

**SUBMISSION COVER SHEET**

**IMPORTANT:** Check box if Confidential Treatment is requested

**Registered Entity Identifier Code (optional):** 19-298 (3 of 4)

**Organization:** New York Mercantile Exchange, Inc. ("NYMEX")

**Filing as a:**  DCM  SEF  DCO  SDR

**Please note - only ONE choice allowed.**

**Filing Date (mm/dd/yy):** 08/23/19

**Filing Description:** Issuance of CME Group Market Regulation Advisory Notice RA1908-5 Regarding Rule 526. ("Block Trades").

**SPECIFY FILING TYPE**

**Please note only ONE choice allowed per Submission.**

**Organization Rules and Rule Amendments**

- |                                     |                                     |            |
|-------------------------------------|-------------------------------------|------------|
| <input checked="" type="checkbox"/> | Certification                       | § 40.6(a)  |
| <input type="checkbox"/>            | Approval                            | § 40.5(a)  |
| <input type="checkbox"/>            | Notification                        | § 40.6(d)  |
| <input type="checkbox"/>            | Advance Notice of SIDCO Rule Change | § 40.10(a) |
| <input type="checkbox"/>            | SIDCO Emergency Rule Change         | § 40.10(h) |

**Rule Numbers:** 526.

**New Product**

**Please note only ONE product per Submission.**

- |                          |                                       |            |
|--------------------------|---------------------------------------|------------|
| <input type="checkbox"/> | Certification                         | § 40.2(a)  |
| <input type="checkbox"/> | Certification Security Futures        | § 41.23(a) |
| <input type="checkbox"/> | Certification Swap Class              | § 40.2(d)  |
| <input type="checkbox"/> | Approval                              | § 40.3(a)  |
| <input type="checkbox"/> | Approval Security Futures             | § 41.23(b) |
| <input type="checkbox"/> | Novel Derivative Product Notification | § 40.12(a) |
| <input type="checkbox"/> | Swap Submission                       | § 39.5     |

**Official Product Name:**

**Product Terms and Conditions (product related Rules and Rule Amendments)**

- |                          |   |                      |
|--------------------------|---|----------------------|
| <input type="checkbox"/> | Certification   | § 40.6(a)            |
| <input type="checkbox"/> | Certification Made Available to Trade Determination     | § 40.6(a)            |
| <input type="checkbox"/> | Certification Security Futures                          | § 41.24(a)           |
| <input type="checkbox"/> | Delisting (No Open Interest)                            | § 40.6(a)            |
| <input type="checkbox"/> | Approval  | § 40.5(a)            |
| <input type="checkbox"/> | Approval Made Available to Trade Determination          | § 40.5(a)            |
| <input type="checkbox"/> | Approval Security Futures                               | § 41.24(c)           |
| <input type="checkbox"/> | Approval Amendments to enumerated agricultural products | § 40.4(a), § 40.5(a) |
| <input type="checkbox"/> | "Non-Material Agricultural Rule Change"                 | § 40.4(b)(5)         |
| <input type="checkbox"/> | Notification  | § 40.6(d)            |

**Official Name(s) of Product(s) Affected:**

**Rule Numbers:**

August 23, 2019

**VIA ELECTRONIC PORTAL**

Mr. Christopher J. Kirkpatrick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, DC 20581

**Re: CFTC Regulation 40.6(a) Certification. Issuance of CME Group Market Regulation  
Advisory Notice RA1908-5 Regarding Rule 526. (“Block Trades”).  
NYMEX Submission No. 19-298 (3 of 4)**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6(a), Chicago Mercantile Exchange Inc. (“CME”), The Board of Trade of the City of Chicago, Inc. (“CBOT”), New York Mercantile Exchange, Inc. (“NYMEX”) and Commodity Exchange, Inc. (“COMEX”) (collectively, the “Exchanges”) hereby notify the Commission that they are self-certifying the issuance of CME Group Market Regulation Advisory Notice RA1908-5 (“RA1908-5”) concerning Rule 526. (“Block Trades”), effective on trade date Tuesday, October 1, 2019.

RA1908-5 adopts a series of amendments to the previous Market Regulation Advisory Notice on block trades issued on May 17, 2019 (RA1906-5). More specifically, the amended MRAN is being issued to:

- Codify that block trade strategies involving a CME Group Exchange product and the product of any non-CME Group exchange are considered an outright transaction at the relevant CME Group Exchange (Section 5);
- Codify circumstances in which the Chief Regulatory Officer or his designee may permit block trades to be executed at less than the block trade minimum threshold (Section 6);
- Clarify that block trades may be reported to the CME ClearPort Facilitation Desk/Global Command Center via email at [FacDesk@cmegroup.com](mailto:FacDesk@cmegroup.com) (Section 7);
- Clarify that the time of execution of a block trade is the time that the trade is consummated, which is the time that the parties agree to the trade in principle (Section 7);
- Amend Section 11.a. to provide additional guidance for brokers receiving permission to disclose their customers’ identities; and
- Amend Section 11.b. to provide additional guidance for parties that engage in pre-hedging.

The amendment to Section 5 (Time and Prices) codifies longstanding regulatory guidance provided by the Exchanges concerning block trade strategies involving a product of one of the CME Group Exchanges and the product of any other non-CME Group exchange. The block trade in the CME Group Exchange product constitutes an outright transaction at the relevant CME Group Exchange for purposes of compliance with pricing and timely submission requirements under Rule 526.

Section 6 (Block Trade Minimum Quantities for Outrights, Spreads and Combinations) is being amended to codify that the Chief Regulatory Officer or his designee may permit block trades to be executed at less than the block trade minimum threshold where it is determined the situation so requires and the exception is in the best interests of the Exchange. This has been done on several occasions in the past involving the liquidation of a portfolio of positions where one or more of the legs of the aggregate transaction do not meet

the block trade minimum threshold for the respective products.

The first amendment to Section 7 (Block Trade Submission) codifies that block trade reporting to the CME ClearPort Facilitation Desk/Global Command Center must occur via email. No reporting via telephone has been permitted for some time. The second amendment clarifies that the time of execution of a block trade is the time that the trade is consummated, which is the time that the parties agree to the trade in principle. With respect to spread block trades, the amended language codifies longstanding regulatory guidance provided by the Exchanges that the time of execution is when the parties agree to the differential or combination price of the spread block trade, and not the time the individual leg prices are determined.

There are two amendments being made to Section 11 (Use of Nonpublic Information Regarding Block Trades). Subsection a) (General) adopts a new requirement concerning brokers that have been granted a customer's permission to disclose the customer's identity to potential counterparties and/or the counterparty with which a block trade is consummated. Brokers will be required to reconfirm such consent on no less than an annual basis, regardless of the manner in which such consent was initially obtained.

Subsection b) adopts additional guidance for parties that engage in pre-hedging. The amended language underscores that it is the responsibility of a party acting principally to ensure it is clear to its counterparty that the party is acting principally, and, as such, owes no agency duties to the counterparty. Given that pre-hedging by intermediaries remains prohibited, the Exchanges believe this additional guidance is critical to eliminate concerns that the block trade negotiation may appear to imply that an agency duty is owed to the counterparty. The revised guidance provides additional examples of language the Exchanges believe is indicative of an agency relationship.

The Exchanges reviewed the designated contract market core principles ("DCM Core Principles") as set forth in the Commodity Exchange Act ("CEA" or "Act") and identified that the issuance of the RA1908-5 may have some bearing on the following Core Principles:

Compliance with Rules: RA1908-5 provides guidance to the marketplace on the regulatory requirements attendant to block trades. This guidance is intended to assist market participants in remaining in compliance with Rule 526. and is therefore in compliance with this Core Principle.

Availability of General Information: As required by this Core Principle, the Exchanges are publicly issuing RA1908-5 to ensure that market participants have updated guidance and information attendant to the amendments. RA1908-5 will also be available on the CME Group website.

Prior to this Submission No. 19-298, the amendments were discussed with representatives on the FIA Law & Compliance Executive Committee, and certain changes were adopted in response to that engagement. Certain firms expressed that the annual reconfirmation notice concerning permission to disclose a customer's identity was too onerous, however the Exchanges confirmed that the annual reconfirmation could be achieved via negative consent. Additionally, concerns were raised with respect to the examples of language or practice identified by the Exchanges as potentially indicative of acting in an agency capacity, particularly the term "working an order." The Exchanges' intent is to encourage principal traders to stop using the phrase "working an order," or, where the term continues to be used, ensure that there are other indications in the communication that the party is acting principally and owes no agency duty to the counterparty. Concerns were raised regarding the provision permitting the Chief Regulatory Officer to exercise discretion and permit exceptions to the block trade minimum threshold as being overly broad. Based on experience, the Exchanges expect that this provision will be exercised infrequently and will most often be reserved for singular, non-recurring events. Furthermore, this provision provides greater market transparency than other potential remedies in these types of scenarios, such as approved transfer trades which are not price reported. Lastly, the Exchange's prior verbal guidance and, in the amended MRAN, written guidance, that spread block trades are executed when the differential or combination price is agreed upon, and not when the individual leg prices are determined, has been unpopular with multiple market participants. Regardless, any other view would result in parties having additional time to report the block trade after it was agreed upon. In the interests of market transparency with respect to block trades, the

Exchanges believe the amended guidance to be sound and in the best interests of the marketplace as a whole.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchanges certify that the issuance of the RA1908-5 complies with the Act and regulations thereunder. The Exchanges considered all feedback from market participants and, as noted above, determined the marketplace as whole would benefit from the amendments.

The Exchanges certify that this submission has been concurrently posted on the Exchanges' website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

If you require any additional information regarding this submission, please contact the undersigned at 212.299.2200 or via email at [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachment: Exhibit A: CME Group Market Regulation Advisory Notice RA1908-5

## EXHIBIT A

### MARKET REGULATION ADVISORY NOTICE

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<b>Exchange</b>	<b>CME, CBOT, NYMEX &amp; COMEX</b>
<b>Subject</b>	<b>Block Trades</b>
<b>Rule References</b>	<b>Rule 526</b>
<b>Advisory Date</b>	<b>August 26, 2019</b>
<b>Advisory Number</b>	<b>CME Group RA1908-5</b>
<b>Effective Date</b>	<b>October 1, 2019</b>

Effective on trade date Tuesday, October 1, 2019, and pending all relevant CFTC regulatory review periods, this Market Regulation Advisory Notice will supersede CME Group Market Regulation Advisory Notice RA1906-5 from May 17, 2019. It is being issued to:

- Codify that block trade strategies involving a CME Group Exchange product and the product of any non-CME Group exchange are considered an outright transaction at the relevant CME Group Exchange (Section 5);
- Codify circumstances in which the Chief Regulatory Officer or his designee may permit block trades to be executed at less than the block trade minimum threshold (Section 6);
- Clarify that block trades may be reported to the CME ClearPort Facilitation Desk/Global Command Center via email at [FacDesk@cmegroup.com](mailto:FacDesk@cmegroup.com) (Section 7);
- Clarify that the time of execution of a block trade is the time that the trade is consummated, which is the time that the parties agree to the trade in principle (Section 7);
- Amend Section 11.a. to provide additional guidance for brokers receiving permission to disclose their customers' identities; and
- Amend Section 11.b. to provide additional guidance for parties that engage in pre-hedging.

This Advisory Notice contains the following Sections:

1. [Definition](#)
2. [Participation](#)
3. [Different Accounts with Common Beneficial Ownership](#)
4. [Eligible Products](#)
5. [Time and Prices](#)
6. [Minimum Quantities](#)
7. [Block Trade Submission](#)
8. [Recordkeeping](#)
9. [Error Remediation](#)
10. [Dissemination of Block Trade Information](#)
11. [Use of Nonpublic Information](#)
12. [TAS & TAM Block Trades](#)
13. [Basis Trade at Index Close \("BTIC"\) and Basis Trade at Cash Open \("TACO"\) Block Trades](#)
14. [Text of Rule 526](#)
15. [Contact Information](#)

All block trades are subject to the conditions set forth in Rule 526 and in this Advisory Notice. Violations of the Rule or any of the requirements and prohibitions set forth in this Advisory Notice may result in disciplinary action.

### **1. Definition of Block Trades**

Block trades are privately negotiated futures, options or combination transactions that meet certain quantity thresholds which are permitted to be executed apart from the public auction market. It is not permissible to facilitate the execution of block trades in Exchange-traded products on a system or facility accessible to multiple parties that allows for the electronic matching of or the electronic acceptance of bids and offers. Parties may use communication technologies to bilaterally request block quotes from one or more participants and to conduct privately negotiated block trades. Parties may also utilize technologies supported by third parties which allow for the electronic posting of indicative block markets displayed to multiple market participants. However, block trades executed between parties based on such electronically displayed indicative markets may be transacted only through direct bilateral communications involving the broker, where applicable, and the parties to the trade.

### **2. Participation in Block Trades**

Each party to a block trade must be an Eligible Contract Participant as that term is defined in Section 1a(18) of the Commodity Exchange Act. Eligible Contract Participants generally include exchange members and member firms, broker/dealers, government entities, pension funds, commodity pools, corporations, investment companies, insurance companies, depository institutions and high net-worth individuals. Commodity trading advisors and investment advisors who are registered or exempt from registration, and foreign persons performing a similar role and subject as such to foreign regulation, may participate in block transactions provided they have total assets under management exceeding \$25 million and the block trade is suitable for their customers.

A customer order may be executed by means of a block trade only if the customer has specified that the order be executed as a block trade.

### **3. Block Trades between Different Accounts with Common Beneficial Ownership**

Block trades between different accounts with common beneficial ownership are prohibited unless 1) each party's decision to enter into the block trade is made by an independent decision-maker; 2) each party has a legal and independent bona fide business purpose for engaging in the block trade; and 3) the block trade is executed at a fair and reasonable price. In the absence of satisfying all the aforementioned requirements, the transaction may constitute an illegal wash trade prohibited by Rule 534 ("Wash Trades Prohibited"). Common beneficial ownership is defined as not only accounts with the same beneficial ownership, but also accounts with common beneficial ownership that is less than 100%.

### **4. Block-Eligible Products**

A complete list of block eligible products may be found here:

[CME, CBOT, NYMEX & COMEX Block Trade-Eligible Products and Minimum Quantity Thresholds](#)

The marketplace is notified of block trade minimum quantity thresholds and any changes thereto via a Special Executive Report issued by Research & Product Development. Interested market participants may receive these reports via email by visiting the CME Group Subscription Center located at:

<http://www.cmegroup.com/tools-information/subscriptions/advisory-subscribe.html>

## **5. Time and Prices of Block Trades**

Block trades may be executed at any time, including times during which the public auction market is closed. Block trades may not be executed after the expiration of the underlying futures or options on futures contract month.

Block trades must be transacted at prices that are “**fair and reasonable**” in light of (i) the size of the transaction, (ii) the prices and sizes of other transactions in the same contract at the relevant time, (iii) the prices and sizes of transactions in other relevant markets, including, without limitation, the underlying cash market or related futures markets, at the relevant time, and (iv) the circumstances of the markets or the parties to the block trade.

The trade price must be consistent with the minimum tick increment for the market in question. Additionally, each outright transaction and each leg of any block eligible spread or combination trade must be executed at a single price. Block trade strategies involving a CME Group Exchange product and the product of any non-CME Group exchange are considered an outright transaction at the relevant CME Group Exchange, and, as such, will be reviewed for “fair and reasonable” pricing and timely submission solely as an outright transaction.

Block trade prices do not elect conditional orders (e.g. stop orders) or otherwise affect orders in the regular market.

## **6. Block Trade Minimum Quantities for Outrights, Spreads and Combinations**

The block trade minimum quantity requirements for outright futures and outright options may be found using the link below.

In certain CBOT Agricultural futures and options products, block trades executed during Regular Trading Hours (“RTH”) are subject to a higher minimum threshold than block trades executed during either European Trading Hours (“ETH”) or Asian Trading Hours (“ATH”). The block trade minimum quantity requirements for these products may also be found using the link below. For purposes of determining which minimum threshold applies, RTH for CBOT Agricultural futures and options products is defined as 8:30 a.m. to 1:30 p.m. Monday through Friday on regular business days, and ETH and ATH are defined as 1:30 p.m. to 8:30 a.m. Monday through Friday on regular business days and at any time on weekends.

[CME, CBOT, NYMEX & COMEX Block Trade-Eligible Products and Minimum Quantity Thresholds](#)

The bunching of block trade orders is not permitted except in the case of eligible CTAs or foreign Persons performing a similar role.

The Chief Regulatory Officer (“CRO”) or his designee may exercise reasonable discretion and permit an exception to the block trade minimum threshold where, in the opinion of the CRO or his designee, the situation so requires and such exception is in the best interests of the Exchange, which may include, but is not limited to, instances involving the liquidation of a portfolio of positions where one or more of the legs of the aggregate transaction do not meet the block trade minimum threshold for the respective instrument(s).

Information with respect to spreads and combinations executed as block trades appears on the next page:

	<b>CME and CBOT Products</b>	<b>NYMEX and COMEX Products</b>
<b>Intra-Commodity Futures Spreads and Futures Combinations</b>	The <i>sum</i> of the quantities of the legs of the transaction must meet the minimum block quantity threshold. <b>* Exceptions apply in intra-commodity Agricultural, Foreign Exchange, U.S. Treasury and S&amp;P GSCI, S&amp;P GSCI ER, Bloomberg Roll Select Commodity Index and BTIC futures spreads.</b>	The <i>sum</i> of the quantities of the legs of the transaction must meet the minimum block quantity threshold
<b>Intra-Commodity Options Spreads and Options Combinations</b>	<i>Each leg of the spread</i> must meet the designated minimum quantity threshold. <b>**Exception applies in intra-commodity Foreign Exchange options spreads.</b>	
<b>Inter-Commodity Futures Spreads and Futures Combinations</b>	<i>Each leg of the spread</i> must meet the <i>larger</i> of the threshold requirements for the underlying products. <b>*** Exceptions apply in:</b> i) Short Term Interest Rate Futures; ii) U.S. Treasury Futures; iii) U.S. Dollar Interest Rate Swap Futures; and iv) U.S. Treasury Futures and Forward-Starting U.S. Dollar Libor Reference Interest Rate Swaps ("Treasury Invoice Spreads")	The <i>sum</i> of the quantities of the legs of the transaction must meet the <i>larger</i> of the threshold requirements for the underlying products.
<b>Inter-Commodity Options Spreads and Options Combinations</b>	<i>Each leg of the spread</i> must meet the <i>larger</i> of the threshold requirements for the underlying products.	
<b>Options/Futures Spreads</b>	The options component of the spread must meet the minimum quantity threshold for the outright option or option combination and the quantity of futures executed must be consistent with the delta of the options component of the spread. <b>**** Exceptions apply in Weather and Housing options/futures spreads</b>	The options component of the spread must meet the minimum quantity threshold for the outright option or option combination and the quantity of futures executed must be consistent with the delta of the options component of the spread.

**\* Exceptions for Intra-Commodity Futures Spreads and Futures Combination:**

i) Intra-Commodity Agricultural Futures Spreads

For intra-commodity CME and CBOT Agricultural futures spreads, each leg of the spread must meet the designated minimum quantity threshold.

ii) Intra-Commodity Foreign Exchange Futures Spreads

For intra-commodity Foreign Exchange futures spreads, where the legs of the spread have different minimum quantity thresholds, the sum of the quantities of the legs of the transaction must meet the larger of the threshold requirements.

iii) Intra-Commodity U.S. Treasury Futures Spreads

*Intra-commodity calendar spread block trades are prohibited in CBOT U.S. Treasury futures. Parties may not execute contingent block trades in outright contracts to circumvent the prohibition on the execution of block trades in intra-commodity calendar spreads. Additionally, tandem spreads (a trade combining calendar spreads in two different Treasury futures) may not be executed as block trades.*

iv) Intra-Commodity S&P GSCI, S&P GSCI ER and Bloomberg Roll Select Commodity Index Futures Spreads

For the above-referenced futures products, the block trade minimum is 50 contracts for each leg of the spread or combination. For example, the minimum quantity for an S&P GSCI calendar spread would



require 50 contracts in each leg of the spread for a total of 100 contracts while a Bloomberg Roll Select Commodity Index futures butterfly would require a minimum volume of 200 contracts (50 contracts in each of the four legs of the butterfly).

v) Intra-Commodity Basis Trade at Index Close (BTIC) Futures Spreads

For intra-commodity BTIC block futures spreads, in BTIC block products eligible for intra-commodity spreads, each leg must meet the applicable block trade minimum threshold for the BTIC product.

**\*\* Exceptions for Intra-Commodity Options Spreads and Combinations**

Intra-Commodity Foreign Exchange Options

For intra-commodity Foreign Exchange options spreads the sum of the quantities of the legs of the transaction must meet the minimum block quantity threshold.

**\*\*\* Exceptions for Inter-Commodity Futures Spreads and Futures Combinations**

i) Short Term Interest Rate Futures

In Short Term Interest Rate futures (Three-Month Eurodollar, One-Month Eurodollar, Three-Month SOFR, One-Month SOFR and 30-Day Fed Funds), inter-commodity futures spreads may be executed as block trades provided the sum of the legs of the spread meets the larger of the threshold requirements for the underlying products. For example, the minimum quantity thresholds for One-Month Eurodollar and Three-Month Eurodollar during ETH are 200 and 2,000 contracts, respectively. Therefore, a block trade in the One-Month Eurodollar/Three-Month Eurodollar spread can be executed provided the sum of the legs is at least 2,000 contracts.

ii) U.S. Treasury Futures

In U.S. Treasury futures, inter-commodity futures spreads may be executed as block trades provided each leg of the spread meets the minimum threshold requirement for the respective underlying products. For example, the minimum quantity thresholds for Long-Term Treasury Notes and Treasury Bonds during RTH are 5,000 and 3,000 contracts, respectively. Therefore, a block trade in the NOB spread (Long-Term Treasury Note/Treasury Bond spread) can be executed only if the minimum quantity of the 10-Year Note leg of the spread is at least 5,000 contracts and the minimum quantity of the Treasury Bond leg of the spread is at least 3,000 contracts.

iii) U.S. Dollar Interest Rate Swap ("IRS") Futures

Inter-commodity IRS futures spreads or combinations (e.g., 2-Year IRS v. 10-Year IRS) may be executed as block trades provided the sum of the legs of the spread meets the larger of the threshold requirements for the underlying products. For example, the minimum block trade thresholds for 2-Year IRS and 10-Year IRS are 3,000 and 1,000 contracts, respectively. Thus, a spread between these two contracts may be executed as a block trade if the sum of the quantities of the legs is at least 3,000 contracts.

Inter-commodity futures spreads or combinations excluding those composed only of IRS futures (e.g., Ultra 10-Year Treasury Notes vs. 10-Year IRS futures) may be executed as block trades provided each leg of the spread meets the minimum threshold requirement for the respective underlying products. For example, the minimum block trade thresholds for Ultra 10-Year Treasury Note futures and 10-Year IRS futures during RTH are 3,500 contracts and 1,000 contracts, respectively. A spread between these two contracts can be executed as a block trade, therefore, only if the quantity of the Ultra 10-Year Treasury Note leg is at least 3,500 contracts and the quantity of the 10-Year IRS futures leg is at least 1,000 contracts.

iv) U.S. Treasury Futures and Forward-Starting Libor Reference Interest Rate Swaps (“Treasury Invoice Spreads”)

Contingent trades in Treasury Invoice Spreads where the block trade minimum thresholds for block trades in outright CBOT Treasury futures are circumvented are prohibited.

**\*\*\*\* Exceptions for Options/Futures Spreads**

Weather and Housing

An exception applies to Weather and Housing options/futures spreads, where the legs of the spread may be summed to meet the 20-contract minimum threshold.

**7. Block Trade Submission**

Block trades in CME, CBOT, NYMEX and COMEX products must be submitted via CME Direct or CME ClearPort.

a) Submission Time Requirements

After a block trade is consummated it must be submitted to the Exchange via CME Direct or CME ClearPort within 5 or 15 minutes, depending on the product. Submission via CME Direct or CME ClearPort will result in a price report to the marketplace and submission to CME Clearing provided both sides of the trade pass the required credit check and the relevant terms of the respective sides of the trade match.

Where it is necessary for parties to agree to the individual leg prices on certain spread and combination trades to submit the trade, parties must do so as expeditiously as possible after agreeing to engage in the block trade.

Block trade prices are reported independently of transaction prices in the regular market and are not included as part of the daily trading range.

CME and CBOT Products	
Reported within 5 Minutes	Reported within 15 Minutes
<p>Except as specified in the boxes to the right of this table, block trades in all block-eligible CME and CBOT products must be submitted within 5 minutes of execution.</p> <p>Any inter-commodity block spread or combination trade that includes one or more IRS futures legs and one or more legs subject to a 5-minute submission requirement must be submitted within 5 minutes of execution.</p>	<p>Block trades during European or Asian hours (ETH or ATH)* in Foreign Exchange futures, Interest Rate, including Treasury Invoice Spreads, and certain CME and CBOT Equity products must be submitted within 15 minutes of execution.</p> <p>Block trades in Foreign Exchange options products must be submitted within 15 minutes of execution.</p> <p>Block trades in <a href="#">select CME and CBOT Agricultural futures products</a> and all CME and CBOT Agricultural options products must be submitted within 15 minutes of execution.</p>
	<p>Block trades in IRS futures and Weather and Housing futures and options must be submitted within 15 minutes of execution.</p>

\* For purposes of CME Foreign Exchange and CME and CBOT Equity and Interest Rate products, the following times apply:

ETH: 12:00 a.m. – 7:00 a.m. CT, Monday through Friday on regular business days

RTH: 7:00 a.m. – 4:00 p.m. CT, Monday through Friday on regular business days

ATH: 4:00 p.m. – 12:00 a.m. CT, Monday through Friday on regular business days and at any time on weekends

NYMEX and COMEX Products	
Reported within 5 Minutes	Reported within 15 Minutes
<p><u>Outright Futures</u></p> <ul style="list-style-type: none"> <li>• Brent Crude Oil Last Day Financial futures (BZ)</li> <li>• Light Sweet Crude Oil futures (CL)</li> <li>• New York Harbor ULSD Heating Oil futures (HO)</li> <li>• Henry Hub Natural Gas futures (NG)</li> <li>• RBOB Gasoline futures (RB)</li> <li>• Gold futures (GC)</li> <li>• Silver futures (SI)</li> <li>• Copper futures (HG)</li> </ul>	<p>All other block-eligible NYMEX and COMEX futures and options products and all spreads and combinations in block-eligible NYMEX and COMEX futures and options products must be submitted within 15 minutes of execution.</p>

b) Additional Submission Requirements and Obligations

Since July 17, 2017, all block trades have been required to be submitted directly to CME Clearing via CME Direct, the CME ClearPort User Interface (UI), or the CME ClearPort API through proprietary or 3<sup>rd</sup> party software. CME Direct connects to the CME ClearPort API.

For the block trade to be price reported to the marketplace and submitted to CME Clearing, both sides of the trade must pass the required credit check and the relevant terms of the respective sides of the trade

must match. If either side does not pass the required credit check or the terms do not match, the block trade price will not be reported to the marketplace and the block trade will remain uncleared.

Entry into CME Direct or CME ClearPort may be done by each of the counterparties to the trade (single-sided entry) or via a broker or other authorized representative (dual-sided entry).

For single-sided entry, the buyer and seller of a block trade may agree to separately enter their side of the block trade into CME Direct or CME ClearPort, indicating each other as the opposite party. In this circumstance, **both** the buyer and seller must enter their respective side of the transaction within the required time-period.

For single-sided entry, one side of a trade (either the buyer or seller) may agree to enter their respective side of the trade and allege that trade against the other party. In this circumstance, the other party must ensure the alleged trade is accepted (complete with the correct account information for their side) within the required time-period. Consequently, the first party entering their side of the trade should ensure the information being entered is correct and must leave enough time for the second party to accept the trade within the requisite time-period.

For dual-sided entry where a broker or other representative is entering the buy and sell side of the block trade on behalf of the counterparties, the broker or other representative is responsible for the entry of the block trade within the requisite time-period.

#### Block Trades in CME and CBOT Products

Block trades may be entered in CME Direct or CME ClearPort from 6:00 p.m. CT through 5:45 p.m. CT each business day. CME Direct and CME ClearPort do not permit the entry of CME and CBOT block trades between 5:45 p.m. CT and 6:00 p.m. CT each business day or at any time on weekends. CME and CBOT block trades negotiated immediately prior to and during the time that block trade entry is not permitted must be entered by 6:05 p.m. CT for products subject to a 5-minute reporting requirement or by 6:15 p.m. CT for products subject to a 15-minute reporting requirement.

#### Block Trades in NYMEX and COMEX Products

Block trades may be entered in CME Direct or CME ClearPort from 5:00 p.m. CT/6:00 p.m. Eastern Time ("ET") through 4:00 p.m. CT/5:00 p.m. ET each business day. CME Direct and CME ClearPort do not permit the entry of NYMEX and COMEX block trades between 4:00 p.m. CT/5:00 p.m. ET and 5:00 p.m. CT/6:00 p.m. ET each business day or at any time on weekends. NYMEX and COMEX block trades negotiated immediately prior to and during the time that block trade entry is not permitted must be entered by 5:05 p.m. CT/6:05 p.m. ET for products subject to a 5-minute reporting requirement or by 5:15 p.m. CT/6:15 p.m. ET for products subject to a 15-minute reporting requirement.

Block trades negotiated at any other time during which CME Direct or CME ClearPort are closed must be submitted no later than 5 or 15 minutes after the time CME Direct or CME ClearPort reopens, depending on the reporting requirement for the specific product.

Block trades may also be reported to the CME ClearPort Facilitation Desk/Global Command Center via email at [FacDesk@cmegroup.com](mailto:FacDesk@cmegroup.com). **Please note that for the Facilitation Desk to submit the trade, the counterparty accounts must be registered with credit limits and product permissions set up in CME Account Manager.**

The Facilitation Desk is closed from 4:30 p.m. CT/5:30 p.m. ET Friday through 5:00 p.m. CT/6:00 p.m. ET Sunday.

### c) Information Required for Reporting Block Trades

When reporting a block trade, the following information is required:

- Contract, contract month and contract year for futures, and, additionally for options, strike price and put or call designation for standard options, as well as the expiration date and exercise style for flex options;
- Quantity of the trade or, for spreads and combinations, the quantity of each leg of the trade;
- Price of the trade or, for certain spreads and combinations, the price of each leg of the trade;
- Account numbers for each side of the trade;
- Buyer's clearing firm and seller's clearing firm;
- Name and phone number of the party reporting the trade (for block trades reported via telephone or email);
- For block trades reported via email, counterparty name and contact information must also be provided for trade verification purposes; and
- Execution time (to the nearest minute in Central/Eastern Time) of the trade. The execution time is the time at which the trade was consummated.

A block trade in a block-eligible option may be executed up to and including the day on which an option contract expires for purposes of offsetting an open option position, provided the offsetting block trade is submitted via CME Direct or CME ClearPort no later than the beginning of the CME ClearPort maintenance window which begins at 4:00 p.m. Central Time each business day.

The failure to submit timely, accurate and complete block trade reports may subject the party responsible for the reporting obligation to disciplinary action. Parties shall not be sanctioned for block reporting infractions deemed to arise from factors beyond the reporting party's control (e.g. the block trade fails the CME ClearPort automated credit check).

**Please note that the execution time of a block trade is the time that the trade is consummated, which is the time that the parties agree to the trade in principle. In that regard, spread block trades are deemed consummated at the time the parties agree to the differential or combination price, not the time the leg prices are determined. Market participants must accurately report the execution time of the block trade. The reporting of inaccurate execution times may result in disciplinary action.**

### **8. Block Trade Recordkeeping**

Complete order records for block trades must be created and maintained pursuant to Rule 536 and CFTC Regulations. Additionally, the time of execution of the block trade must also be recorded for all block trades.

### **9. Error Remediation**

#### Dual-Sided Entry

For dual-sided entry where a broker or other representative has entered the buy and sell side of the block trade on behalf of the counterparties and the trade has cleared, but for which the broker or other representative has made an error in the terms of the trade, the error may be corrected as follows: If the error is discovered on the same CME Direct or CME ClearPort trade date on which submission occurred (5:00 p.m. to 4:00 p.m. Central Time each business day), the broker or other representative may void the erroneous submission and resubmit the block trade with the correct information. If the error is discovered after the CME Direct or CME ClearPort trade date on which submission occurred, the broker or other representative may request the Exchange to correct the error within three business days.

## Single-Sided Entry

For single-sided entry where the trade has cleared, but where an error has been made in the terms of the trade, either party may request the Exchange to correct the error within three business days.

All correction requests made to the Exchange must include evidence that the counterparties to the block trade agree to the correction request. All correction requests are subject to review and approval by the Exchange.

To request a correction please contact the CME ClearPort Facilitation Desk/Global Command Center at 1.800.438.8616 in the U.S., +44 20 7623 4747 in Europe, +65 6532 5010 in Asia, or via email at [FacDesk@cmegroup.com](mailto:FacDesk@cmegroup.com).

Error correction requests received after the three-business-day window may not take place without the express approval of CME Clearing. Market participants should contact CME Clearing Services at 312.207.2525.

## **10. Dissemination of Block Trade Information**

The date, execution time, contract month, price and quantity of block trades are automatically reported once they are cleared. Block trade information is reported on the MerQuote system and may be accessed by entering the code "BLK". Block trade information is also displayed on the CME Group website at the following link: <http://www.cmegroup.com/tools-information/blocktrades.html>. Block trade information is also displayed on the trading floor.

Block trade prices are published separately from transactions in the regular market.

Block trade volume is also identified in the daily volume reports published by the Exchange.

## **11. Use of Nonpublic Information Regarding Block Trades**

### a) General

Parties involved in the solicitation or negotiation of a block trade may not disclose the details of those communications to any other party for any purpose other than to facilitate the execution of the block trade. Parties privy to nonpublic information regarding a consummated block trade may not disclose such information to any other party prior to the public report of the block trade by the Exchange.

A broker negotiating a block trade on behalf of a customer may disclose the identity of the customer to potential counterparties, including the counterparty with which the block trade is consummated, only with the permission of the customer. Regardless of the manner in which a broker initially obtains a customer's consent to disclose such customer's identity, brokers must reconfirm such consent on no less than an annual basis. Brokers should retain documentation evidencing such consent and must provide it to Market Regulation upon request.

Parties solicited to provide a two-sided block market are not deemed to be in possession of nonpublic information provided side of market interest is not disclosed in the context of the solicitation.

### b) Pre-Hedging/Anticipatory Hedging

Parties to a potential block trade may engage in pre-hedging or anticipatory hedging of the position that they believe in good faith will result from the consummation of the block trade, except for an intermediary that takes the opposite side of its own customer order. In such instances, prior to the consummation of the block trade, the intermediary is prohibited from offsetting the position established by the block trade in

any account which is owned or controlled, or in which an ownership interest is held, or for the proprietary account of the employer of such intermediary. The intermediary may enter into transactions to offset the position only after the block has been consummated.

A party acting principally in a block trade negotiation that plans on engaging in pre-hedging activity must ensure it is clear to its counterparty that the party is trading principally, and, as such, owes no agency duties to the counterparty. In that regard, initial disclosures in account opening agreements or other similar communications may be deemed insufficient in the event that the block trade negotiation itself is indicative of the party assuming agency duties to the counterparty.

Representations by a party that they will “work an order” on behalf of a counterparty, or block trade negotiations where the price of the block trade is tied to the price of the party’s pre-hedging activity plus a “markup” or “basis” are viewed by Market Regulation to imply that such agency duties are owed to the counterparty. In such scenarios, pre-hedging is prohibited.

Representations by a principal in the negotiation of a block trade that the party is intending to act as a principal is sufficient proof there are no agency duties (express or implied) owed to the counterparty provided that such representations are made prior to engaging in any pre-hedging activity. For example, disclosures in the header/footer of a party’s instant message communications advising that the party is acting principally and owes no agency duties to the counterparty would suffice in lieu of direct communications during the negotiation. Alternatively, such disclosures could be made on recorded phone lines or sent via email prior to the principal engaging in pre-hedging activity related to the block trade negotiation.

It shall be a violation of Rule 526 for a person to engage in the front running of a block trade when acting on material nonpublic information regarding an impending transaction by another person, acting on nonpublic information obtained through a confidential employee/employer relationship, broker/customer relationship, or in breach of a pre-existing duty.

The Exchange may proceed with an enforcement action when the facts and circumstances of pre-hedging suggest deceptive or manipulative conduct by any of the involved parties, including when an intermediary handling a customer order violates its agency duties owed to the customer.

This guidance applies only in the context of pre-hedging of block trades. This guidance does not affect any requirement under the CEA or Commission Regulations.

## **12. TAS & TAM Block Trades**

Certain block-eligible futures contract months may be executed as block trades and assigned the current day’s settlement price or any valid price increment ten ticks higher or lower than the settlement price (“TAS block trades”). Certain block-eligible futures contract months may also be executed as block trades and assigned the current day’s marker price or any valid price increment ten ticks higher or lower than the marker price (“TAM block trades”).

Additionally, intra-commodity calendar spreads may be executed as TAS or TAM block trades provided the underlying spread is eligible for TAS or TAM trading. Please refer to the most recent Advisory Notice on TAS and TAM transactions for the list of products, contract months and spreads for which TAS or TAM pricing is permitted.

The pricing of the legs of a TAS or TAM calendar spread block trade will be calculated as follows:

- The nearby leg of the spread will always be priced at the settlement or marker price, as applicable, for that contract month.

- The far leg of the spread will be priced at the settlement or marker price, as applicable, for that contract **minus** the allowable TAS or TAM price increment traded (–10 through +10), except in circumstances where the traded TAS or TAM price is the actual settlement or marker price of the contract.

TAS block trades, including eligible TAS calendar spread block trades, may not be executed on the last day of trading in an expiring contract.

The products and contract months in which TAS and TAM block trades are permitted are set forth in the list of block trade eligible products which is available on the CME Group website via the following link:

[NYMEX & COMEX Block Trade-Eligible Products and Minimum Quantity Thresholds](#)

### **13. Basis Trade at Index Close (“BTIC”) and Basis Trade at Cash Open (“TACO”) Block Trades**

A BTIC transaction is an Exchange futures transaction that is priced with reference to the applicable cash Index closing level. For a BTIC block trade executed on a given Trading Day on or before the scheduled close of the underlying primary securities market, the corresponding futures price shall be made by reference to the Index closing value for the current Trading Day. BTIC block trades are not permitted on the last day of trading in an expiring contract month.

A TACO transaction is an Exchange futures transaction that is priced with reference to the next following regularly scheduled special opening quotation (“SOQ”) of such futures contract’s underlying cash Index.

A list of BTIC block-eligible products and block minimum thresholds is available on the CME Group website via the following link:

[BTIC Block Trades Table](#)

The futures price assigned to a BTIC block trade will be the current day’s applicable cash Index closing level adjusted by any valid price increment (the “Basis”) higher or lower than the current day’s cash Index closing level.

The futures price assigned to a TACO block trade will be the next following regularly scheduled special opening quotation (“SOQ”) of the applicable cash Index adjusted by any valid Basis higher or lower than the SOQ.

The Basis in BTIC and TACO transactions must be stated in full tick increments as set forth in the applicable product chapter and must be fair and reasonable taking into account financing rates, expected dividend income and the time remaining until the applicable futures contract expires.

The futures price of a BTIC block trade will be determined by the Exchange at 3:45 p.m. Central Time and the Exchange-determined price will be final at that time. In the event of an early scheduled close of the primary securities market, the futures price of a BTIC block trade will be determined by the Exchange 45 minutes after the early scheduled close time for the primary securities market, and the Exchange-determined price will be final at that time. In the event of an equity market disruption in the primary securities market, all BTIC block trades will be cancelled for that trade date.

The futures price of a TACO block trade will be determined by the Exchange shortly after the SOQ is disseminated by Standard & Poor’s. In the event of a disruption in the primary listing exchange for a given cash Index such that the administrator of such cash Index is unable to produce a regularly scheduled SOQ, all TACO block trades which rely on that SOQ will be cancelled.



Except as identified in the list of block eligible products, BTIC and TACO block trades **may not** be executed as a spread transaction. Parties wishing to effectuate a block spread transaction will be required to negotiate the transaction as separate outright BTIC or TACO block trades, with each leg meeting the applicable block trade minimum threshold.

#### **14. Text of Rule 526**

##### **Rule 526 BLOCK TRADES**

The Exchange shall designate the products in which block trades shall be permitted and determine the minimum quantity thresholds for such transactions. Additionally, with respect to block trades in swaps, the minimum size for such transactions shall be established at levels at or in excess of those set forth in Appendix F to Part 43 of CFTC Regulations [*this sentence appears solely in CBOT's rule*]. The following shall govern block trades:

- A. A block trade must be for a quantity that is at or in excess of the applicable minimum threshold. Orders may not be aggregated in order to achieve the minimum transaction size, except by those entities described in Sections I. and J.
- B. Each party to a block trade must be an Eligible Contract Participant as that term is defined in Section 1a(18) of the Commodity Exchange Act.
- C. A member shall not execute any order by means of a block trade for a customer unless such customer has specified that the order be executed as a block trade.
- D. The price at which a block trade is executed must be fair and reasonable in light of (i) the size of the block trade, (ii) the prices and sizes of other transactions in the same contract at the relevant time, (iii) the prices and sizes of transactions in other relevant markets, including without limitation the underlying cash market or related futures markets, at the relevant time, and (iv) the circumstances of the markets or the parties to the block trade.
- E. Block trades shall not set off conditional orders (e.g., Stop Orders and MIT Orders) or otherwise affect orders in the regular market.
- F. Unless otherwise agreed to by the principal counterparties to the block trade, the seller, or, in the case of a brokered transaction, the broker handling the block trade, must ensure that each block trade is reported to the Exchange within the time period and in the manner specified by the Exchange. The report must include the contract, contract month, price, quantity of the transaction, the respective clearing members, the time of execution, and, for options, strike price, put or call and expiration month. The Exchange shall promptly publish such information separately from the reports of transactions in the regular market.
- G. Block trades must be reported to the Clearing House in accordance with an approved reporting method.
- H. Clearing members and members involved in the execution of block trades must maintain a record of the transaction in accordance with Rule 536.
- I. A commodity trading advisor ("CTA") registered or exempt from registration under the Act, including, without limitation, any investment advisor registered or exempt from registration under the Investment Advisors Act of 1940, shall be the applicable entity for purposes of Sections A., B., C., and D., provided such advisors have total assets under management exceeding \$25 million and the block trade is suitable for the customers of such advisors.
- J. A foreign Person performing a similar role or function to a CTA or investment advisor as described in Section I, and subject as such to foreign regulation, shall be the applicable entity for purposes of Sections A., B., C., and D., provided such Persons have total assets under management exceeding \$25 million and the block trade is suitable for the customers of such Persons.

#### **15. Contact Information**

Questions regarding this Advisory Notice may be directed to one of the following individuals in Market Regulation:

Jennifer Dendrinis, Director, Investigations, 312.341.7812  
Urmi Graft, Manager, Investigations, 312.341.7639  
Cash Kinghorn, Senior Investigator, Investigations, 312.930.1873  
Erin Middleton, Manager, Rules & Regulatory Outreach, 312.341.3286  
Robert Sniogowski, Executive Director, Rules & Regulatory Outreach, 312.341.5991

For media inquiries concerning this Advisory Notice, please contact CME Group Corporate Communications at 312.930.3434 or [news@cmegroup.com](mailto:news@cmegroup.com).