



## **Notice Regarding Pre-Arranged Trading On U.S. Futures Exchanges**

Pre-arranged trades are trades that are the result of discussions between two market participants prior to execution to ensure that a contra party will take the opposite side of a particular order. U.S. futures exchanges, including CME and CBOT, have regulations regarding the execution of pre-arranged trades. Interactive Brokers customers are responsible to know and abide by all exchange restrictions regarding pre-arranged trading.

Pre-execution communications are permitted in CME products trade on CME Globex pursuant to the requirements of CME Rule 539.C. CBOT Rules 539 and 5B.13 prohibit pre-execution communications in all CBOT products at all times, except as specifically permitted in connection with EFP, EFR or Block transactions.

For your reference, the relevant CME and CBOT rules are set forth below. CBOT Rule 539 is applicable to CBOT products traded on CME Globex and CBOT Rule 5B.13 is applicable to CBOT Metals contracts which trade on e-cbot. Additional information can be found in Market Regulation Advisory Notices CME RA0801-2 and CBOT RA0802-1 available at [www.cmegroup.com](http://www.cmegroup.com).

### **CME Rule 539**

#### **PREARRANGED, PRE-NEGOTIATED AND NONCOMPETITIVE TRADES PROHIBITED**

539.A. General Prohibition No person shall prearrange or pre-negotiate any purchase or sale or noncompetitively execute any transaction, except in accordance with Sections B. and C. below.

539.B. Exception The foregoing restriction shall not apply to block trades pursuant to Rule 526 or Exchange of Futures for Related Position transactions pursuant to Rule 538.

539.C. Pre-Execution Communications Regarding Globex Trades Parties may engage in pre-execution communications with regard to transactions executed on the Globex platform where one party (the first party) wishes to

be assured that a contra party (the second party) will take the opposite side of the order under the following circumstances:

1. A party may not engage in pre-execution communications with other market participants on behalf of another party unless the party for whose benefit the trade is being made has previously consented to permit such communications.

2. Parties to pre-execution communications shall not (i) disclose to a non-party the details of such communications or (ii) enter an order to take advantage of information conveyed during such communications except in accordance with this rule.

3. In the case of futures orders, the first party's order must be entered into the Globex platform first and the second party's order may not be entered into the Globex platform until a period of 5 seconds has elapsed from the time of entry of the first order.

4. In the case of options orders, a pre-execution communication must be preceded by the submission of a Request for Quote ("RFQ"). Subsequent to such RFQ, a trade intended for execution for which there has been a pre-execution communication requires the entry of an additional RFQ; thereafter, a Request for Cross ("RFC") order which contains both the buy and the sell orders must be entered no less than fifteen (15) seconds and no more than thirty (30) seconds after the entry of the additional RFQ in order to proceed with the trade, except in equity options where the RFC must be entered no less than five (5) seconds and no more than thirty (30) seconds after the entry of the additional RFQ. The RFQs and the RFC order must be entered within the same trading session. Failure to enter the RFC order within 30 seconds after the entry of the additional RFQ will require a new RFQ to be entered prior to the entry of the RFC order, which must be entered in accordance with the time parameters described above in order to proceed with the trade.

### **CBOT Rule 539**

#### **PREARRANGED, PRE-NEGOTIATED AND NONCOMPETITIVE TRADES PROHIBITED**

539.A. General Prohibition No person shall prearrange or pre-negotiate any purchase or sale or noncompetitively execute any transaction, except in accordance with Section C. below.

539.B. Pre-Execution Communications Regarding Globex Trades Prohibited Pre-execution communications are communications between two

market participants for the purpose of discerning interest in the execution of a transaction prior to the entry of an order on the Globex platform. Pre-execution communications and transactions arising from such communications are prohibited in all products during all hours.

539.C. Exceptions The foregoing restrictions shall not apply to block trades pursuant to Rule 526 or Exchange of Futures for Related Position transactions pursuant to Rule 538.

### **CBOT Rule 5B.13**

#### **TRADING AGAINST CUSTOMER ORDERS AND CROSSING ORDERS**

Trading Against Customer Orders – During an e-cbot trading session, a member or Registered User shall not knowingly cause to be entered or knowingly enter into a transaction in which he takes the opposite side of an order entered on behalf of a customer, for the member's or Registered User's own account or his employer's proprietary account unless the customer order has been entered immediately upon receipt and has first been exposed on the e-cbot platform for a minimum 5 seconds for futures contracts and a minimum of 15 seconds for options contracts. Such transactions that are unknowingly consummated shall not be considered to have violated this regulations.

Crossing Orders – Independently initiated orders on opposite sides of the market for different beneficial account owners that are immediately executable against each other may be entered without delay provided that the orders did not involve pre-execution communications. Opposite orders for different beneficial accounts that are simultaneously placed by a party with discretion over both accounts may be entered provided that one order is exposed on the e-cbot platform for a minimum of 5 seconds for futures contracts and a minimum of 15 seconds for options contracts. An order allowing for price and/or time discretion, if not entered immediately upon receipt, may be knowingly entered opposite a second order entered by the same firm only if the second order has been entered immediately upon receipt and has been exposed on the e-cbot platform for a minimum of 5 seconds for futures contracts and a minimum of 15 seconds for options contracts.

Pre-Execution communication Prohibited

Pre-execution communications are communications between two

market participants for the purpose of discerning interest in the execution of a transaction prior to the entry of an order on the e-cbot platform.

Pre-execution communications and transactions arising from such communications are prohibited in all products during all hours except with respect to block trades pursuant to Rule 526 or Exchange of Futures for Related Position transactions pursuant to Rule 538. Violations of this regulation shall be considered an act detrimental to the interest and welfare of the Exchange.