

M E M O R A N D U M

TO: Philadelphia Board of Trade Members and Member Organizations

FROM: Legal Department

DATE: April 15, 2008

RE: SR-PBOT-2008-05: Rules E1, *Electronic Trading Generally*, 361, *Exchange of Futures Contracts for Physical*, and 413, *Surveillance*.

The Philadelphia Board of Trade (“PBOT”) has filed proposed rule change SR-PBOT-2008-05 with the Commodity Futures Trading Commission. These rule amendments will become effective April 17, 2008. The first amendment corrects a cross reference in Rule E1, *Electronic Trading Generally*. The second eliminates Rule 361, *Exchange of Futures Contracts for Physical*, PBOT’s old rule for EFP transactions which at one time applied to PBOT floor-based trading. The last rule amendment is the addition of Rule 413, *Surveillance*, which makes clear that PBOT members are required to cooperate with investigations that may be conducted by the National Futures Association on behalf of the Exchange.

The text of the amendments is set forth below. If you have any questions regarding these rule amendments, please contact Carla Behnfeldt, Director and Counsel, at (215) 496-5208.

Additions underlined; deletions crossed out

Rule E1.
Electronic Trading Generally

PBOT XL related activity is governed by Rules E1 through and including ~~E37~~ E38, which prevail in the event of any conflict with any other Exchange Rule. Except for the General Trading Rules of Section 3, which are inapplicable, all other Rules and By-Laws of the Exchange apply to PBOT XL related activity unless expressly excluded from application.

Rule 361.

Exchange of Futures Contracts for Physical

~~*Exchange of futures contracts for physical (EFPs) shall be permitted by arrangement between members in accordance with the following:*~~

~~*(1) EFPs must be conducted by and between two separate parties, wherein one party is the buyer of physical (spot) commodities and the seller of futures contracts and the other party is the seller of physical (spot) commodities and the buyer of the futures contracts.*~~

~~*(2) The seller of the physical (spot) commodities must have possession or the right to possession of the physical (spot) commodities and be able to transfer the same to the buyer in a reasonable period of time after the simultaneous purchase and sale of the futures contracts and sale and purchase of an equal quantity of physical (spot) commodities.*~~

~~*(3) EFPs may be consummated at any price as mutually agreed upon by the two parties to the transaction.*~~

~~*(4) No EFPs may be undertaken by members or their customers after the close of trading on the last trading day of any futures contracts.*~~

~~*(5) All EFPs consummated during trading sessions shall be reported to a floor official and a representative of the Market Surveillance department by the parties immediately upon the opening of the next trading session.*~~

~~*(6) All reports of EFPs shall be made in a form as prescribed by the Exchange. The memoranda of EFPs shall reflect the identity of the parties, representative floor brokers, clearing member organization, the time of the transaction, number of futures contracts involved, their designated symbols, the equivalent cash (spot) commodity's price of the transaction and such other pertinent documentation evidencing transfer of the cash (spot) commodities component of the transaction.*~~

~~*(7) EFPs are not permitted to be structured with cash settled futures contracts.*~~

Rule 413.

Surveillance.

The Exchange has contracted for the performance of market and trade practice surveillance and related investigations with respect to Members and Member Organizations. The failure by any Member or Member Organization to comply with any applicable requirement, rule or procedure of or to furnish any information requested by the entity authorized by the Exchange to act on its behalf with respect to those functions shall constitute a violation of these Rules.