

## Chapter 9

# Electronic Trading

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**900.00 Electronic Trading System.** The term Electronic Trading System, when used in this Chapter shall refer to the electronic trading platform operated by the Chicago Mercantile Exchange, Inc. under the name CME Globex®. KCBT products are made available for trading on the Electronic Trading System pursuant to a services agreement between KCBT and the Chicago Mercantile Exchange, Inc. (“Provider”).

“CME and CME Globex are trademarks of the Chicago Mercantile Exchange, Inc. and is registered in the United States. CME Group is a trademark of CME Group, Inc.”

**901.00 Rules & Regulations.** The rules and regulations contained in this Chapter govern those KCBT contracts that are traded through the Electronic Trading System. To the extent that the provisions in this Chapter conflict with rules and regulations in other sections of this Rulebook, this Chapter supersedes such rules and regulations and governs the manner in which contracts are traded through the Electronic Trading System. Otherwise, contracts traded on the Electronic Trading System fully subject to applicable general rules and regulations of the KCBT unless specifically and expressly excluded therefrom.

**901.01 Additional Rules or Amendments.** The Board of Directors has the authority to implement additional rules and alter existing rules of this Chapter following notification to the membership, subject to CFTC approval, if required.

**901.02 Electronic Trading System Procedures.** The KCBT may immediately adopt, cancel or modify procedures of the Electronic Trading System, including but not limited to, access, order entry, open, execution, confirmation, closing, clearing, reporting, notification and recordkeeping procedures determined to be necessary so as to comply with the Commodity Exchange Act, Commission Regulations, KCBT Rules, Regulations, Resolutions and surveillance obligations, or other controlling or governing authority; or determined to be in the best interest of the KCBT, Membership, users or public; or required as a result of changes by the Electronic Trading System Provider.

**902.00 Electronic Trading System Provider Rules, Policies & Procedures.** Any person accessing the Electronic Trading System for purposes of trading KCBT contracts shall abide by the electronic Trading System Provider’s rules, policies & procedures not specifically set forth in the KCBT rules of this Chapter, including but not limited to access, registration & identification of system users (“Registered Users”), opening, pre-opening, order entry, order types, and error trade policy including authority to bust or price adjust trades. KCBT shall determine the no-bust ranges and trade matching algorithms for its products listed on the Electronic Trading System. The purpose of this rule is to achieve maximum harmonization between the KCBT and System Provider’s rules, policies and procedures for trading on the Electronic Trading System.

**903.00 Clearing Member Authorization.**

- (a) Primary Clearing Member – Each non-clearing member or non-member with a direct connection who enters transactions through the Electronic Trading System must obtain authorization from a Primary Clearing Member. The Primary Clearing Member shall guarantee and assume financial responsibility for all such transactions traded through the Electronic Trading System under its Clearing Member ID. The Primary Clearing Member shall be liable upon all such trades made by the non-clearing member or non-member and shall be a party to all disputes arising from such trades.

- (b) Other Clearing Members – A non-clearing member or non-member with a direct connection may be authorized to enter transactions through the Electronic Trading System by one or more clearing members, in addition to its Primary Clearing Member, in accordance with the requirements of Resolution 13-1301.00-1, provided that written permission has been granted by its Primary Clearing Member. Such other clearing member shall be liable upon all Electronic Trading System trades made by the non-clearing member or non-member under its Clearing Member ID and shall be a party to all disputes arising from such trades.
- (c) Revocation of Clearing Authorization – A clearing member that provides the Electronic Trading System Provider trading authorization to a non-clearing member or non-member may revoke such authorization without prior notice. Written notice of the revocation of clearing authorization shall be immediately provided to the Electronic Trading System Provider, which shall thereby terminate such connection and cancel all orders of the non-clearing member or non-member in the System under the revoking Clearing Member's ID. If the revocation is by the Primary Clearing Member, all Electronic Trading System connections of the non-clearing member or non-member shall be terminated until another clearing member has designated itself as the Primary Clearing Member. Unless otherwise specified by the Primary Clearing Member, a member whose connection to the Electronic Trading System has been terminated shall not automatically be denied access to the Floor of the KCBT during Regular Trading Hours.

**904.00 Authorized Products.** The Board of Directors shall determine the contracts and/or products which shall be listed on the Electronic Trading System. The following products are authorized for trading:

- a. Wheat Futures
- b. Wheat Options
- c. Value Line® Futures
- d. Value Line® Options

**905.00 Trading Hours.** The Board of Directors shall determine the business day hours during which the Electronic Trading System shall operate for the trading of each contract or product. The trading hours for the authorized products are as follows:

- a. Wheat Futures – 6:00 p.m. to 7:15 a.m., Sunday through Friday and 9:30 a.m. to 1:15 p.m., Monday through Friday
- b. Wheat Options – 6:00 p.m. to 7:15 a.m., Sunday through Friday and 9:30 a.m. to 1:15 p.m., Monday through Friday
- c. Value Line® Futures – 5:00 p.m. to 3:15 p.m., Sunday through Friday and 3:30 p.m. to 4:30 p.m., Monday through Thursday
- d. Value Line® Options – 5:00 p.m. to 3:15 p.m., Sunday through Friday and 3:30 p.m. to 4:30 p.m., Monday through Thursday

**909.00 Priority of Execution.** Orders received by a member or Registered User shall be entered into the Electronic Trading System in the sequence received. Orders that cannot be immediately entered into the Electronic Trading System must be entered when the orders become executable in the sequence in which the orders were received.

**910.00 Good Faith Bids and Offers.** A member or Registered User shall not knowingly enter, or cause to be entered, bids or offers into the Electronic Trading System other than in good faith for the purpose of executing bona fide transactions.

**911.00 Records of Transactions Effected Through the Electronic Trading System.** All written orders and any other original records pertaining to orders entered through the Electronic Trading System must be retained for five years. For orders entered into the Electronic Trading System immediately upon receipt, the data contained in the Electronic Trading System shall be deemed the original records of the transaction.

### **912.00 Trading Against Customer Orders, Crossing Orders and Pre-Execution Communications.**

- (a) Trading Against Customer Orders – During an Electronic Trading System 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 Electronic Trading System 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 regulation.
- (b) 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 Electronic Trading System 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 Electronic Trading System for a minimum of 5 seconds for futures contracts and a minimum of 15 seconds for options contracts.

- (c) Pre-Execution Communications 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 Electronic Trading System. Pre-execution communications and transactions arising from such communications are prohibited except with respect to Exchange of Futures transactions pursuant to Rules 1128.00 and 1129.00, if applicable.

Violations of this rule shall be considered an act detrimental to the best interest and welfare of the KCBT.

**913.00 Disclosure Statement.** No member or clearing member shall accept an order from, or on behalf of, a customer for entry into the Electronic Trading System, unless such customer is first provided with the Uniform Electronic Trading and Order Routing System Disclosure Statement developed by the National Futures Association.

**914.00 Disciplinary Procedures.** All access denials, suspensions, expulsions and other restrictions imposed upon a member or Registered User by the KCBT pursuant to disciplinary procedures contained in Chapter 14 of the KCBT rules shall restrict with equal force and effect access to, and use of, the Electronic Trading System.

**915.00 Misuse of Electronic Trading System.** Misuse of the Electronic Trading System is strictly prohibited. It shall be deemed an act detrimental to the interest and welfare of the KCBT to either willfully or negligently engage in unauthorized access to the System, to assist any individual in obtaining unauthorized access to the System, to trade on the System without the authorization of a clearing member, to alter the equipment associated with the System, to interfere with the operation of the System, to use or configure a component of the System in a manner which does not conform to the System's acceptable use policy, to intercept or interfere with information provided on or through the System, or in any way to use the System in a manner contrary to the rules and regulations of the KCBT.

**916.00 Termination of Electronic Trading System Connection.** The KCBT and/or the Electronic Trading System Provider, at its sole discretion, shall have the right to summarily terminate the connection of any member or non-member, or the access of any User. Additionally, the KCBT and/or the Electronic Trading System Provider, at its sole discretion, shall have the right to direct a member or non-member with a direct connection to immediately terminate access to the Electronic Trading System of any user.

**917.00 Limitation of Liability, No Warranties.**

A. EXCEPT AS PROVIDED BELOW, KCBT, THE CHICAGO MERCANTILE EXCHANGE, INC. (“CME”) (INCLUDING EACH OF THEIR RESPECTIVE SUBSIDIARIES AND AFFILIATES), THEIR OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS, LICENSORS, MEMBERS, AND CLEARING MEMBERS, SHALL NOT BE LIABLE TO ANY PERSON FOR ANY LOSSES, DAMAGES, COSTS OR EXPENSES (INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFITS, LOSS OF USE, AND DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES), ARISING FROM:

(i) ANY FAILURE, MALFUNCTION, FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY, INTERRUPTION, TERMINATION, OR ANY OTHER CAUSE, IN CONNECTION WITH THE FURNISHING, PERFORMANCE, OPERATION, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF ANY OF THE CME’S SYSTEMS, SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS AND SERVICES, INCLUDING WITHOUT LIMITATION ELECTRONIC ORDER ENTRY/DELIVERY, TRADING THROUGH ANY ELECTRONIC MEANS, ELECTRONIC COMMUNICATION OF MARKET DATA OR INFORMATION, WORKSTATIONS USED BY MEMBERS AND AUTHORIZED EMPLOYEES OF MEMBERS, PRICE REPORTING SYSTEMS AND ANY AND ALL TERMINALS, COMMUNICATIONS NETWORKS, CENTRAL COMPUTERS, SOFTWARE, HARDWARE, FIRMWARE AND PRINTERS RELATING; OR

(ii) ANY FAILURE OR MALFUNCTION, FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY, INTERRUPTION OR TERMINATION, OR ANY OTHER CAUSE, OF ANY SYSTEM OR SERVICE OF THE CME OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES, CAUSED BY ANY THIRD PARTIES INCLUDING, BUT NOT LIMITED TO, INDEPENDENT SOFTWARE VENDORS AND NETWORK PROVIDERS; OR

(iii) ANY ERRORS OR INACCURACIES IN INFORMATION PROVIDED BY THE CME OR ANY CME SYSTEM, SERVICE OR FACILITY; EXCEPT FOR INCORRECT ORDER STATUSING INFORMATION AS PROVIDED IN CME RULE 579 (GLOBEX CONTROL CENTER AND ORDER STATUSING); OR

(iv) ANY UNAUTHORIZED ACCESS TO OR UNAUTHORIZED USE OF ANY CME SYSTEM, SERVICE OR FACILITY BY ANY PERSON.

THE FOREGOING LIMITATION OF LIABILITY SHALL APPLY WHETHER A CLAIM ARISES IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY, CONTRIBUTION OR OTHERWISE AND WHETHER THE CLAIM IS BROUGHT DIRECTLY OR AS A THIRD PARTY CLAIM. THE FOREGOING LIMITATION OF LIABILITY SHALL BE SUBJECT TO THE COMMODITY EXCHANGE ACT AND REGULATIONS THEREUNDER. A PARTY WHO HAS BEEN FINALLY ADJUDICATED TO HAVE ENGAGED IN WILLFUL OR WANTON MISCONDUCT MAY NOT AVAIL ITSELF OF THE PROTECTIONS IN THIS RULE.

B. THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS (INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE OR USE) PROVIDED BY CME (INCLUDING ITS RESPECTIVE SUBSIDIARIES AND AFFILIATES), ITS OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS, AND LICENSORS RELATING TO ANY SYSTEMS OR SERVICES OF CME, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES, INCLUDING THE GLOBEX SYSTEM.

C. ANY DISPUTE ARISING OUT OF THE USE OF SYSTEMS OR SERVICES OF THE CME OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES IN WHICH CME (INCLUDING ANY OF ITS SUBSIDIARIES AND AFFILIATES), OR ANY OF ITS OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS OR LICENSORS IS A PARTY SHALL BE ARBITRATED PURSUANT TO CME RULE 621. ANY ARBITRATION SHALL BE BROUGHT WITHIN THE PERIOD PRESCRIBED BY CME RULES. ANY OTHER ACTIONS, SUITS OR PROCEEDINGS AGAINST ANY OF THE ABOVE MUST BE BROUGHT WITHIN TWO YEARS FROM THE TIME THAT A CAUSE OF ACTION HAS ACCRUED. THIS PARAGRAPH C SHALL IN NO WAY BE CONSTRUED TO LIMIT A PARTY'S OBLIGATION TO ARBITRATE ITS CLAIM OR TO CREATE A CAUSE OF ACTION AND SHALL NOT AUTHORIZE AN ACTION THAT WOULD OTHERWISE BE PROHIBITED BY CME RULES. IF FOR ANY REASON, A COURT OF COMPETENT JURISDICTION FINDS THAT SUCH DISPUTE IS NOT ARBITRABLE, SUCH DISPUTE MAY ONLY BE LITIGATED IN THE COUNTY OF COOK IN THE STATE OF ILLINOIS AND WILL BE GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS WITHOUT REGARD TO ANY PROVISIONS OF ILLINOIS LAW THAT WOULD APPLY THE SUBSTANTIVE LAW OF A DIFFERENT JURISDICTION.

D. THE CME MAY, IN THEIR RESPECTIVE SOLE DISCRETION, ASSUME RESPONSIBILITY FOR DIRECT, OUT-OF-POCKET LOSSES DIRECTLY CAUSED BY THE NEGLIGENCE OF GLOBEX CONTROL CENTER OR OTHER CME STAFF AND/OR ORDER STATUS ERRORS PROVIDED BY THE GLOBEX CONTROL CENTER OR CME SYSTEM, SERVICE OR FACILITY. NOTWITHSTANDING THE ABOVE, THE CME'S TOTAL COMBINED AGGREGATE OBLIGATIONS SHALL NOT EXCEED \$100,000 FOR ALL LOSSES FROM ALL CAUSES SUFFERED ON A SINGLE DAY; \$200,000 FOR ALL LOSSES SUFFERED FROM ALL CAUSES IN A SINGLE CALENDAR MONTH; AND \$2,400,000 FOR ALL LOSSES FROM ALL CAUSES SUFFERED IN A SINGLE CALENDAR YEAR. ANY DISPUTED CLAIM PURSUANT TO THIS PARAGRAPH D MUST BE ARBITRATED PURSUANT TO CME RULE 621.

E. IN NO EVENT SHALL THE CME'S TOTAL COMBINED AGGREGATE LIABILITY FOR ALL CLAIMS ARISING OUT OF ANY NEGLIGENCE, FAILURES, MALFUNCTIONS, FAULTS IN DELIVERY, DELAYS, OMISSIONS, SUSPENSIONS, INACCURACIES, INTERRUPTIONS, TERMINATIONS, ORDER STATUSING ERRORS OR ANY OTHER CAUSES, IN CONNECTION WITH THE FURNISHING, PERFORMANCE, OPERATION, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF ANY OF THE CME'S SYSTEMS OR SERVICES, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS AND SERVICES, OR THE NEGLIGENCE OF CME STAFF, EXCEED \$2,400,000 IN ANY GIVEN CALENDAR YEAR.

IF THE NUMBER OF ALLOWED CLAIMS AGAINST CME ARISING OUT OF ANY FAILURES OR MALFUNCTIONS ON A SINGLE DAY OR SINGLE MONTH CANNOT BE FULLY SATISFIED BECAUSE OF THE ABOVE DOLLAR LIMITATIONS, ALL SUCH CLAIMS SHALL BE LIMITED TO A PRO RATA SHARE OF THE MAXIMUM AMOUNT FOR THE RESPECTIVE PERIOD.

A CLAIM AGAINST THE CME ARISING OUT OF ANY FAILURE OR MALFUNCTION SHALL ONLY BE ALLOWED IF SUCH CLAIM IS BROUGHT IN ACCORDANCE WITH APPLICABLE CME POLICIES, PROCEDURES AND RULES, INCLUDING CME RULES 578 AND 579.

**920.00 Fees.** The KCBT Board of Directors shall determine the transaction fees that shall be assessed each contract transacted on the Electronic Trading System. In addition, the KCBT Clearing Corporation Board of Directors shall determine the clearing fees that shall be assessed each contract transacted on the Electronic Trading System. Such fees are subject to change upon 30 days advance notice.