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**BY ELECTRONIC TRANSMISSION**

Submission No. 22-232  
November 28, 2022

Mr. Christopher J. Kirkpatrick  
Secretary of the Commission  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, NW  
Washington, DC 20581

**Re: Amendments to Block Trade FAQ---Equity Basis Block Trades-- - Submission Pursuant to Section 5c(c)(1) of the Act and Regulation 40.6(a)**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6(a), ICE Futures U.S., Inc. (“Exchange” or “IFUS”) hereby certifies the amendment to the IFUS Block Trade FAQ (the “FAQ”) as set forth in Exhibit A. The amendment adds Question 26 to the FAQ establishing the parameters for a new type of block trade that may be used only for the Exchange’s equity index contracts (the “Equity Basis Block” or “EBB”). The amendments will be effective trade date December 13, 2022, or such other date as the Exchange may determine, which shall be no sooner than 10 business days after receipt of this submission by the Commission.

As discussed below, an EBB is a block trade where the futures price is determined as a fixed +/- differential, or basis, to the value of a basket of the underlying equity securities which are bought or sold by one of the parties to the block trade over the course of a pre-determined, agreed upon period of time during a single trading session. The basis must be fair and reasonable at the time it is agreed to, in order to preclude pricing the block trade away from the market. After the parties agree to the basis and the time period during which the basket of securities are to be executed, one of the parties buys (sells) the underlying equity securities. After completing the cash transactions, the basis is added to or subtracted from the value of those purchases (sales) to determine the price of the EBB futures trade. The “execution time” for an EBB trade is the time at which the participants consummated the block trade in principle, which must have occurred prior to the commencement of the hedging activity. The EBB must be submitted to the Exchange by 5:45 ET on the day the trade occurs.

The FAQ establishes the rules and procedures for EBBs in new Question 26. The minimum quantity requirements (“MQR”) for EBBs are the same as the existing thresholds for the applicable products. There are also additional reporting requirements for EBB trades---apart from price and quantity, the submitter must report the agreed upon basis and the hedge product description. Furthermore, upon request participants must be able to provide the time frame during which the parties determined to execute the underlying

securities basket, the identity and volume traded of each equity security comprising the basket and the price (including currency) at which each equity security was purchased or sold.

## **Certifications**

The Exchange is not aware of any opposing views with respect to the amendment. The Act gives designated contract markets, like the Exchange, broad discretion in determining how to implement the Core Principles. The amendment is a reasonable exercise of that discretion and the Exchange certifies its compliance with the requirements of the Act and the Commission's regulations promulgated thereunder. The Exchange has reviewed the designated contract market core principles ("Core Principles") as set forth in the Act and has determined that the amendment complies with the following relevant Core Principles:

### **CORE PRINCIPLE 2--COMPLIANCE WITH RULES**

The requirements for EBB trades are set forth in the FAQ and will be enforced by the Exchange's Market Regulation staff through its reviews of block trades.

### **CORE PRINCIPLE 9--EXECUTION OF TRANSACTIONS**

Core Principle 9 and CFTC Regulation 1.38 permit designated contract markets to establish the rules under which trades may be non-competitively executed away from the central limit order book. The amendments establishing EBBs is consistent with other types of block trades in which the price is determined by reference to an index or other value at a later time. We also note that this trade type is available at another DCM. EBBs will be subject to recordkeeping and enhanced reporting requirements and will be subject to the minimum quantity requirement of the applicable equity futures products.

The Exchange further certifies that, concurrent with this filing, a copy of this submission was posted on the Exchange's website and may be accessed at (<https://www.theice.com/futures-us/regulation#Rule-Filings>).

If you have any questions or need further information, please contact me at 212-748-4021 or at [jason.fusco@theice.com](mailto:jason.fusco@theice.com).

Sincerely,



Jason V. Fusco  
Assistant General Counsel  
Market Regulation

Enc.  
cc: Division of Market Oversight

**EXHIBIT A**  
**BLOCK TRADE FAQ**

**Question 26 - What is an Equity Basis Block (“EBB”)?**

An EBB is an Exchange block trade where the futures price is determined as a basis to one or more hedging transactions which are bought or sold by one of the parties over the course of an agreed upon, predetermined period of time during a single trading session.

Permissible hedging vehicles include stock baskets, cash market instruments, or equity index futures or options. At a minimum, the hedging vehicle must demonstrate a reasonable price correlation to the equity index futures product underlying the EBB. EBB trades may only be executed in the MSCI Indices, NYSE FANG+ Index and ICE Biotechnology and Semiconductor Index futures contracts.

**General Requirements**

- EBB must be reported to the Exchange via ICE Block and adhere to the existing block minimum thresholds applicable to those products.
- All participants must agree that the execution will be done as an EBB.
- Prior to executing the hedge, the participants must consummate the block trade and agree to: the quantity of futures or notional value of the block, the execution methodology for the hedging transactions, the markets the hedging transaction(s) will take place, and the predetermined basis to be used in determining the price of the block trade after the hedge has been concluded.

**Execution and Reporting**

EBB trades and the corresponding hedge transactions must occur and be submitted on the same business day by 5:45 pm ET. The “execution time” for an EBB trade is the time at which the participants consummated the block trade in principle, which must have occurred prior to the commencement of the hedging activity. The block trade must be accurately identified by selecting the “Basis” trade type in ICE Block. The submitter must also report the agreed upon basis and the hedge product description by entering that information in the “Transaction Details” text field on the block trade submission screen in the ICE Block application. Upon request, participants must be able to provide the identity and volume traded of the equity securities comprising the basket and the price (including currency) at which each equity security was traded. If a participant is unable to execute the full quantity of hedges necessary to support the originally agreed upon quantity of the block trade consummated with the counterparty, the participant must, at a minimum, submit the block trade at a quantity that corresponds to the quantity of hedges the participant executed. Alternatively, with the counterparty’s consent, the participant may submit the block trade up to the full quantity originally agreed upon.