

**MEMORANDUM**

**TO:** Philadelphia Board of Trade Members and Member Organizations

**FROM:** Legal Department

**DATE:** April 26, 2007

**RE:** SR-PBOT-2007-05: Rules 1200 – 1213, World Currency Futures  
SR-PBOT-2007-06: Rules E2, *Definitions and Rules of Construction*,  
E12, *Submission of Orders*, and E18 *Order and Quote Matching*.

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The Philadelphia Board of Trade (“PBOT”) has filed with the Commodity Futures Trading Commission SR-PBOT-2007-05 and SR-PBOT-2007-06, amending the rules set forth above. SR-PBOT-2007-05 certifies PBOT’s currency futures contracts, currently dormant, for trading. It also amends their terms and conditions. SR-PBOT-2007-06 clarifies the description of information required for order entry on PBOT XL, as well as the operation of the match engine. The text of the rule changes is set forth below.

These rule amendments will become effective on April 27, 2007, provided, however, that the Exchange will not list and trade World Currency Futures on the Australian Dollar, the Canadian Dollar, the Japanese yen and the Swiss franc until a future date to be announced by PBOT in a Notice to Members.

If you have any questions regarding these rule amendments, please contact Carla Behnfelddt, Director and Counsel, at (215) 496-5208.

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*Foreign World Currency Futures Contracts*

**Chapter XII**

**Rule 1201.**

**Scope and Application of Section**

*The Rules in this Section shall be applicable to the trading on the Exchange's PBOT XL electronic trading platform of foreign currency futures contracts issued by the Clearing Corporation, the contract specifications of each foreign currency futures contract, the settlement thereof, and other matters relating to such foreign currency futures contracts. Procedures for matters not specifically covered herein shall be governed by the generally applicable rules of the Exchange.*

**Rule 1202.**

**Obligation of Parties to Contract**

*The seller and the purchaser of a foreign currency futures contract agree to pay or receive, as the case may be, the final settlement amount provided for in Rule 1207 in accordance with the Rules of the Exchange and the Rules of the Clearing Corporation.*

**Rule 1203.**

**Periods Traded**

*(a) Trading in foreign currency futures contracts shall be conducted for delivery in ~~six~~ three contract months: ~~four such months shall be from the March, June, September and December cycle.~~ following the spot month (the cycle months) and two such months shall be the nearest two months following the spot month which are not one of the cycle months.*

*(b) Trading in the next cycle month in which trading has not been opened shall be initiated at the opening of trading on the first business day following the ~~last trading day~~ Last Trading Day for a cycle month which has become the spot month ~~and trading in the next calendar month (not a cycle month) in which trading has not become open shall be initiated at the opening of trading on the first business day following the last trading day for a calendar month which has become the spot month.~~*

**Rule 1204.**

**Hours of Trading**

*The Board of Directors has resolved that except under unusual conditions as may be determined by the Board or the Exchange official or officials designated by the Board foreign currency futures contracts ~~Trading~~ shall be conducted at such times as the Board of Directors shall specify between ~~1:30~~ 8:20 a.m. and ~~2:30~~ 4:15 p.m. each business day.*

**Rule 1205.**  
**Last Trading Day**

*No trades in any foreign currency futures contract which must be settled in any current contract month shall be made after the close of trading in that contract month as such time is established by the Exchange on the third Friday of the contract month ~~Friday immediately preceding the third Wednesday of the contract month~~ or, if that day is not a business day then on the prior business day.*

**Rule 1206.**

**Contract Modifications Specifications**

*Specifications shall be fixed as of the first day of trading of a foreign currency futures contract.*

*(a) Specifications for foreign currency futures contracts in British pounds.*

*1. Trading unit. The unit of trading shall be ~~62,500~~ 10,000 British pounds. Quotations will be expressed in ~~cents~~ dollars per unit of currency.*

*2. Price increments. The minimum price fluctuations shall be in multiples of \$.0001 per British pound, commonly referred to as 1 point, which equals one dollar per contract.*

*(b) Specifications for foreign currency futures contracts in Swiss francs.*

*1. Trading unit. The unit of trading shall be ~~125,000~~ 10,000 Swiss francs. Quotations will be expressed in ~~cents~~ dollars per unit of currency.*

*2. Price increments. The minimum price fluctuations shall be in multiples of \$.0001 per Swiss franc, commonly referred to as 1 point, which equals one dollar per contract.*

*(c) Specifications for foreign currency futures contracts in Japanese yen.*

*1. Trading unit. The unit of trading shall be ~~12,500,000~~ 1,000,000 Japanese yen. Quotations will be expressed in ~~hundredths of a cent~~ dollars per unit of currency, provided that the first two decimal places shall be disregarded.*

2. Price increments. The minimum price fluctuations shall be in multiples of \$.000001 per Japanese yen, expressed as \$.0001 commonly referred to as 1 point, which equals one dollar per contract.

(d) Specifications for foreign currency futures contracts in Canadian dollars.

1. Trading unit. The unit of trading shall be ~~100,000~~ 10,000 Canadian dollars. Quotations will be expressed in ~~cents~~ dollars per unit of currency.

2. Price increments. The minimum price fluctuations shall be in multiples of \$.0001 per Canadian dollar, commonly referred to as 1 point, which equals one dollar per contract.

(e) Specifications for foreign currency futures contracts in the Australian Dollar.

1. Trading unit. The unit of trading shall be ~~100,000~~ 10,000 Australian Dollars. Quotations will be expressed in ~~cents~~ dollars per unit of currency.

2. Price increments. The minimum price fluctuations shall be in multiples of \$.0001 per Australian Dollar, commonly referred to as 1 point, which equals one dollar per contract.

(f) Specifications for foreign currency futures contracts in the Euro.

1. Trading unit. The unit of trading shall be ~~125,000~~ 10,000 Euros. Quotations will be expressed in ~~cents~~ dollars per unit of currency. ~~The Euro, the official currency of the Council of Ministers of the European Economic Community (EEC), is an open basket of currencies subject to revision by the Commission of the EEC.~~

2. Price increments. The minimum price fluctuations shall be \$.0001 per Euro, commonly referred to as 1 point, which equals one dollar per contract.

## **Rule 1207.**

### **~~Final Settlement and Delivery~~**

~~Final Settlement and Delivery.~~ (a) All settlements of currency futures contract must be made in U.S. dollars through and in accordance with the rules of the Clearing Corporation. The final settlement amount shall be the final mark to market amount against the Final Settlement Price multiplied by 1,000,000 in the case of the foreign currency futures contracts on the Japanese yen, or by 10,000 in the case of foreign currency futures contracts on the British pound, the Euro, the Australian dollar, the Canadian dollar and the Swiss franc.

*(b) Final settlement of a currency futures contract shall be made on the first day on which the Clearing Corporation is open for settlement following the last day of trading of the contract.*

*(c) For purposes of the rules of the Clearing Corporation, the final settlement price for a contract shall be based upon prices for the relevant currency established by bids and offers in the interbank foreign exchange market. Contract final settlement prices are based upon Phlx intra-day spot reference prices as of the final settlement time, which are in turn calculated using contributor quotes Phlx receives from a nationally recognized market data vendor. Contributor quotes are dollar-denominated bids and offers for spot transactions in a currency that the data vendor receives from quoting banks.*

*Phlx intra-day spot reference prices are a weighted average of a minimum of 2 and a maximum of 5 of the most recent contributor quotes. Contributor quotes greater than three minutes old are discarded. Contributor quotes less than one minute old are given a weight factor of three. Contributor quotes greater than one minute old but less than three minutes old are given a weight factor of two.*

*The Phlx intra-day spot reference price is calculated as follows:*

$$S = R \left[ \sum_{i=1}^n \frac{bidi}{wi} + \sum_{i=1}^n \frac{aski}{wi} \right]$$

*=*

$$R(wi)$$

*Where:*

*S = the spot reference price*

*bidi = the bid price of the ith contributor*

*aski = the ask price of the ith contributor*

*wi = the weight factor of the ith contributor*

*R = summation sign*

*"i" = the number of contributor quotes*

*The final settlement time for a contract shall be as of the close of trading on the last trading day of the expiration month for that contract.*

*(c) The Final Settlement Price for the for the foreign currency futures contracts on the Australian dollar, the Euro and the British pound shall be the day's announced Noon*

Buying Rate, as determined by the Federal Reserve Bank of New York on the Last Trading Day. If the Noon Buying Rate is not announced by 2:00 p.m. (Eastern time ("ET")), the Final Settlement Price will be the most recently announced Noon Buying Rate, unless the Exchange determines to apply an alternative Final Settlement Price as a result of extraordinary circumstances.

The Final Settlement Price for the for foreign currency futures contracts on the Canadian dollar, the Swiss franc and the Japanese yen shall be an amount equal to one divided by the day's announced Noon Buying Rate, as determined by the Federal Reserve Bank of New York on the Last Trading Day, rounded to the nearest .0001 (except in the case of the Japanese yen where the amount shall be rounded to the nearest .000001). If the Noon Buying Rate is not announced by 2:00 p.m. (Eastern time ("ET")), the Final Settlement Price will be based upon the most recently announced Noon Buying Rate, unless the Exchange determines to apply an alternative Final Settlement Price as a result of extraordinary circumstances.

~~(d) This rule 1207(d) applies to daily settlement prices but not to final settlement prices. The settlement price for each foreign currency futures contract shall be the weighted average of the prices traded within the last minute of trading, as determined by the Exchange. If a contract month of a foreign currency futures contract has not traded in the last minute of trading, the settlement price for that contract month shall be fixed by the Exchange at the median of the highest bid and the lowest offer for that contract month during the last minute of trading. If both a bid and an offer have not been made during the final minute of trading in a contract month, the settlement price for that contract month shall be set at the same differential which such contract month had the next earlier contract month (in the case where the contract month is the spot month, the next later contract month) using the previous day's settlement prices to determine said differential. If such settlement price is not consistent with other sales in other contract months of a foreign currency futures contract during the closing range or with market information known to the designated Exchange official supervising the closing, such Exchange official may establish a settlement price at a level consistent with such other sales or market information, and shall prepare a written record setting forth the basis for any modification of such settlement price made pursuant to this paragraph (d).~~

(d) Each Trading Day except for the Last Trading Day, the Exchange will establish the Daily Settlement Price as the 4:15 PM Philadelphia Stock Exchange ("Phlx") modified spot rate for the currency, divided by ten thousand in the case of futures contracts on the Japanese yen, and divided by one hundred in the case of futures contracts on the other currencies.

(e) Neither the Exchange, nor any agent of the Exchange shall have any liability for damages, claims, losses or expenses caused by any errors, omissions, or delays in calculating or disseminating the Daily Settlement Price or the Final Settlement Price resulting from an act, condition, or cause beyond the reasonable control of the Exchange including but not limited to, an act of God; fire; flood; extraordinary weather conditions;

war; insurrection; riot; strike; accident; action of government; communications or power failure; equipment or software malfunction; any error, omission, or delay in the reports of transactions in one or more underlying currencies or any error, omission or delay in the reports of the Daily Settlement Price or the Final Settlement Price by the Exchange.

**Rule 1208.**

**Aggregation of Positions**

~~Aggregation of Positions. In determining whether any person has exceeded the position limits set forth in this section, all positions and accounts for which such person by power of attorney or otherwise directly or indirectly controls trading shall be included with the positions held by such person; such limits upon positions shall apply to positions held by two or more persons acting pursuant to an express or implied agreement or understanding, the same as if the positions were held by a single person. Rule E28(b) applies to trading in foreign currency futures contracts.~~

**Rule 1209.**

**Reporting of Positions**

~~Reporting of Positions. (a) Every member or member organization shall report each reportable position in a foreign currency futures contract to the Exchange at such times and in such form and manner as shall be prescribed by the Exchange. Reportable position levels shall be as prescribed by the rules of the CFTC.~~

~~(b) For purposes of determining the number of foreign currency futures contracts held or controlled by any person, positions in all accounts shall be aggregated in accordance with the provisions of Rule ~~1208~~ E28.~~

**Rule 1210.**

**Margin Requirements for Foreign Currency Futures Contracts**

~~(a) Rule E11, Customer Margin, applies to foreign currency futures contracts. The Exchange shall establish and notify members and member organizations of the minimum amount of margin which must be obtained by all members and member organizations from customers, the amount of margin that must be maintained by customers, and the terms and conditions under which margin must be required and accepted from customers, with respect to foreign currency futures contracts (hereinafter "futures contracts" or "futures"). The Exchange may establish different levels of initial and maintenance margin for different classes of customers. For the purpose of this Rule, the term "customer" shall have the meaning set forth in Rule 15.~~

~~(b) No member or member organization shall accept an order for any account to purchase or sell a futures contract unless the initial margin established by the Exchange is on deposit or is forthcoming within a reasonable time, and the margin in the account~~

~~with respect to pre-existing open positions complies with applicable maintenance margin requirements established by the Exchange or is forthcoming within a reasonable time.~~

~~(c) The member or member organization may call for additional margin at its discretion, but whenever a customer's margin is below the maintenance margin required by the Exchange, the member or member organization must call for such additional maintenance margin as well as restore the account to the level of initial margin required by the Exchange, and if within a reasonable time the customer fails to comply with such demand, the member or member organization must close out the customer's position or sufficient contracts to restore the customer's account to required margin status.~~

~~(d) The terms and conditions under which margin must be required and accepted from customers shall be as follows:~~

~~(1) On each business day, each member or member organization carrying a futures contract for a customer shall compute the amount of margin required therefore in accordance with the requirements of the Exchange and shall promptly issue a margin call to such customer in the event that the customer's margin is below the required level.~~

~~(2) Margin may be deposited by a customer with a member or member organization in one or more of the following forms:~~

~~(i) Cash; or~~

~~(ii) Obligations of the United States; provided, however, that such obligations shall not be accepted as margin for an amount greater than the lesser of face value or market value of such obligations;~~

~~(iii) Securities acceptable as margin in accordance with Regulation T of the Board of Governors of the Federal Reserve Board, as amended from time to time; provided, however, that such securities shall not be accepted as margin for an amount greater than seventy percent of the current market value of such securities;~~

~~(iv) Irrevocable letter of credit issued by a bank acceptable to the Exchange; or~~

~~(v) Liquidation of futures contracts or closing transactions for option contracts carried in the account, plus, if necessary a deposit of additional margin made by the customer in one or more of the forms set out in the foregoing subparagraphs (d)(2)(i)-(iv) of this Rule.~~

~~(e) The initial and maintenance margin generally required pursuant to paragraph (a) hereof shall not be applicable to:~~



*(1) transactions which are bona fide hedging positions within the meaning of Commission Regulation 1.3(z)(1), provided that a hedging declaration in a form acceptable to the Exchange has been filed by the customer with the member or member organization. In such case, the levels of initial and maintenance margin established by the Exchange for bona fide hedge positions pursuant to paragraph (a) hereof shall be applicable to such transactions; or*

*(2) inter market spread transactions enumerated by the Exchange. In such case, the levels of initial and maintenance margin established by the Exchange for inter market spread transactions pursuant to paragraph (a) hereof shall be applicable to such transactions. Such inter market spread transactions shall include positions in foreign currency futures contracts matched with positions in foreign currency option contracts traded on the PHLX or in options contracts on foreign currency futures traded on other contract markets as designated by the Commodity Futures Trading Commission ("CFTC") pursuant to Section 5 of the Commodity Exchange Act ("Act") or with positions in foreign currency futures contracts traded on the Exchange or on other contract markets as designated by the CFTC pursuant to Section 5 of the Act which option and/or futures positions are in the same account carried by the same member or member organization.*

*(3) inter currency spread transactions enumerated by the Exchange. In such case, the levels of initial and maintenance margin established by the Exchange for inter currency spread transactions pursuant to paragraph (a) hereof shall be applicable to such transactions. Such inter currency spread transactions shall include positions in one foreign currency futures contract traded on the Exchange or on other contract markets as designated by the CFTC pursuant to Section 5 of the Act, which futures positions are in the same account carried by the same member or member organization*

*(f) Nothing in this rule shall preclude any member or member organization in its discretion from imposing higher margin requirements than those established by the Exchange pursuant hereto with respect to any futures position.*

**Rule 1211.**  
**Block Trades.**

Foreign currency futures contracts are eligible for block trading pursuant to Rule E23. Pursuant to Rule E23(c), the minimum quantity threshold is 100 contracts.

**Rule 1212.**  
**No-Bust Range.**

Pursuant to Rule E26, the "No-Bust Range" for foreign currency futures is any price that is less than 100 ticks on either side of the market price of the applicable foreign currency future.

**Rule 1213.**

**Contract Modifications**

*Specifications shall be fixed as of the first day of trading of a contract except if any U.S. governmental agency or body issues an order, ruling, directive or law pertaining to the trading or settlement of foreign currency futures, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subjected to such government orders.*

**Rule E2. Definitions and Rules of Construction**

**Clearing Account Type.** *The term “Clearing Account Type” means one of three indicators assigned to an Order or Quote designating the applicable clearing account type for any subsequent transaction as defined by Article VI, Section 3 of the By-Laws of the Clearing Corporation. These indicators are: “C” for Orders to be cleared through a “segregated futures account”; “F” for Orders to be cleared through a “firm account”; and “M” for Orders or Quotes to be cleared through a “segregated futures professional account” or a “proprietary futures professional account.”*

**Rule E12. Submission of Orders**

- (a) - (b) No Change.
  
- (c) Each Order entered into PBOT XL shall include the following information:
  - (1) -(11) No Change
  - (12) ~~Clearing Account Type clearing origin code (i.e., customer account, firm account, or market maker account as those terms are defined by the Clearing Corporation).~~
  
- (d) No Change.

**Rule E18. Order and Quote Matching**

- (a) Except as described in Rule E18(d), PBOT XL matches Orders and Quotes in price priority with the highest bid or lowest offer for a Contract having priority over all other Orders and Quotes for the same Contract. When PBOT XL has multiple Orders or Quotes for a Contract at the highest bid or lowest offer, then
  - ~~(1) Orders for Customers receive priority over Orders for Members or Member Organizations and Market Maker Quotes; and among Customer Orders, the first Customer Order in time at a price has priority over all other Customer Orders at the same price; and~~
  
  - ~~(2) Orders for Members and Member Organizations and Market Maker Quotes at the same price participate in proportion to the Order or Quote quantity relative to the total quantity of all Member or Member Organization Orders and Market Maker Quotes at the same price.~~
  
- (1) Orders for Clearing Account Type “C” receive priority over Orders for any other Clearing Account Type; and among Orders for Clearing Account Type “C”, the

first such Order in time at a price has priority over all other such Orders at the same price; and

(2) Orders for Clearing Account Types “F” and “M” and Quotes at the same price participate in proportion to the Order or Quote quantity relative to the total quantity of all such Orders and Quotes at the same price.

(b) - (d) No Change.