Cancel Aggressing                              | Resting Order Cancelled    |
| Cancel Resting                                    | Cancel Resting                                 | Resting Order cancelled    |
| Cancel Resting                                    | Unspecified                                    | Resting Order Cancelled    |
| Unspecified                                       | Cancel Aggressing                              | Resting Order Cancelled    |
| Unspecified                                       | Cancel Resting                                 | Resting Order Cancelled    |
| Unspecified                                       | Unspecified                                    | Resting Order Cancelled    |

**SMP Instruction: Cancel Resting**

An aggressing order marked with the SMP - cancel resting instruction (tag 8000-SelfMatchPreventionInstruction=**O**) will not execute against an opposite side resting order that has the same SMP ID and Executing Firm ID. CME Globex will cancel the resting orders and the aggressing orders will continue to execute or remain on the order book

**Example:**

|                             |              |                                  |                                 |
|-----------------------------|--------------|----------------------------------|---------------------------------|
| <b>Order 1:</b> Buy FKLIU5  | 10 lots @ 13 | SMP Instruction - Cancel Resting | SMP ID – 1234567 & FirmID - 400 |
| <b>Order 2:</b> Sell FKLIU5 | 10 lots @ 13 | SMP Instruction - Cancel Resting | SMP ID – 1234567 & FirmID - 400 |

**Result:**

Order 1, the resting buy order, is cancelled.  
 Order 2, the aggressing sell order, is entered into the order book.

**Note:**

The resting order is cancelled, regardless of quantity.

**SMP Instruction: Cancel Aggressing**

An aggressing order marked with the SMP - cancel aggressing instruction (tag 8000-SelfMatchPreventionInstruction=**N**) will not execute against an opposite side resting order that has the same SMP ID and Executing Firm ID. CME Globex will cancel the aggressing orders and the resting orders will remain on the order book

**Example:**

|                             |              |                                     |                                 |
|-----------------------------|--------------|-------------------------------------|---------------------------------|
| <b>Order 1:</b> Buy FKLIU5  | 10 lots @ 13 | SMP Instruction - Cancel Aggressing | SMP ID – 1234567 & FirmID – 400 |
| <b>Order 2:</b> Sell FKLIU5 | 20 lots @ 13 | SMP Instruction - Cancel Aggressing | SMP ID – 1234567 & FirmID – 400 |

**Results:**

Order 1, the resting buy order, remains on the order book.  
 Order 2, the aggressing sell order, is cancelled.

**Note:**

The aggressing order is cancelled regardless of quantity.

**Self Match Prevention – Mass Quote**

Tag 8000-SelfMatchPreventionInstruction is not applicable for Mass Quotes. The default is to cancel the resting quote in a Self Match event

**Example:**

| Resting Quote:                |     |              |       |                |
|-------------------------------|-----|--------------|-------|----------------|
| SMP ID - 1234567 FirmID – 400 |     |              |       |                |
| Instrument                    | Bid | Bid Quantity | Offer | Offer Quantity |
| OKLIZ5 C1820                  | 50  | 100          | 51    | 100            |
| OKLIZ5 C1840                  | 34  | 100          | 36    | 100            |
| OKLIZ5 C1860                  | 14  | 100          | 16    | 100            |

**Incoming Order:** Buy OKLIZ5 C1820 10 lots @ 51 SMP ID - 1234567 FirmID - 400

**Results:**

The entire mass quote is cancelled, even for instruments not affecting the incoming order. Upon cancellation, CME Globex sends Quote Cancel Acknowledgment messages with tag 9775-UnsolicitedCancelType=H (Cancel Quotes due to Self Match Prevention) for the cancelled quotes.

The incoming Buy order is entered into the book.

**Note:**

If there are multiple resting quotes for that Instrument Group, the CME Globex platform cancels all resting quotes for all instruments associated with Mass Quote submitter's Instrument Group.

**17.6 Scenarios for Trigger of Self Match Event**

For FIFO markets, orders will only be cancelled when actual fills would occur (Self Match at Execution).

Scenario 1: FIFO Market without Self Match Event

This scenario illustrates a FIFO market without a self match event. A 1000 lot buy order (SMP ID:1234567 and FirmID:400) is entered at 1302, with a Cancel Aggressing or Resting instruction.

| Aggressing Buy Order Remaining Quantity | Resting Sell Orders |   | Action  |
|---|---------------------|---|---|
|   | Order               | SMP ID & FirmID                               |   |
| 1000                                    | 10 lots @ 1301      | 2345678 & 100                                 | Executed 10 lots @1301  |
| 990                                     | 20 lots @ 1301      | 3456789 & 200                                 | Executed 20 lots @1301  |
| 970                                     | 30 lots @ 1301      | 4567890 & 300                                 | Executed 30 lots @1301  |
| 940                                     | 500 lots @ 1301     | 5678901 & 500                                 | Executed 500 lots @1301   |
| 440                                     | 450 lots @ 1302     | 6789012 & 600                                 | Executed 440 lots @ 1302  |
|   | 20 lots @ 1302      | 1234567 & 400<br>(Cancel Resting instruction) | Aggressing buy order is fully filled. No Self-Match event is triggered; resting order remains in order book |
|   | 30 lots @ 1302      | 7890123 & 700                                 |   |

Scenario 2: FIFO Market with Cancel Aggressing

This scenario illustrates a self match event in a FIFO market. A 1000 lot buy order (SMP ID:1234567 and FirmID:400) is entered at 1302, with a Cancel Aggressing instruction.

| Aggressing Buy Order Remaining Quantity | Resting Sell Orders |                                  | Action  |
|---|---------------------|----------------------------------|---|
|   | Order               | SMP ID & FirmID                  |   |
| 1000 lots                               | 10 lots @ 1301      | 2345678 & 100                    | Executed 10 lots @1301  |
| 990 lots                                | 20 lots @ 1301      | 3456789 & 200                    | Executed 20 lots @1301  |
| 970 lots                                | 30 lots @ 1301      | 4567890 & 300                    | Executed 30 lots @1301  |
| 940 lots                                | 500 lots @ 1301     | 5678901 & 500                    | Executed 500 lots @1301   |
| 440 lots                                | 10 lots @ 1302      | 6789012 & 600                    | Executed 10 lots @ 1302   |
| <del>430 lots</del>                     | 20 lots @ 1302      | 1234567 & 400<br>(Cancel Resting | The aggressing order's instructions take priority and the remaining |

|  |                |               |  |
|--|----------------|---------------|--|
|  |                | instruction)  | unfilled quantity of 430 is cancelled. |
|  | 30 lots @ 1302 | 7890123 & 700 |  |

Scenario 3: FIFO Market with Cancel Resting

This scenario illustrates a self match event in a FIFO market. A 1000 lot buy order (SMP ID:1234567 and FirmID:400) is entered at 1302, with a Cancel Resting instruction.

| Aggressing Buy Order Remaining Quantity | Resting Sell Orders       |  | Action  |
|---|---------------------------|--|---|
|   | Order                     | SMP ID & FirmID                                  |   |
| 1000                                    | 10 lots @ 1301            | 2345678 & 100                                    | Executed 10 lots @1301  |
| 990                                     | 20 lots @ 1301            | 3456789 & 200                                    | Executed 20 lots @1301  |
| 970                                     | 30 lots @ 1301            | 4567890 & 300                                    | Executed 30 lots @1301  |
| 940                                     | 500 lots @ 1301           | 5678901 & 500                                    | Executed 500 lots @1301   |
| 440                                     | 10 lots @ 1302            | 6789012 & 600                                    | Executed 10 lots @ 1302   |
| 430                                     | <del>20 lots @ 1302</del> | 1234567 & 400<br>(Cancel Aggressing instruction) | The aggressing order's instructions take priority, and the resting 20-lot order is cancelled. |
| 430                                     | 30 lots @ 1302            | 7890123 & 700                                    | Executed 30 lots @ 1302   |
| 400                                     |                           |  | Remaining 400 @ 1302 on the order book  |

17.7 Customer Registration Process

Firms are required to contact BMD Market Operations and complete the SMP ID registration form to opt-in to this functionality.

Firms are required to report any subsequent changes to the account owner using the SMP ID to BMD Market Operations.

**Note:**

More than one account number can be associated with an SMP ID. The account numbers must have common ownership but can be different account numbers.

Customers will be required to submit the following information:

- Executing Firm ID
- Account Owner
- Account Number
- Smart Click ID
- Tag 50 ID(s) associated with this SMP ID (not required if the party wishes to use the SMP functionality for all operators/tag 50 IDs that trade the accounts)

Upon customer submission, a SMP ID will be created and distributed at the Executing Firm entity level.

**Note:**

The SMP ID value cannot be modified.

**17.8 Self Match Prevention Identifier**

- Randomly generated and universally unique number generated by CME Group
- SMP ID will be numeric and not start with a zero
- SMP ID will be 7 digits with no blank spaces

## 18. FEES & CHARGES

Trading Participants must pay the Exchange the trading fees and facility charges in accordance with the payment terms and within the period specified by the Exchange (“the detailed Payment Terms”). The detailed Payment Terms are specified in Chapter 15 of the Clearing Participants’ Manual.

### 18.1 TRADING FEES

Trading fees are applicable to every 1 contract bought or sold, independent of whether the trade results in an Open Position or a Closed Out trade.

The current effective trading fees for all the products traded on BMD for the different account types and respective trade types are as per the schedule set out below.

#### 1. FKLI

| Account Type      | Trade Type |        |      |         |
|-------------------|------------|--------|------|---------|
|                   | Outright   | Spread | Day  | Scratch |
| Normal            | 4.00       | 4.00   | 4.00 | 4.00    |
| Local Participant | 3.00       | 3.00   | 1.50 | 0.00*   |
| Error Account     | 3.00       | 3.00   | 1.50 | 0.00    |
| House Proprietary | 3.00       | 3.00   | 1.50 | 0.00    |

*\* For Local Participant and RTIP, scratch trade for FKLI will be capped at 65%. Scratch trades in excess 65% cap will be counted as Day Trade.*

#### 2. FKB3/ FMG3/ FMG5 / FMGA

| Account Type      | Trade Type |        |      |         |
|-------------------|------------|--------|------|---------|
|                   | Outright   | Spread | Day  | Scratch |
| Normal            | 0.50       | 0.50   | 0.50 | 0.50    |
| Local Participant | 0.50       | 0.25   | 0.25 | 0.00    |
| Error Account     | 0.50       | 0.25   | 0.25 | 0.00    |
| House Proprietary | 0.50       | 0.25   | 0.25 | 0.00    |



## 3. FCPO

| Account Type         | Trade Type |        |      |         |
|----------------------|------------|--------|------|---------|
|                      | Outright   | Spread | Day  | Scratch |
| Normal (Retail)      | 2.00       | 2.00   | 2.00 | 2.00    |
| Normal (Institution) | 2.00       | 1.50   | 1.50 | 1.50    |
| Local Participant    | 2.00       | 1.50   | 1.50 | 0.00*   |
| Error Account        | 2.00       | 1.50   | 1.50 | 0.00    |
| House Proprietary    | 2.00       | 1.50   | 1.50 | 0.00    |

\* For Local Participant and RTIP, scratch trade for FCPO will be capped at 65%. Scratch trades in excess 65% cap will be counted as Day Trade.

## 4. FPKO

| Account Type      | Trade Type |        |      |         |
|-------------------|------------|--------|------|---------|
|                   | Outright   | Spread | Day  | Scratch |
| Normal            | 2.00       | 1.50   | 1.50 | 1.50    |
| Local Participant | 2.00       | 1.50   | 1.50 | 0.00    |
| Error Account     | 2.00       | 1.50   | 1.50 | 0.00    |
| House Proprietary | 2.00       | 1.50   | 1.50 | 0.00    |

## 5. FGLD

| Account Type      | Trade Type |        |      |         |
|-------------------|------------|--------|------|---------|
|                   | Outright   | Spread | Day  | Scratch |
| Normal            | 1.00       | 1.00   | 1.00 | 1.00    |
| Local Participant | 1.00       | 0.50   | 0.50 | 0.00    |
| Error Account     | 1.00       | 0.50   | 0.50 | 0.00    |
| House Proprietary | 1.00       | 0.50   | 0.50 | 0.00    |

## 6. FPOL/ FUPO (USD)

| Account Type      | Trade Type |        |      |         |
|-------------------|------------|--------|------|---------|
|                   | Outright   | Spread | Day  | Scratch |
| Normal            | 0.60       | 0.60   | 0.60 | 0.60    |
| Local Participant | 0.60       | 0.45   | 0.45 | 0.00    |
| Error Account     | 0.60       | 0.45   | 0.45 | 0.00    |
| House Proprietary | 0.60       | 0.45   | 0.45 | 0.00    |

## 7. FTIN (USD)

| Account Type      | Trade Type |        |      |         |
|-------------------|------------|--------|------|---------|
|                   | Outright   | Spread | Day  | Scratch |
| Normal            | 0.60       | 0.60   | 0.60 | 0.60    |
| Local Participant | 0.60       | 0.45   | 0.45 | 0.00    |
| Error Account     | 0.60       | 0.45   | 0.45 | 0.00    |
| House Proprietary | 0.60       | 0.45   | 0.45 | 0.00    |

## 8. SSFs

| Account Type   | Trade Type |        |      |         |
|--|------------|--------|------|---------|
|  | Outright   | Spread | Day  | Scratch |
| <i>Tier 1 - for underlying share price of less than RM5.00</i>         |            |        |      |         |
| Normal   | 1.00       | 1.00   | 1.00 | 1.00    |
| Local Participant  | 0.50       | 0.50   | 0.50 | 0.50    |
| Error Account  | 1.00       | 1.00   | 1.00 | 1.00    |
| House Proprietary  | 1.00       | 1.00   | 1.00 | 1.00    |
| <i>Tier 2 - for underlying share price of between RM5.00 to RM9.99</i> |            |        |      |         |
| Normal   | 3.00       | 3.00   | 3.00 | 3.00    |
| Local Participant  | 1.50       | 1.50   | 1.50 | 1.50    |
| Error Account  | 3.00       | 3.00   | 3.00 | 3.00    |
| House Proprietary  | 3.00       | 3.00   | 3.00 | 3.00    |
| <i>Tier 3 - for underlying share price of RM10.00 and above</i>        |            |        |      |         |
| Normal   | 5.00       | 5.00   | 5.00 | 5.00    |
| Local Participant  | 2.50       | 2.50   | 2.50 | 2.50    |
| Error Account  | 5.00       | 5.00   | 5.00 | 5.00    |
| House Proprietary  | 5.00       | 5.00   | 5.00 | 5.00    |

**9. OKLI**

| Account Type      | Trade Type |        |      |         |
|-------------------|------------|--------|------|---------|
|                   | Outright   | Spread | Day  | Scratch |
| Normal            | 4.00       | N/A    | 4.00 | 4.00    |
| Local Participant | 3.00       | N/A    | 1.50 | 0.00    |
| Error Account     | 3.00       | N/A    | 1.50 | 0.00    |
| House Proprietary | 3.00       | N/A    | 1.50 | 0.00    |

**10. OCPO**

| Account Type      | Trade Type |        |      |         |
|-------------------|------------|--------|------|---------|
|                   | Outright   | Spread | Day  | Scratch |
| Normal            | 2.00       | N/A    | 1.50 | 2.00    |
| Local Participant | 2.00       | N/A    | 1.50 | 0.00    |
| Error Account     | 2.00       | N/A    | 1.50 | 0.00    |
| House Proprietary | 2.00       | N/A    | 1.50 | 0.00    |

**11. FM70**

| Account Type      | Trade Type |        |      |         |
|-------------------|------------|--------|------|---------|
|                   | Outright   | Spread | Day  | Scratch |
| Normal            | 1.00       | 1.00   | 1.00 | 1.00    |
| Local Participant | 0.80       | 0.80   | 0.40 | 0.00    |
| Error Account     | 0.80       | 0.80   | 0.40 | 0.00    |
| House Proprietary | 0.80       | 0.80   | 0.40 | 0.00    |

## 12. OPOL (USD)

| Account Type      | Trade Type |        |      |         |
|-------------------|------------|--------|------|---------|
|                   | Outright   | Spread | Day  | Scratch |
| Normal            | 0.60       | N/A    | 0.60 | 0.60    |
| Local Participant | 0.60       | N/A    | 0.45 | 0.00    |
| Error Account     | 0.60       | N/A    | 0.45 | 0.00    |
| House Proprietary | 0.60       | N/A    | 0.45 | 0.00    |

## 13. FEPO

| Account Type      | Trade Type |        |      |         |
|-------------------|------------|--------|------|---------|
|                   | Outright   | Spread | Day  | Scratch |
| Normal            | 2.00       | 1.50   | 1.50 | 1.50    |
| Local Participant | 2.00       | 1.50   | 1.50 | 0.00    |
| Error Account     | 2.00       | 1.50   | 1.50 | 0.00    |
| House Proprietary | 2.00       | 1.50   | 1.50 | 0.00    |

## 14. F4GM

| Account Type      | Trade Type |        |      |         |
|-------------------|------------|--------|------|---------|
|                   | Outright   | Spread | Day  | Scratch |
| Normal            | 0.75       | 0.75   | 0.75 | 0.75    |
| Local Participant | 0.50       | 0.50   | 0.50 | 0.00    |
| Error Account     | 0.50       | 0.50   | 0.50 | 0.00    |
| House Proprietary | 0.50       | 0.50   | 0.50 | 0.00    |

**15. FCNH (RMB)**

| Account Type      | Trade Type |        |      |         |
|-------------------|------------|--------|------|---------|
|                   | Outright   | Spread | Day  | Scratch |
| Normal            | 1.50       | 1.50   | 1.50 | 1.50    |
| Local Participant | 1.50       | 1.00   | 1.00 | 0.00    |
| Error Account     | 1.50       | 1.00   | 1.00 | 0.00    |
| House Proprietary | 1.50       | 1.00   | 1.00 | 0.00    |

**16. FSOY (USD)**

| Account Type      | Trade Type |        |      |         |
|-------------------|------------|--------|------|---------|
|                   | Outright   | Spread | Day  | Scratch |
| Normal            | 0.60       | 0.60   | 0.60 | 0.60    |
| Local Participant | 0.60       | 0.45   | 0.45 | 0.00    |
| Error Account     | 0.60       | 0.45   | 0.45 | 0.00    |
| House Proprietary | 0.60       | 0.45   | 0.45 | 0.00    |

**Notes:**

All charges are inclusive of all rebates, resulting in the final fees.

For the avoidance of doubt, a Market Maker must pay the normal trading fees above for each Contract bought or sold, subject to any incentive or waiver that may be stated in its market making agreement with the Exchange.

The trading fees charged by BMD<sup>1</sup> shall be subject to applicable taxes.

<sup>1</sup>Rule 3.07(1) of Rules of BMD

*“A Participant must pay all fees and charges as prescribed by the Exchange”*

## 18.2 NLT Facility Charges

The facility charges applicable to Negotiated Large Trade Transactions are as per the schedule set out below.

|    | Type of Contract   | Facility Charge |   |
|----|--|-----------------|---|
|    |  | per Contract    | Maximum Facility Charge per transaction |
| a. | FTSE Bursa Malaysia KLCI Index Futures Contract                  | RM 0.20         | RM 40.00                                |
| b. | Single Stock Futures Contract                                    | RM 0.20         | RM 4.00                                 |
| c. | Ringgit Malaysia Denominated Crude Palm Oil Futures Contract     | RM 0.20         | RM 80.00                                |
| d. | Crude Palm Kernel Oil Futures Contract                           | RM 0.20         | RM 4.00                                 |
| e. | Three-Month KLIBOR Contract                                      | RM 0.20         | RM 4.00                                 |
| f. | 3-Year MGS Futures Contract                                      | RM 0.20         | RM 4.00                                 |
| g. | 5-Year MGS Futures Contract                                      | RM 0.20         | RM 4.00                                 |
| h. | 10-Year MGS Futures Contract                                     | RM 0.20         | RM 4.00                                 |
| i. | Option on FKLI   | RM 0.20         | RM 20.00                                |
| j. | Option on FCPO   | RM 0.20         | RM 20.00                                |
| k. | Gold Futures Contract  | RM 0.20         | RM 4.00                                 |
| l. | Tin Futures Contract   | USD 0.10        | USD 2.00                                |
| m. | USD Crude Palm Oil Futures Contract                              | USD 0.10        | USD 2.00                                |
| n. | RBD Palm Olein Futures Contract                                  | USD 0.10        | USD 2.00                                |
| o. | Mini FTSE Bursa Malaysia Mid 70 Index Futures Contract           | RM 0.20         | RM 4.00                                 |
| p. | Option on FPOL   | USD 0.10        | USD 2.00                                |
| q. | East Malaysia Crude Palm Oil Futures Contract                    | RM 0.20         | RM 4.00                                 |
| r. | FTSE4Good Bursa Malaysia Index Futures (F4GM)                    | RM 0.20         | RM 4.00                                 |
| s. | Mini United States Dollar / Chinese Renminbi (HK) Futures (FCNH) | RMB 0.50        | RMB 10.00                               |
| t. | Bursa Malaysia DCE Soybean Oil Futures (FSOY)                    | USD0.20         | USD4.00                                 |

### Notes:

The facility charge is in addition to the current trading and clearing fees relevant to each contract.

**18.3 GCC Trade Cancellation**

The administrative fee referred to in paragraph 6.6.4 of this manual is set out in the schedule below.

| <b>GCC Trade Cancellation</b> | <b>Amount (USD)</b> |
|-------------------------------|---------------------|
| Administrative fee            | 500                 |