

MARKET REGULATION ADVISORY NOTICE

Exchange	CBOT
Subject	Block Trades in CBOT Interest Rate Futures and Options
Rule References	Rule 526
Advisory Date	January 24, 2008
Advisory Number	CBOT RA0801-1
Effective Date	NEW DATE - January 28, 2008

Effective January 28, 2008, block trading will be permitted in CBOT U.S. Treasury and 30-Day Fed Fund futures and options subject to the minimum block quantity thresholds reflected in the tables below and the conditions set forth in Rule 526 ("Block Trades") and in this advisory.

BLOCK QUANTITY THRESHOLDS DURING REGULAR TRADING HOURS (Monday-Friday, 7:00 am – 4:00 pm Chicago Time)					
Products	2-Year T-Note	5-Year T-Note	10-Year T-Note	30-Year T-Bond	30-Day Fed Funds
FUTURES					
Outrights	5,000	5,000	5,000	3,000	2,000
Intra-Commodity Calendar Spreads	Prohibited	Prohibited	Prohibited	Prohibited	The sum of the legs must be at least 2,000 contracts, or 1,000 contracts if at least 1,000 contracts are transacted in months 4-12
OPTIONS (Standard and Flex)					
Outrights	1,500	7,500	7,500	7,500	1,500
Spreads & Combinations	1,500 (each leg)	10,000 (each leg)	10,000 (each leg)	10,000 (each leg)	1,500 (each leg)

BLOCK QUANTITY THRESHOLDS OUTSIDE OF REGULAR TRADING HOURS					
Products	2-Year T-Note	5-Year T-Note	10-Year T-Note	30-Year T-Bond	30-Day Fed Funds
FUTURES					
Outrights	2,500	2,500	2,500	1,500	1,000
Intra-Commodity Calendar Spreads	Prohibited	Prohibited	Prohibited	Prohibited	The sum of the legs must be at least 1,000 contracts, or 500 contracts if at least 500 contracts are transacted in months 4-12
OPTIONS (Standard and Flex)					
Outrights	750	3,750	3,750	3,750	750
Spreads & Combinations	750 (each leg)	5,000 (each leg)	5,000 (each leg)	5,000 (each leg)	750 (each leg)

Block trades in Interest Rate Swap futures continue to be permitted subject to the thresholds below.

Products	5-Year Interest Rate Swaps	10-Year Interest Rate Swaps	30-Year Interest Rate Swaps
Outrights	2,000	2,000	2,000
Intra-Commodity Calendar Spreads	The sum of the legs must be at least 2,000 contracts	The sum of the legs must be at least 2,000 contracts	The sum of the legs must be at least 2,000 contracts

1. Block Trades Involving Spreads & Combinations

a) Intra-Commodity Futures Spreads and Combinations

Block trades in U.S. Treasury futures intra-commodity calendar spreads are prohibited. 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 may not be executed as block trades.

In 30-Day Fed Fund and Interest Rate Swap futures, intra-commodity spreads and combinations may be executed as block trades provided that the **sum** of the quantities of the legs meets the minimum block quantity threshold.

b) Inter-Commodity Futures Spreads

Inter-commodity futures spreads may be executed as block trades provided that the quantity of **each** leg of the spread meets the **larger** of the threshold requirements for the underlying products. For example, the minimum quantity thresholds for 10-Year Notes and 30-Year Treasury Bonds during regular trading hours are 5,000 and 3,000 contracts, respectively. Therefore, a block trade in the NOB spread (10 Year Note over 30 Year Bond) can be executed only if the quantity of each leg is at least 5,000 contracts.

c) Intra-Commodity Option Spreads and Combinations

Intra-commodity option spreads and combinations may be executed as block trades provided that the quantity of **each leg** of the spread meets the designated minimum quantity threshold.

d) Inter-Commodity Option Spreads and Combinations

Inter-commodity option spreads and combinations may be executed as block trades provided that the quantity of **each leg** of the spread meets the **larger** of the threshold requirements for the underlying products.

e) Options/Futures Spreads

Options/futures spreads may be executed as block trades provided that the options component of the spread meets the minimum quantity threshold for the outright option or option combination and the quantity of futures executed is consistent with the delta of the options component of the spread.

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. Prices of Block Trades

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 Reporting Requirements to GCC

Block trades must be reported to the Globex Control Center (“GCC”) by the seller within **five minutes** of the transaction. The seller reports the trade by calling the Globex Control Center (“GCC”) at **312.456.2391**. 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.

When reporting a block trade to the GCC, the following information will be required:

- Name and phone number of the clearing firm representative reporting the trade;
- Buyer’s clearing firm and seller’s clearing firm;
- Contract, contract month and contract year for futures;
- Contract, contract month, contract year, 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 spreads and combinations, the price of each leg of the trade; and
- Execution time of the trade (i.e. the time at which the trade was consummated).

5. Block Trade Submission Requirements to the Clearing House

Block trades must be submitted for clearing through the front-end clearing UI via the portal under BLOCK entry. 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 of the block trade must be accurately reported.

6. 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.

7. Dissemination of Block Trade Information

The date, execution time, contract details, 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 cmegroup.com 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 by contract is detailed in the daily volume reports published by the Exchange.

8. Pre-Execution Communications

The CBOT prohibition on pre-execution communications and prearranged trading detailed in Rule 539 specifically states that these restrictions do not apply to block trades.

9. Contact Information

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

Market Regulation:	Robert Sniegowski, Associate Director	312.648.5493
	Jennifer Baum, Associate Director	312.341.3124
	Kathy Zaino, Associate Director	312.930.2341
	Dean Payton, Managing Director	312.435.3658
Clearing House:	CME Clearing Support	312.207.2525
Products & Services:	Jeff Kilinski, Director	312.648.3817
	Jonathan Kronstein, Associate Director	312.930.3472

CBOT 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, subject to the provisions in Article IV, Section D(2)(e) of the Exchange's Certificate of Incorporation that are applicable to rule changes.

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. Clearing members must report block trades to the Clearing House in accordance with the Clearing House Manual of Operations.
- 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.