

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 21-003 (1 of 4)

Organization: Chicago Mercantile Exchange Inc. ("CME")

Filing as a:  DCM  SEF  DCO  SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 09/10/21 Filing Description: Issuance of CME Group Market Regulation Advisory Notice RA2116-5 Regarding Rule 524. ("Trading at Settlement ("TAS), Trading at Marker ("TAM"), Basis Trade at Index Close ("BTIC") and Basis Trade at Cash Open ("TACO") Transactions") in Connection with Enabling BTIC Transactions on Bitcoin, Micro Bitcoin, and Ether Futures Contracts.

**SPECIFY FILING TYPE**

Please note only ONE choice allowed per Submission.

**Organization Rules and Rule Amendments**

- Certification § 40.6(a)
- Approval § 40.5(a)
- Notification § 40.6(d)
- Advance Notice of SIDCO Rule Change § 40.10(a)
- SIDCO Emergency Rule Change § 40.10(h)

Rule Numbers: 524.

**New Product**

Please note only ONE product per Submission.

- Certification § 40.2(a)
- Certification Security Futures § 41.23(a)
- Certification Swap Class § 40.2(d)
- Approval § 40.3(a)
- Approval Security Futures § 41.23(b)
- Novel Derivative Product Notification § 40.12(a)
- Swap Submission § 39.5

**Official Product Name:**

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

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

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

Rule Numbers:

September 10, 2021

**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. Notification Regarding Issuance of CME Group Market Regulation Advisory Notice RA2116-5 Regarding Rule 524. (“Trading at Settlement (“TAS”), Trading at Marker (“TAM”), Basis Trade at Index Close (“BTIC”) and Basis Trade at Cash Open (“TACO”) Transactions”) in Connection with Enabling BTIC Transactions on Bitcoin, Micro Bitcoin, and Ether Futures Contracts. CME Submission No. 21-003 (1 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 certify to the Commission the issuance of CME Group Market Regulation Advisory Notice RA2116-5 (“RA2116-5”) concerning Rule 524. (“Trading at Settlement (“TAS”), Trading at Marker (“TAM”), Basis Trade at Index Close (“BTIC”) and Basis Trade at Cash Open (“TACO”) Transactions”) to eliminate references to the term “equity index” and adopt the term “cash index” concurrent with the September 27, 2021, launch of enabling BTIC transactions on Bitcoin, Micro Bitcoin, and Ether futures contracts. Please see Submission No. 21-002 from September 10, 2021, for additional information enabling BTIC trades in the aforementioned products.

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 RA2116-5 may have some bearing on the following Core Principles:

Compliance with Rules: RA2116-5 provides guidance to the marketplace on the regulatory requirements attendant to TAS, TAM, BTIC, and TACO transactions. This guidance is intended to assist market participants in remaining in compliance with Rule 524. and is therefore in compliance with this Core Principle.

Availability of General Information: As required by this Core Principle, the Exchanges are publicly issuing RA2116-5 ensure that market participants have updated guidance and information attendant to Rule 524. RA2116-5 will also be available on the CME Group website.

There were no substantive opposing views to this proposal.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchanges certify that the issuance of the RA2103-5 complies with the Act and regulations thereunder.

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 RA2116-5

## EXHIBIT A

### MARKET REGULATION ADVISORY NOTICE

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<b>Exchange</b>	<b>CME, CBOT, NYMEX &amp; COMEX</b>
<b>Subject</b>	<b>TAS, TAM, BTIC, and TACO Transactions</b>
<b>Rule References</b>	<b>Rule 524</b>
<b>Advisory Date</b>	<b>September 13, 2021</b>
<b>Advisory Number</b>	<b>CME Group RA2116-5</b>
<b>Effective Date</b>	<b>September 27, 2021</b>

Effective on trade date Monday, September 27, 2021, and pending all relevant CFTC regulatory review periods, this Market Regulation Advisory Notice will supersede CME Group Market Regulation Advisory Notice RA2108-5 from July 26, 2021. It is being issued to eliminate references to the term “equity index” and adopt the term “cash index” based on the September 27 launch of Basis Trade at Index Close (“BTIC”) transactions on various CME cryptocurrency futures contracts.<sup>1</sup> No other substantive changes have been made to this Advisory Notice.

Information on the specific products, contract months and spreads eligible for pricing as TAS, TAM, BTIC, or TACO transactions is contained in the Trading at Settlement (“TAS”) Table set forth in the Interpretations & Special Notices Section at the end of Chapter 5 of each Exchange’s Rulebook. The table may also be accessed [here](#).

Important information on regulatory considerations for market participants engaging in TAS or TAM transactions appears in Section 2 of this Advisory Notice.

TAS, TAM, BTIC, and TACO transactions are subject to the information contained in the Advisory Notice, each Exchange’s Rule 524, and, for BTIC and TACO transactions, provisions contained in applicable CME and CBOT futures product chapters. The text of each Exchange’s Rule 524 appears in Section 6 of this Advisory Notice.

#### **1. General Information on TAS, TAM, BTIC, and TACO Transactions**

TAS permits parties to trade at a differential to the current day’s not-yet-known futures settlement price. TAM permits parties to trade at a differential to the current day’s not-yet-known Exchange-determined marker price.

Orders for CME and CBOT TAS-eligible futures products may be entered into CME Globex for execution at the current day’s settlement price or any valid price increment four ticks higher or lower than the settlement price.

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<sup>1</sup> Please see CME Group Special Executive Report S-8848 from September 2, 2021 for additional information on the launch of BTIC pricing on CME cryptocurrency futures contracts.

CME and CBOT TAS-eligible futures products may also be executed as block trades, EFPs, or EFRs and priced at the current day's settlement price or any valid price increment four ticks higher or lower than the settlement price.

Orders for NYMEX and COMEX TAS- and TAM-eligible futures products may be entered into CME Globex for execution at the current day's settlement or marker price, as applicable, or any valid price increment ten ticks higher or lower than the applicable settlement or marker price, except for spot month Copper futures which may be executed on CME Globex and priced solely at the settlement price, or TAS flat.

NYMEX and COMEX TAS- and TAM-eligible futures products may also be executed as block trades, EFPs, or EFRs and priced at the settlement or marker price, as applicable, or any valid price increment ten ticks higher or lower than the settlement or marker price, except for spot month Copper futures block trades, EFPs, and EFRs which may be priced solely at the settlement price, or TAS flat.

BTIC permit parties to trade at a differential (basis) to an eligible futures contract's underlying cash Index closing level which is not-yet-known.

TACO permits parties to trade a differential (basis) to an eligible futures contract's underlying cash Index special opening quotation ("SOQ") which is not-yet-known.

Orders for certain CME and CBOT cash index futures products may be entered into CME Globex for execution at the current day's underlying cash Index closing price or any fair and reasonable basis above or below the current day's underlying cash Index closing price.

Certain CME and CBOT cash Index futures products may be executed as a block trade and priced at the underlying futures contracts' cash Index closing price or at a differential (basis) to the cash Index closing price.

Orders for CME E-mini S&P 500 futures may be entered into CME Globex or executed as a block trade for pricing at the next following regularly scheduled SOQ or any fair and reasonable basis above or below the next following regularly scheduled SOQ.

The basis must be stated in admissible futures price increments for the specific futures contract. In the case of a BTIC or TACO block trade, the negotiated basis must fair and reasonable in light of factors including, but not limited to, financing rates, expected dividend income, and time remaining until the underlying futures contract expiration.

Information on products eligible to be executed as block trades and priced as TAS, TAM, BTIC, or TACO transactions may be found here:

<http://www.cmegroup.com/clearing/trading-practices/block-trades.html>

## **2. Regulatory Considerations**

All market participants are reminded that any trading activity that is intended to disrupt orderly trading or to manipulate or attempt to manipulate a settlement or marker price to benefit a TAS or TAM position, including a TAS or TAM block position, will subject the member and/or the market participant to disciplinary action for any of a number of rule violations, including, but not limited to:

- price manipulation or attempted price manipulation
- wash trading
- conduct detrimental to the interest or welfare of the Exchange or conduct which tends to impair the dignity or good name of the Exchange
- engaging in conduct inconsistent with just and equitable principles of trade

Investigation of suspected manipulative or disruptive activity related to TAS and TAM, or activity in the related underlying markets will include the Market Regulation Department's ("Department") review of positions and trading activity in the applicable Exchange markets and any related markets to determine if such activity was disruptive, collusive, and/or caused or attempted to cause aberrant price movement during these periods. Pursuant to Rule 432.L.3, market participants are reminded that it is an offense to fail to produce any books or records requested by authorized Exchange staff within 10 days after such request is made or such shorter period of time as determined by the Exchange in exigent circumstances. The Department always has the authority to request books and records as well as other relevant information regarding the nature of a participant's trading and positions in Exchange products and in any related markets as part of its regulatory program.

### **3. Entry of TAS, TAM, BTIC, and TACO Orders on CME Globex**

Rule 524 permits the initiation of TAS, TAM, BTIC, and TACO orders into CME Globex only subsequent to the beginning of each group's pre-open state and during the time period the applicable contracts are available for TAS, TAM, BTIC, or TACO trading on CME Globex, as applicable. The initiation of any TAS, TAM, BTIC, or TACO order on CME Globex outside of these time periods is strictly prohibited.

Any market participant who initiates the entry of a TAS, TAM, BTIC, or TACO order prior to receipt of the security status message indicating that market has transitioned to the pre-open will be subject to disciplinary action by a panel of the Business Conduct Committee, notwithstanding that the order may have been rejected by the CME Globex system. Sanctions for noncompliance may include a fine, disgorgement of any profits realized as a result of any orders accepted by CME Globex which were initiated prior to receipt of the security status message and/or a suspension of access to the market. Market participants must have appropriate protocols in place to ensure that TAS, TAM, BTIC, and TACO orders are not initiated prior to receipt of the security status message.

### **4. TAS and TAM Calendar Spreads**

As set forth in the TAS Table, certain intra-commodity calendar spreads are permitted to be entered into CME Globex and priced at the settlement or marker price, or a specified number of ticks above or below the settlement or marker price.

Additionally, certain NYMEX and COMEX intra-commodity calendar spreads are permitted to be executed as block trades and priced at the settlement or marker price or at a positive or negative differential.

The legs of TAS and TAM spread trades executed at **zero** or at a **negative differential** (negative 1 through negative 10 for eligible NYMEX and COMEX products) (negative 1 through negative 4 for eligible CME and CBOT products) on CME Globex or, where allowable, as block trades will be priced as follows:

- If the spread trades at zero, each leg will be priced at the settlement or market price, as applicable, for the respective contract months.
- If the spread trades at a negative differential, the **nearby** leg of the spread will 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 month **minus** the allowable TAS or TAM price increment traded.

The legs of TAS and TAM spread trades executed at a **positive differential** (positive 1 through positive 10 for eligible NYMEX and COMEX products) (positive 1 through positive 4 for eligible CME and CBOT products) will be priced as follows:

#### **Where execution occurs on CME Globex:**

- If the spread trades at a positive differential, the **far** leg of the spread will be priced at the settlement or marker price, as applicable, for that contract month. The **nearby** leg of the spread will be priced at the settlement or marker price, as applicable, for that contract month **plus** the TAS or TAM price increment traded.

**Where execution occurs as a block trade:**

- If the spread trades at a positive differential, the **nearby** leg of the spread will 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 month **minus** the allowable TAS or TAM price increment traded.

**5. TAS, BTIC, and TACO Pricing and Daily Price Limits**

Notwithstanding that CME Live Cattle, Feeder Cattle and Lean Hogs futures and CBOT Corn, Soybean, Soybean Oil, Soybean Meal, Wheat and KC HRW Wheat futures are subject to daily price limits, market participants executing a trade in one of those products which is priced at a tick increment above or below the settlement price (negative 4 through negative 1 or positive 1 through positive 4) may result in a final trade price above or below the daily price limit.

Similarly, BTIC and TACO transactions may result in an assigned futures price outside of the applicable futures daily price limits.

**6. Text of CME, CBOT, and NYMEX/COMEX Rule 524**

**CME and CBOT**

**524. TRADING AT SETTLEMENT (“TAS”), BASIS TRADE AT INDEX CLOSE (“BTIC”) AND BASIS TRADE AT CASH OPEN (“TACO”) TRANSACTIONS**

The Exchange shall determine the products, contract months and time periods during which TAS, BTIC, and TACO transactions shall be permitted. Specific products, contract months and spreads eligible for pricing as TAS, BTIC, or TACO transactions are set forth in the TAS Table (“Table”) at the end of Chapter 5.

**524.A. Trading at Settlement (“TAS”) Transactions**

The following shall govern TAS transactions:

1. A TAS order may be entered on Globex at any time the applicable contract is available for TAS trading on Globex and during such TAS-eligible contract’s prescribed pre-open time period. The initiation of any TAS order on Globex outside these time periods is prohibited.
2. Unless otherwise specified in the Table, a TAS-eligible product and contract month may be executed as a block trade pursuant to the requirements of Rule 526 or as an Exchange of Futures for Physical (“EFP”) or Exchange of Futures for Risk (“EFR”) transaction pursuant to the requirements of Rule 538.
3. Unless otherwise specified by the Exchange, a TAS transaction may be executed at the current day’s settlement price or at any valid price increment four ticks higher or lower than the settlement price.

**524.B. Basis Trade at Index Close (“BTIC”) Transactions**

A Basis Trade at Index Close (“BTIC”) transaction is an Exchange futures transaction which is priced with reference to the closing level of such futures contract’s underlying cash Index on a particular trading day (the “Basis”). The following shall govern BTIC transactions:

1. A BTIC order may be entered on Globex at any time the applicable futures contract is available for BTIC trading on Globex and during such BTIC-eligible futures contract’s prescribed pre-open time period. The initiation of any BTIC order on Globex outside these time periods is prohibited.
2. Unless otherwise specified in the Table, a BTIC-eligible product and contract month may be executed as a block trade pursuant to the requirements of Rule 526, except that a BTIC block trade cannot be executed on the last day of trading in an expiring BTIC-eligible futures contract.

3. The Basis established in any BTIC transaction must be stated in admissible price increments for the applicable futures contract as set forth in the applicable product chapter. The assigned futures price corresponding to such BTIC transaction shall be the closing level of the applicable cash Index for that trading day adjusted by the Basis established in such BTIC transaction.

For any BTIC-eligible futures contract, the magnitude of the Basis in a BTIC block trade must be fair and reasonable in light of factors including, but not limited to, financing rates, expected dividend income, and time remaining until the underlying futures contract expiration. A BTIC futures transaction may result in an assigned futures price outside of applicable daily price limits.

The assigned futures price is deemed final when determined by the Exchange, absent an index price correction by the index provider. If the closing level of a cash index is corrected by the applicable cash index provider prior to 4:00 p.m. CT on the following Business Day, the assigned futures price corresponding to such BTIC transaction shall be amended using the corrected closing level of the applicable cash index adjusted by the Basis established in such BTIC transaction, and the assigned futures price shall be deemed final at that time.

4. Additional product-specific BTIC provisions, including those relating to disruptions in the publication of an index, are set forth in the applicable product chapter in the Rulebook.

#### **524.C. Basis Trade at Cash Open (“TACO”) Transactions**

A Basis Trade at Cash Open (“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 (the “Basis”). The following shall govern TACO transactions:

1. A TACO order may be entered on Globex at any time the applicable contract is available for TACO trading on Globex and during such TACO-eligible contract’s prescribed pre-open time period. The initiation of any TACO order on Globex outside these time periods is prohibited.
2. Unless otherwise specified in the Table, a TACO-eligible product and contract month may be executed as a block trade pursuant to the requirements of Rule 526, provided that for any expiring TACO-eligible contract, a TACO block trade is prohibited with reference to such contract’s cash Index SOQ for the last day of trading in such contract.
3. The Basis established in any TACO transaction must be stated in admissible price increments for the applicable futures contract as set forth in the applicable product chapter. The assigned futures price corresponding to such TACO transaction shall be the next following regularly scheduled SOQ of the applicable cash Index adjusted by the Basis established in such TACO transaction.  
For any TACO-eligible futures contract, the magnitude of the Basis in a TACO block trade must be fair and reasonable in light of factors including, but not limited to, financing rates, expected dividend income, and time remaining until the underlying futures contract expiration. A TACO futures transaction may result in an assigned futures price outside of applicable daily price limits.
4. In the event of a disruption in the primary listing exchange for a given cash Index (or a disruption in the applicable national bourse or market in the case of a given non-US cash Index) such that the administrator of such cash Index is unable to produce a regularly scheduled SOQ, all pending and executed TACO transactions in the corresponding futures contract shall be cancelled by the Exchange. Such disruption shall be declared by the Exchange in its sole discretion.
5. Additional product-specific TACO requirements are set forth in the applicable product chapter in the Rulebook.

### **NYMEX/COMEX**

#### **524. TRADING AT SETTLEMENT (“TAS”) AND TRADING AT MARKER (“TAM”) TRANSACTIONS**

The Exchange shall determine the products, contract months and time periods during which TAS and TAM transactions shall be permitted. Specific products, contract months and spreads eligible for pricing as TAS or TAM transactions are set forth in the TAS Table (“Table”) at the end of Chapter 5.

##### **524.A. Trading at Settlement (“TAS”) Transactions**

The following shall govern TAS transactions:

1. A TAS order may be entered on Globex at any time the applicable contract is available for TAS trading on Globex and during such TAS-eligible contract’s prescribed pre-open time period. The initiation of any TAS order on Globex outside these time periods is prohibited.
2. Unless otherwise specified in the Table, a TAS-eligible product and contract month may be executed as a block trade pursuant to the requirements of Rule 526 or as an Exchange of Futures for Physical (“EFP”) or Exchange of Futures for Risk (“EFR”) transaction pursuant to the requirements of Rule 538.



3. Unless otherwise specified by the Exchange, a TAS transaction may be executed at the current day's settlement price or at any valid price increment ten ticks higher or lower than the settlement price.

**524.B. Trading at Marker ("TAM") Transactions**

The following shall govern TAM transactions:

1. A TAM order may be entered on Globex at any time the applicable contract is available for TAM trading on Globex and during such TAM-eligible contract's prescribed pre-open time period. The initiation of any TAM order on Globex outside these time periods is prohibited.
2. Unless otherwise specified in the Table, a TAM-eligible product and contract month may be executed as a block trade pursuant to the requirements of Rule 526 or as an EFP or EFR transaction pursuant to the requirements of Rule 538.
3. Unless otherwise specified by the Exchange, a TAM transaction may be executed at the current day's applicable marker price or at any valid price increment ten ticks higher or lower than the applicable marker price.

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

Erin Middleton, Manager, Rules & Regulatory Outreach, 312.341.3286

Jennifer Dendrinis, Director, Investigations, 312.341.7812

Urmi Graft, Director, Investigations, 312.341.7639

Jason Cermak, Lead Investigator, Investigations, 312.347.4117

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).