



November 20, 2009

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

RE: NYMEX & COMEX Market Regulation Advisory Notice RA0913-4  
NYMEX Submission No. 09-279R

C.F.T.C.  
OFFICE OF THE SECRETARIAT  
2009 NOV 20 PM 4 18

Dear Mr. Stawick:

Previously, by letter dated November 19, 2009, The New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") notified the Commission that it would issue NYMEX & COMEX Market Regulation Advisory Notice RA0913-4 on November 23, 2009, concerning a modification in the manner in which block trades are reported on the NYMEX trading floor. The earlier Advisory Notice had an inaccurate reference to the legacy NYMEX Trade Management System. That reference has been eliminated. The Advisory Notice is being issued to explain that block trades were previously reported to price reporting staff in the trading pit, however effective immediately block trades will be reported to the Master Pulpit within five minutes of execution.

A copy of the revised Advisory Notice is included with this submission.

The Exchange certifies that the Advisory Notice complies with the Act and regulations thereunder.

If you have any questions regarding the Advisory Notice, please contact Robert Sniegowski, Market Regulation, at 312.341.5991 or me at 312.648.5422. Please reference NYMEX Submission No. 09-279 in any related correspondence.

Sincerely,

/s/ Stephen M. Szarmack  
Director and Associate General Counsel

## MARKET REGULATION ADVISORY NOTICE

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|                        |                                   |
|------------------------|-----------------------------------|
| <b>Exchange</b>        | <b>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 23, 2009</b>          |
| <b>Advisory Number</b> | <b>NYMEX &amp; COMEX RA0913-4</b> |

This Advisory Notice supersedes NYMEX & COMEX Market Regulation Advisory Notice RA0910-4 from September 24. It is being reissued based on modifications to Section 6 with respect to where block trades must be reported on the trading floor and the information required when making the report.

Block trades on the trading floor must be reported to the Master Pulpit within five minutes of execution and may no longer be reported to exchange price reporting staff in a trading ring. Additionally, when reported to the Master Pulpit, the report must include the name and phone number of the representative reporting the trade, the buyer's clearing firm and the seller's clearing firm and the execution time (in Eastern Time) of the trade.

Block trades in NYMEX and COMEX products are governed by Rule 526 and the information provided in this Advisory Notice.

A complete list of NYMEX and COMEX products in which block trading is permitted and the relevant quantity thresholds appear in Section 11 on page 4. The text of Rule 526 appears in Section 13 which begins on page 4.

### **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. All block trades are subject to the conditions set forth in NYMEX and COMEX Rule 526 and in this Advisory Notice.

### **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(12) 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.

Orders may not be bunched to meet the minimum block quantity thresholds.

### **3. 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 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 prices are reported independently of transaction prices in the regular market and are not included as part of the daily trading range. Block trade prices do not elect conditional orders (e.g. stop orders) or otherwise affect orders in the regular market.

### **4. 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 11 which begins on page 4 of this Advisory Notice. In order to be executed as a block trade, each leg of the spread or combination (including intra-commodity, inter-commodity and options/futures spreads) must be block-eligible and the quantity of each leg of the spread must meet the designated minimum quantity threshold.

### **5. TAS 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”). TAS block trades may not be executed on the last day of trading in an expiring contract. The products and contract months in which TAS block trades are permitted appear in Section 11 which begins on page 4.

### **6. Block Trade Reporting Requirements**

#### **a) Time Requirements**

Block trades must be reported to the exchange by the seller within **five minutes** of the transaction.

#### **b) Reporting Methods**

Block trades must be reported to the exchange via one of the methods described below.

##### **i) CME ClearPort**

Block trades may be reported to the CME ClearPort Block Trade Facilitation Desk by calling **1.866.246.9639**. Additionally, block trades may be electronically submitted directly to CME Clearing via CME ClearPort. 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) Trading Floor

Block trades negotiated on the trading floor must be reported to exchange staff at the Master Pulpit.

When reporting a block trade, 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;
- Quantity of the trade or, for spreads and combinations, the quantity of each leg of the trade;
- Price of the trade or, for spreads and combinations, the price of each leg of the trade;
- Name and phone number of the representative reporting the trade (floor reporting only);
- Buyer's clearing firm and seller's clearing firm (floor reporting only); and
- Execution time (in Eastern Time) of the trade (i.e. the time at which the trade was consummated) (floor reporting only).

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

COMEX block trades 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 60 minutes of execution and 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.

## **8. Block Trade Recordkeeping**

Complete order records for block trades must be created and maintained, just as with any other transaction. However, as noted above, the time of execution of the block trade must also be recorded.

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

Block trade information is displayed on the trading floor.

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

Block trade volume is also included with other privately negotiated transactions in the daily volume reports published by the exchange.

## **10. Pre-Execution Communications**

The prohibition on prearranged trading and the requirements related to pre-execution communications with respect to certain Globex trades set forth in Rule 539 do not apply to block trades.

## **11. NYMEX & COMEX Block Trade-Eligible Products**

| <b>Products</b>                         | <b>Futures</b> | <b>TAS-Eligible Futures Contract Months</b>                 | <b>Options</b>  |
|---|----------------|---|-----------------|
| Brent Crude Oil Financial               | 100 contracts  | spot, 2 <sup>nd</sup> and 3 <sup>rd</sup>                   | Not available   |
| Brent Crude Oil Last Day                | 100 contracts  |   | Not available   |
| Light "Sweet" Crude Oil                 | 200 contracts  | spot, 2 <sup>nd</sup> , 3 <sup>rd</sup> and 7 <sup>th</sup> | 1,000 contracts |
| New York Harbor No. 2 Heating Oil       | 100 contracts  | spot, 2 <sup>nd</sup> and 3 <sup>rd</sup>                   | 300 contracts   |
| Natural Gas                             | 100 contracts  | spot, 2 <sup>nd</sup> and 3 <sup>rd</sup>                   | 1,600 contracts |
| European-Style Natural Gas              | Not available  |   | 550 contracts   |
| Gulf Coast Gasoline                     | 100 contracts  |   | Not available   |
| Gulf Coast Ultra Low Sulfur Diesel      | 100 contracts  |   | Not available   |
| New York Harbor Ultra Low Sulfur Diesel | 100 contracts  |   | Not available   |
| NY Harbor Gasoline Blendstock (RBOB)    | 100 contracts  | spot, 2 <sup>nd</sup> and 3 <sup>rd</sup>                   | 350 contracts   |
| Cocoa                                   | 100 contracts  |   | Not available   |
| Coffee                                  | 100 contracts  |   | Not available   |
| Cotton                                  | 100 contracts  |   | Not available   |
| Sugar 11                                | 100 contracts  |   | Not available   |
| Gold                                    | 200 contracts  |   | 300 contracts   |
| Silver                                  | 200 contracts  |   | 150 contracts   |
| Copper                                  | 100 contracts  |   | Not available   |

## **12. Contact Information**

Questions regarding this advisory may be directed to the following individuals:

|                    |                             |              |
|--------------------|-----------------------------|--------------|
| Market Regulation: | Anthony Densieski, Director | 212.299.2881 |
| 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).

## **13. Text of NYMEX & COMEX 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. 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(12) 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. The seller must ensure that each block trade is reported to the Exchange within five minutes of the time of execution. 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.