

**SUBMISSION COVER SHEET**

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

**Registered Entity Identifier Code (optional):** 16-470 (2 of 4)

**Organization:** The Board of Trade of the City of Chicago, Inc. ("CBOT")

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

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

**Filing Date (mm/dd/yy):** 11/15/16

**Filing Description:** Issuance of Revised CME Group Market Regulation Advisory Notice RA1613-5R Regarding Block Trades.

**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:** 526

**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:**

November 15, 2016

**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 RA1613-5R Regarding Block Trades.  
CBOT Submission No. 16-470 (2 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 RA1613-5R (“RA1613-5R”) concerning block trades, to adopt a CFTC requested modification to Section 12 regarding the use of nonpublic information regarding block trades RA1613-5R will become effective on December 1, 2016.

Specifically, staff of the Division of Market Oversight (“DMO”) has requested that a reference in Section 12 to “fiduciary responsibility” be modified to “pre-existing duty” as shown in blackline format below:

*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 ~~fiduciary~~.*

The Exchanges understand that the requested change is to comport with information contained in the Commission’s final rules under Part 180 published in the Federal Register on July 14, 2011 (17 CFR Part 180 RIN Number 3138-AD27). In those final rules, the Commission determined that trading on the basis of material nonpublic information in breach of a pre-existing duty (established by another law or rule, or agreement, understanding, or some other source) may be in violation of Rule 180.1.

The Exchanges are adopting the requested modification via the issuance of RA1613-5R and have confirmed with staff of DMO that the change to the term “pre-existing duty” does not affect regulatory guidance that has been provided to market participants since the initial change to begin to permit pre-hedging was submitted to the CFTC on October 24, 2016 (See CME/CBOT/NYMEX/COMEX Submission 16-427). Specifically, the Exchanges informed firms that pre-hedging is expressly permitted in principal-to-principal transactions, and a firm that, prior to the November 8, 2016, effective date of RA1613-5, accepted a client’s block order for execution as an intermediary could now choose to move the block trade negotiation to a principal-to-principal transaction and engage in pre-hedging. Staff of DMO has confirmed that absent a pre-existing duty applicable to the principal-to-principal transaction, a non-intermediary, prospective counterparty to a potential block trade need not refrain from pre-hedging as long as they maintain a good faith belief that the transaction will be executed.

The Exchanges reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA” or “Act”) and identified that the issuance of RA1613-5R may have some bearing on the following Core Principles:

Compliance with Rules: RA1613-5R being issued 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.

Availability of General Information: As required by this Core Principle, the Exchanges are publicly issuing RA1613-5R to ensure that market participants have updated guidance and information attendant to block trades. RA1613-5R 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 RA1613-5R 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: Market Regulation Advisory Notice RA1613-5R

## 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>November 16, 2016</b>
<b>Advisory Number</b>	<b>CME Group RA1613-5R</b>
<b>Effective Date</b>	<b>December 1, 2016</b>

This Advisory Notice supersedes CME Group RA1613-5 from October 25, 2016. It is being issued in response to a request from the CFTC to amend the term “fiduciary responsibility” to “pre-existing duty” in the third paragraph of Section 12 concerning the use of nonpublic information with respect to block trades. The CFTC determined that the term pre-existing duty comported more closely with language contained in the Commission’s final rules under Part 180 published in the Federal Register on July 14, 2011 (17 CFR Part 180 RIN Number 3138-AD27). In those final rules, the Commission determined that trading on the basis of material nonpublic information in breach of a pre-existing duty (established by another law or rule, or agreement, understanding, or some other source) may be in violation of Rule 180.1.

No other material changes have been made to the Advisory Notice.

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. [Price Reporting Requirements](#)
8. [Submission to CME Clearing](#)
9. [Recordkeeping](#)
10. [Error Remediation](#)
11. [Dissemination of Block Trade Information](#)
12. [Use of Nonpublic Information](#)
13. [TAS & TAM Block Trades](#)
14. [Basis Trade at Index Close \(“BTIC”\) Block Trades](#)
15. [Text of Rule 526](#)
16. [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 on the basis of 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 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 of 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. Notwithstanding the foregoing, options priced at cabinet **may not** be transacted as a 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 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 options are set forth in the list of block trade eligible products in Section 4 of this Advisory Notice.

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

Information with respect to spreads and combinations executed as block trades appears below:

	<b>CME and CBOT Products</b>	<b>NYMEX and COMEX Products</b>
<b><u>Intra-Commodity Futures Spreads and Futures Combinations</u></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 U.S. Treasury futures and S&amp;P GSCI, S&amp;P GSCI ER and Bloomberg Roll Select Commodity Index futures spreads</b>	The <i>sum</i> of the quantities of the legs of the transaction must meet the minimum block quantity threshold
<b><u>Intra-Commodity Options Spreads and Options Combinations</u></b>	The quantity of <i>each leg of the spread</i> must meet the designated minimum quantity threshold.	The <i>sum</i> of the quantities of the legs of the transaction must meet the minimum block quantity threshold.
<b><u>Inter-Commodity Futures Spreads and Futures Combinations</u></b>	<i>Each leg of the spread must meet the larger of the threshold requirements for the underlying products.</i> <b>** Exceptions apply in:</b> i) Short Term Interest Rate Futures; ii) U.S. Treasury and 10-Year Sovereign Yield Spread Futures; and iii) Deliverable Interest Rate Swap Futures (“DSF”) & Deliverable Euro Interest Rate Swap Futures (“EUR IRS”) iv) U.S. Treasury Futures and Forward-Starting 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><u>Inter-Commodity Options Spreads and Options Combinations</u></b>	<i>Each leg of the spread must meet the larger of the threshold requirements for the underlying products.</i>	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><u>Options/Futures</u></b>	The options component of the spread must	The options component of the spread must

Spreads	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.	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>	

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

- i) 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.*

- ii) 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 300 contracts for each leg of the spread or combination. For example, the minimum quantity for an S&P GSCI calendar spread would require 300 contracts in each leg of the spread for a total of 600 contracts while a Bloomberg Roll Select Commodity Index futures butterfly would require a minimum volume of 1,200 contracts (300 contracts in each of the four legs of the butterfly).

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

- i) Short Term Interest Rate Futures

In Short Term Interest Rate futures (Eurodollars, Eurodollar E-minis, Euribor, T-Bills, OIS, One-Month Eurodollar, Euroyen and 30-Day Fed Funds), inter-commodity futures spreads may be executed as block trades provided that 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 Eurodollars during ETH are 200 and 2,000 contracts, respectively. Therefore, a block trade in the One-Month Eurodollar/Eurodollar spread can be executed provided that the sum of the legs is at least 2,000 contracts.

- ii) U.S. Treasury and 10-Year Sovereign Yield Spread Futures

In U.S. Treasury and 10-Year Sovereign Yield Spread futures, inter-commodity futures spreads may be executed as block trades provided that each leg of the spread meets the minimum threshold requirement for the respective underlying products. For example, the minimum quantity thresholds for 10-Year Notes and U.S. Treasury Bonds during RTH are 5,000 and 3,000 contracts, respectively. Therefore, a block trade in the NOB spread (10-Year 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) Deliverable Interest Rate Swap Futures (“DSF”) & Deliverable Euro Interest Rate Swap Futures (“EUR IRS”)

Inter-commodity futures spreads or combinations composed only of DSF or composed only of EUR IRS (e.g., 2-Year DSF v. 10-Year DSF) may be executed as block trades provided that 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 DSF and 10-Year DSF 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 DSF or composed only of EUR IRS (e.g., 10-Year Treasury Notes vs. 10-Year DSF) may be executed as block trades provided that each leg of the spread meets the minimum threshold requirement for the respective underlying products. For example, the minimum block trade thresholds for 10-Year Treasury Note futures and 10-Year DSF during RTH are 5,000 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 10-Year Treasury Note leg is at least 5,000 contracts and the quantity of the 10-Year DSF 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**

- i) 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 Price Reporting Requirements**

**a) Time Requirements**

When a block trade is consummated it must be price reported to the Exchange within 5 or 15 minutes, depending on the product. Where it is necessary for parties to agree to the individual leg prices on certain spread and combination trades for the purpose of reporting the trade to the Exchange, 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.

<b>CME/ CBOT</b>	
<b>Reported within 5 Minutes</b>	<b>Reported within 15 Minutes</b>
<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 price reported to the exchange within 5 minutes of the transaction.</p> <p>Inter-commodity block spread or combination trade that includes a DSF or EUR IRS leg(s) and a leg(s) subject to a 5 minute price reporting requirement requires that the block spread or combination trade be reported within 5 minutes of execution.</p>	<p>Block Trades during European or Asian hours (ETH or ATH) in Foreign Exchange and Interest Rate Products, including Treasury Invoice Spreads must be price reported to the Exchange within 15 minutes of the transaction.</p> <p>Block trades in Weather, Housing, DSF and EUR IRS contracts must be price reported to the Exchange within 15 minutes of the transaction.</p>



For purposes of CME and CBOT 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 all times on weekends

<b>NYMEX/ COMEX</b>	
<b>Reported within 5 Minutes</b>	<b>Reported within 15 Minutes</b>
<ul style="list-style-type: none"> <li>• Brent Crude Oil Penultimate Financial futures (BB)</li> <li>• Brent Crude Oil Last Day Financial futures (BZ)                             <ul style="list-style-type: none"> <li>• Light Sweet Crude Oil futures (CL)</li> <li>• Gulf Coast Sour Crude Oil futures (MB)</li> </ul> </li> <li>• New York Harbor ULSD Heating Oil futures (HO)                             <ul style="list-style-type: none"> <li>• Henry Hub Natural Gas futures (NG)</li> <li>• RBOB Gasoline futures (RB)</li> </ul> </li> <li>• NYMEX Cocoa, Coffee, Cotton and No. 11 Sugar futures (CJ, KT, TT and YO)                             <ul style="list-style-type: none"> <li>• Gold futures (GC)</li> <li>• Silver futures (SI)</li> <li>• Copper futures (HG)</li> </ul> </li> </ul>	<p>Block trades in all other block-eligible NYMEX and COMEX products must be price reported to the exchange within <b>15 minutes</b> of the transaction.</p> <hr/> <p>If the block transaction involves a spread or combination that includes certain legs subject to a five minute reporting requirement and other legs subject to a 15 minute reporting requirement, the reporting requirement for the transaction will be 15 minutes.</p>

#### b) Reporting Obligation

Price reporting obligations are the responsibility of the seller, unless otherwise agreed to by the principal counterparties to the block trade; however, in the case of a brokered transaction, the price reporting obligation is the responsibility of the broker handling the block trade, unless otherwise agreed to by the principal counterparties to the block trade. For purposes of the foregoing, the term “seller” refers to the principal counterparty acting as the seller of the block trade.

In circumstances where a block trade is bilaterally negotiated between two principal counterparties to be reported via CME ClearPort, and the seller is not registered as a broker on CME ClearPort and therefore unable to enter the buyer’s side of the trade, single-side trade entry may be used. In such cases **both** parties to the trade need to be cognizant of the requirement to accurately report within the required time period. Specifically:

- Where the buyer and seller of a trade each agree to separately enter their respective side of the trade into CME ClearPort, indicating each other as the opposite party, **both** the buyer and seller must enter their respective side of the transaction within the required time period.
- In cases where one side of a trade (either the buyer or seller) agrees to enter their respective side of the trade and allege that trade against the other party, the other party must ensure the alleged trade is accepted (complete with the correct account information for their side) within the required timeframe. 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.

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).

c) Price Reporting Methods

Block trades must be price reported to the Exchange via one of the following methods:

Products per Venue	Price Reporting Method					
	<a href="#">CME ClearPort (including via the CME ClearPort Facilitation Desk)</a>	<a href="#">CME Direct</a>	<a href="#">Global Command Center ("GCC")</a>	<a href="#">Master Pulpit</a>	<a href="#">CME Clearing360 via Pivot Instant Markets</a>	<a href="#">Report to Exchange Staff</a> (312.648.3935 or 312.648.3936)
CME products (except Weather)	Yes	Yes	Yes	No	No	No
CME Weather Executed Between 8:00 a.m. - 3:30 p.m.	No	Yes	No	No	Yes	Yes
CME Weather Executed Outside of 8:00 a.m. - 3:30 p.m.	No	Yes	Yes	No	Yes	No
CBOT products (excluding Treasury Invoice Spreads)	Yes	Yes	Yes	No	No	No
CBOT Treasury Invoice Spreads	Yes	Yes	No	No	No	No
NYMEX / COMEX products negotiated on the trading floor	Yes	Yes	No	Yes	No	No
NYMEX / COMEX products negotiated away from the trading floor	Yes	Yes	No	No	No	No

i) CME ClearPort

All block trades may be electronically submitted directly to CME Clearing via CME ClearPort, with the exception of CME Weather futures block trades. This will satisfy the price reporting requirement, and the block trade will be simultaneously submitted for clearing.

Block trades negotiated immediately prior to and during the CME ClearPort maintenance window from 4:00 p.m. CT to 5:00 p.m. CT each business day must be submitted to CME ClearPort by 5:05 p.m. CT for products subject to a 5 minute reporting requirement or by 5:15 p.m. CT for products subject to a 15 minute reporting window. Additionally, block trades negotiated during any other time period during which CME ClearPort is closed must be submitted to CME ClearPort no later than 5 or 15 minutes after the time CME ClearPort reopens, depending on the reporting requirement for the particular product.

Block trades may also be price reported to the CME ClearPort Facilitation Desk by calling 1.800.438.8616 or via email at [FacDesk@cmegroup.com](mailto:FacDesk@cmegroup.com). In either case, all of the data and information elements required in d) below must be submitted.

Please note that block trades in CBOT Treasury Invoice Spreads must be reported via CME ClearPort or by calling the CME ClearPort Facilitation Desk.

For information on reporting block trades through CME ClearPort, please contact customer service at 1.800.438.8616 or via email at [ClearPort@cmegroup.com](mailto:ClearPort@cmegroup.com).

#### ii) CME Direct

All block trades may be electronically submitted to CME Clearing via entry on the CME Direct platform, which will satisfy the price reporting requirement and simultaneously submit the trade for clearing. The CME Direct platform is directly connected to CME ClearPort. For information on submitting Block Trades through CME Direct, please contact CME Direct Support at [CMEDirectSupport@cmegroup.com](mailto:CMEDirectSupport@cmegroup.com).

Block trades negotiated immediately prior to and during the CME ClearPort maintenance window from 4:00 p.m. CT to 5:00 p.m. CT each business day must be submitted to CME Direct by 5:05 p.m. CT for products subject to a 5 minute reporting requirement or by 5:15 p.m. CT for products subject to a 15 minute reporting window. Additionally, block trades negotiated during any other time period during which CME ClearPort is closed must be submitted to CME Direct no later than 5 or 15 minutes after the time CME ClearPort reopens, depending on the reporting requirement for the particular product.

#### iii) Global Command Center (“GCC”)

CME and CBOT block trades (except for block trades in Weather futures and options executed between 8:00 a.m. and 3:30 p.m. Chicago time, Monday – Friday on regular business days and in CBOT Treasury Invoice Spreads at all times) may be price reported to the GCC. The seller or broker reports the trade by calling the GCC at **800.438.8616**, in Europe at **44.800.898.013** or in Asia at **65.6532.5010**. When the GCC is closed – for example, during the weekend – the block trade must be reported no later than five minutes prior to the opening of the next electronic trading session for that product.

#### iv) Trading Floor

NYMEX and COMEX block trades negotiated on the trading floor may either be electronically submitted directly to CME Clearing via either CME ClearPort or the CME Direct platform pursuant to i) and ii) above respectively, or may be price reported to exchange staff at the Master Pulpit.

#### v) Weather Blocks on CME Clearing360 via Pivot Instant Markets

Block trades in Weather futures and options may be price reported electronically to CME Clearing360 via Pivot Instant Markets by eligible inter-dealer brokers. For additional information on price reporting block trades via Pivot Instant Markets, please contact Charles Piszczor, Director, Agriculture/Weather Research and Product Development Department, at 312.930.4536 or via email at [Charles.Piszczor@cmegroup.com](mailto:Charles.Piszczor@cmegroup.com).

#### vi) Weather Block Trades Executed Between 8:00 a.m. and 3:30 p.m.

Block trades in Weather futures and options executed between 8:00 a.m. and 3:30 p.m. Chicago time, Monday – Friday on regular business days should be price reported to Exchange staff by calling 312.648.3935 or 312.648.3936.

#### d) Information Required When Reporting Block Trades

When price reporting a block trade to GCC, the CME ClearPort Facilitation Desk and NYMEX and COMEX block trades via the Trading Floor, the following information will be 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;
- Buyer’s clearing firm and seller’s clearing firm;

- Name and phone number of the party reporting the trade (for block trades reported to the GCC, on the trading floor or reported via telephone or email to the CME ClearPort Facilitation Desk);
- For block trades reported via phone or email to the CME ClearPort Facilitation Desk, 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.

Market participants must exercise diligence in accurately reporting the execution time of the block trade. The reporting of inaccurate execution times may result in disciplinary action.

## **8. Block Trade Submission Requirements to CME Clearing**

Separate submission to the CME clearing system is not required in the event that the block trade is directly entered into CME ClearPort, CME Direct or reported to the CME ClearPort Facilitation Desk. However, in all other cases, block trades must be submitted to the CME Clearing System as follows:

- i) **Block trades price reported to Exchange staff at the Master Pulpit on the trading floor** as described above in section 7 iv) must be entered by the seller or his designated representative into the CME clearing system within 30 minutes of execution and must contain the material terms of the trade, including the allocation to the correct clearing firm unless the trade will clear at the seller's qualifying clearing member firm. Within 30 minutes after entry by the seller, the buyer or his designated representative must enter into the CME clearing system a time of execution for the trade, note any disagreement with any of the terms of the trade entered by the seller, and allocate the trade to the correct clearing firm unless the trade will clear at the buyer's qualifying clearing member firm. When reporting spread or combination transactions, each leg must be entered individually.
- ii) **Block trades price reported to the GCC or Exchange staff** as described above in section 7 iii) or vi) must be submitted to CME Clearing through the FEC User Interface via the portal under BLOCK entry. For block trades executed between 6:00 a.m. and 6:00 p.m. Central Time, firms must submit the trade within one hour. For block trades executed between 6:00 p.m. and 6:00 a.m. Central Time, firms must submit the trade no later than 7:00 a.m. Central Time.

Block trades are entered by both the buyer's and seller's clearing firm and go through a two-sided match process. Upon entry, confirmation records will be routed back to the firms for bookkeeping purposes. When reporting spread or combination transactions, each leg must be entered individually. The execution time is required to be entered and must be the actual time at which the transaction was consummated by the two parties, not the time at which the trade is reported by the parties to their respective firms. Thus, if the clearing member has not acted as either principal or agent in the transaction, it must ensure that its customer provides an accurate execution time.

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. The offsetting block trade must be price reported to the GCC pursuant to the requirements of Section 7c) iii) above, and the offset must be submitted to CME Clearing no later than the Position Change Submission ("PCS") deadline on the day on which the option contract expires. The PCS deadline for CME and CBOT products is 7:30 p.m. Central Time.

## **9. 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.

## **10. Error Remediation**

When an error is made in the price reporting of a block trade to the Exchange or the submission of a block trade to CME Clearing, the counterparties and/or the broker(s) may request a correction of the error within three business days. The correction request must include evidence that the counterparties to the block trade agree to the correction request. All error correction requests are subject to review and approval by the Exchange.

To request a correction please contact the following:

- Where the block trade was submitted via CME Direct/CME ClearPort: 1.800.438.8616 or [FacDesk@cmegroup.com](mailto:FacDesk@cmegroup.com)
- Where the block trade was voice reported to the GCC: 1.800.438.8616, or 44.800.898.013 in Europe or 65.6532.5010 in Asia

Error correction requests received subsequent to the three business day window may not take place without the express approval of the Market Regulation Department. Market participants should contact the Market Regulation Department at [MarketRegBlock@cmegroup.com](mailto:MarketRegBlock@cmegroup.com) or 312.341.7970.

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

The date, execution time, contract month, price and quantity of block trades are reported upon receipt of the block information by GCC. Block trade information is reported on the MerQuote system and may be accessed by entering the code "BLK". The information will also be 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.

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

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.

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.

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 acts against its customer's best interests.

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.

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

### **13. 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 that 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](#)

### **14. Basis Trade at Index Close ("BTIC") Block Trades**

A BTIC Transaction is a futures transaction that is priced with reference to the applicable cash index close price. 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 will not be permitted on the last day of trading in an expiring contract month.

A list of BTIC block-eligible products and block minimum thresholds is contained in the table below.

BTIC Block-Eligible Product	Corresponding Product Chapter	Minimum Threshold
CME E-mini S&P Select Sector Stock Index futures	369	50
CME E-mini NASDAQ Biotechnology Index futures	360	50
CME E-mini S&P MidCap 400 Stock Price Index futures	362	50
CME E-mini S&P SmallCap 600 Stock Price Index futures	368	50
CME S&P 500/Growth Index futures	355	50
CME S&P 500/Value Index futures	356	50
CME S&P 500 Total Return Index futures	357	500
CME S&P 500 Carry Adjusted Total Return Index futures	357A	500
CME USD Denominated Ibovespa futures	354	50
CME E-mini Russell 1000 Index futures	383	50
CME E-mini Russell 1000 Growth Index futures	384	50
CME E-mini Russell 1000 Value Index futures	385	50
CME E-mini Standard and Poor's 500 Stock Price Index® Futures	358	500
CME E-mini NASDAQ 100 Index® Futures	359	500
CME S&P MLP Total Return Index Futures	389	50
CBOT Dow Jones US Real Estate Index futures	30	50
CBOT E-mini Dow Jones Industrial AverageSM Index Futures (\$5 Multiplier)	27	500

The futures price assigned to a BTIC block trade will be based on either:

- the current day's close price of the relevant cash index as specified in the relevant rule chapter; or
- the current day's close price of the relevant cash index as specified in the relevant rule chapter adjusted by any valid price increment (the "Basis") higher or lower than the relevant cash index close price. The Basis must be stated in full tick increments as set forth in the relevant rule chapter.

The Basis applied to a BTIC block trade 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.

BTIC block trades **may not** be executed as a spread transaction. Parties wishing to effectuate a block spread transaction in either product will be required to negotiate the transaction as separate outright BTIC block trades, and each leg must meet the minimum threshold.

## **15. 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.

## **16. Contact Information**

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

Market Regulation:	Jennifer Dendrin, Director, Investigations	312.341.7812
	Urmi Graft, Supervisor, Investigations	312.341.7639
	Mary Cantagallo, Lead Investigator, Investigations	312.341.7632
	Erin Middleton, Senior Rules & Regulatory Outreach Specialist	312.341.3286
	Daniel Stephens, Senior Rules & Regulatory Outreach Specialist	+44 2033793304
	Shawn Tan, Senior Rules & Regulatory Outreach Specialist	+65 65935580
	Robert Sniegowski, Executive Director, Rules & Regulatory Outreach	312.341.5991
	CME Clearing: CME Clearing Support	312.207.2525



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).