

MARKET REGULATION ADVISORY NOTICE

Exchange	CME & CBOT
Subject	Block Trades
Rule References	Rule 526
Advisory Date	March 9, 2009
Advisory Number	CME & CBOT RA0903-3
Effective Date	March 30, 2009

This Advisory Notice supersedes CBOT Market Regulation Advisory Notice RA0801-1 issued on January 28, 2008, and reflects changes to reporting times and minimum thresholds applicable to block trades in CME and CBOT interest rate futures and options that will become effective on Monday, March 30, 2009.

Members and member firms should carefully review the information in this document and in today's release of CME Group Special Executive Report S-4828.

Changes to Reporting Time Requirements for Interest Rate Block Trades

Block trades in all interest rate products will be required to be reported within 5 minutes of execution during Regular Trading Hours ("RTH") and within 15 minutes of execution during European Trading Hours ("ETH") and Asian Trading Hours ("ATH"). **This change will require Eurodollar futures and options block trades executed during RTH to be reported in 5 minutes, a reduction from the current 15 minute reporting requirement.**

ETH, RTH and ATH are defined as follows for all interest rate futures and options:

ETH: 12:00 a.m. – 7:00 a.m. Central Time ("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

Changes to Minimum Thresholds for Interest Rate Block Trades

With respect to RTH, the minimum threshold levels will be changed as of March 30 for the following interest rate products:

- CBOT 2-Year Treasury Note options will be increased to 2,000 contracts from 1,500 contracts
- CME Eurodollar options will be increased to 10,000 contracts from 4,000 contracts

Minimum block trade thresholds in interest rate products have been structured such that the applicable minimum threshold is greatest during RTH. Effective March 30, the thresholds applicable during ETH will be established at 50% of the RTH thresholds and the thresholds applicable during ATH will be established at 50% of the ETH thresholds. For example, the threshold for 5- and 10- Year Treasury Note options during RTH is 7,500 contracts; the ETH threshold will be 3,750 contracts and the ATH threshold will be 1,875 contracts.

A complete list of CME and CBOT products in which block trading is permitted and the relevant quantity thresholds appear in Section 10 which begins on page 6. The text of CME and CBOT Rule 526 appears in Section 12 which begins on page 9.

Block Trades in New 3-Year Treasury Note Futures

On March 23, 2009, CBOT will launch trading in a new 3-Year Treasury Note futures contract. From March 23 through March 29, block trading will be available at thresholds of 5,000 during RTH and 2,500 contracts at all times outside RTH. Beginning on March 30, concurrent with the adoption of block trade minimum thresholds in interest rate products during ATH, block trading in 3-Year Treasury Note futures will be available at thresholds of 5,000 during RTH, 2,500 during ETH and 1,250 during ATH.

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 CME and CBOT Rule 526 ("Block Trades") 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 10 beginning on page 6 of this Advisory Notice. Additional information with respect to spreads and combinations executed as blocks begins on the next page.

a) Intra-Commodity Futures Spreads and Futures Combinations

i) All Products Excluding U.S. Treasury, Interest Rate Swap and GSCI Futures

Intra-commodity futures spreads and futures combinations may be executed as block trades provided that the **sum** of the quantities of the legs meets the minimum block quantity threshold. For example, a 2,000-contract Eurodollar futures calendar spread executed during RTH hours would meet the Eurodollar futures minimum quantity requirement of 4,000 contracts.

ii) U.S. Treasury and Interest Rate Swap Futures

Intra-commodity calendar spread block trades are prohibited in CBOT U.S. Treasury futures and Interest Rate Swap 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 may not be executed as block trades.

iii) GSCI Futures

In GSCI futures and GSCI Excess Return Index futures the block trade minimum is 300 contracts for each leg of the spread or combination. For example, the minimum quantity for a GSCI calendar spread would require 300 contracts in each leg of the spread for a total of 600 contracts while a GSCI futures butterfly would require a minimum volume of 1,200 contracts.

b) Inter-Commodity Futures Spreads

i) All Products Excluding Short Term Interest Rate Futures

In all products excluding Short Term Interest Rate futures, 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 RTH are 5,000 and 3,000 contracts, respectively. Therefore, a block trade in the NOB spread (10 Year Note/30 Year Bond spread) can be executed only if the quantity of each leg is at least 5,000 contracts.

ii) Short Term Interest Rate Futures

In Short Term Interest Rate futures (Eurodollars, Eurodollar E-minis, T-Bills, OIS, One-Month Libor, 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 Libor and Eurodollars during ETH are 200 and 2,000 contracts, respectively. Therefore, a block trade in the LED spread (Libor/Eurodollars) can be executed provided that the sum of the legs is 2,000 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

In general, 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. An exception applies to Weather, Real Estate and Non-Farm Payroll options/futures spreads, where the legs of the spread may be summed to meet the 20-contract minimum threshold.

5. Block Trade Reporting Requirements

a) Time Requirements

i) Interest Rate Block Trades

Block trades must be reported to the exchange by the seller within **five minutes** of the transaction for block trades executed during RTH and within **fifteen minutes** of the transaction for block trades executed during ETH and ATH.

ii) Other Block Trades Excluding Interest Rates, Weather and Housing Block Trades

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

iii) Weather and Housing Block Trades

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

b) Reporting Methods

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

i) Globex Control Center ("GCC")

All 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 – see subsection iv on the next page) may be reported to the GCC. The seller reports the trade by calling the 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 for that product.

ii) CME ClearPort Clearing

Block trades may be electronically reported directly to CME Clearing via CME ClearPort Clearing. For information on reporting block trades through CME ClearPort Clearing, please contact customer service at 1.800.438.8616 or via email at ClearPortGroup@cmegroup.com.

iii) CME Clearing360 Trade Reporter

Block trades may be electronically reported directly to CME Clearing via CME Clearing360 Trade Reporter, available through the CME EOS Trader web-based front end. For additional information on reporting block trades via CME Clearing360 Trade Reporter, please visit <http://cmegroup.com/clearing/trading-practices/cme-clearing360-tradereporter.html> or contact CME Clearing Customer Support at 312.207.2525 or via email at CCS@cmegroup.com.

iv) Weather Blocks on CME Clearing360 via Pivot Instant Markets

Block trades in Weather futures and options may be electronically reported directly to CME Clearing360 via Pivot Instant Markets by eligible inter-dealer brokers. For additional information on reporting block trades via Pivot Instant Markets, please contact Angie DiCarlo, Associate Director, CME Group Alternative Investments at 312.930.4515 or via email at Angie.DiCarlo@cmegroup.com.

v) 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 reported to exchange staff by calling 312.648.3935 or 312.648.3936.

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

- Name and phone number of the clearing firm representative reporting the trade (unless the block trade is electronically reported);
- 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 (in Central Time) of the trade (i.e. the time at which the trade was consummated).

6. Block Trade Submission Requirements to CME Clearing

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 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 reported to the GCC pursuant to the requirements of section 4 above, and the offset must be reported to CME Clearing no later than the Position Change Submission ("PCS") deadline on the day on which the option contract expires. The current PCS deadline is 7:30 p.m.

7. 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.

8. 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](http://www.cmegroup.com/tools-information/blocktrades.html) 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 included with other privately negotiated transactions in the daily volume reports published by the exchange.

9. 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.

10. CME & CBOT Block Trade-Eligible Products

For purposes of the interest rate products in the tables, 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

CME Products	Futures	Options	Flex Options
Eurodollars (RTH)	4,000 contracts - or 1,000 contracts provided that a minimum of 1,000 contracts are transacted in yrs 6-10	10,000 contracts	Not Available
Eurodollars (ETH)	2,000 contracts – or 500 contracts provided that a minimum of 500 contracts are transacted in yrs 6-10	5,000 contracts	Not Available
Eurodollars (ATH)	1,000 contracts – or 250 contracts provided that a minimum of 250 contracts are transacted in yrs 6-10	2,500 contracts	Not Available
Eurodollar 5-Year E-mini Bundles (RTH)	2,000 contracts	Not available	Not available
Eurodollar 5-Year E-mini Bundles (ETH)	1,000 contracts	Not available	Not available
Eurodollar 5-Year E-mini Bundles (ATH)	500 contracts	Not available	Not available
Eurodollar E-mini futures (RTH)	40,000 contracts	Not available	Not available
Eurodollar E-mini futures (ETH)	20,000 contracts	Not available	Not available
Eurodollar E-mini futures (ATH)	10,000 contracts	Not available	Not available
3-Month Overnight Index Swaps (OIS)(RTH)	2,000 contracts	Not available	Not available
3-Month Overnight Index Swaps (OIS)(ETH)	1,000 contracts	Not available	Not available
3-Month Overnight Index Swaps (OIS)(ATH)	500 contracts	Not available	Not available
3-Month OIS/Eurodollar spread (RTH)	4,000 contracts (all legs combined)	Not available	Not available
3-Month OIS/Eurodollar spread (ETH)	2,000 contracts (all legs combined)	Not available	Not available
3-Month OIS/Eurodollar spread (ATH)	1,000 contracts (all legs combined)	Not available	Not available
T-Bills (RTH)	100 contracts	100 contracts	Not available
T-Bills (ETH)	50 contracts	50 contracts	Not available

CME Products	Futures	Options	Flex Options
T-Bills (ATH)	25 contracts	25 contracts	Not available
Euroyen (RTH)	200 contracts	200 contracts	Not available
Euroyen (ETH)	100 contracts	100 contracts	Not available
Euroyen (ATH)	50 contracts	50 contracts	Not available
One-Month Libor (RTH)	400 contracts	400 contracts	Not available
One-Month Libor (ETH)	200 contracts	200 contracts	Not available
One-Month Libor (ATH)	100 contracts	100 contracts	Not available
Barclays Capital U.S. Aggregate Bond Index	50 contracts	Not available	Not available
Eurozone Harmonized Index of Consumer Prices (HICP)	50 contracts	Not available	Not available
S&P 500*	Not available	250 contracts	250 contracts
NASDAQ-100*	200 contracts - outright only	100 contracts	100 contracts
S&P SmallCap 600, E-mini S&P SmallCap 600, E-mini MSCI EAFE, E-mini MSCI Emerging Markets, E-mini NASDAQ Composite Index, E-mini FTSE/Xinhua China 25, E-mini S&P Asia 50	50 contracts	Not available	Not available
TRAKRS Indexes	100,000 contracts	Not available	Not available
S&P Technology SPCTR , S&P Financial SPCTR	200 contracts	Not available	Not available
S&P MidCap 400 *, S&P 500/Citigroup Growth, S&P 500/Citigroup Value, Nikkei 225	50 contracts	250 contracts	250 contracts
Goldman Sachs Commodity Index (GSCI), GSCI Excess Return Index	50 contracts for outright – 300 contracts for each leg of a spread transaction	Not available	Not available
EUR/USD*, JPY/USD*	150 contracts	250 contracts	Not available
AUD/USD, CAD/USD, CHF/USD, GBP/USD, MXN/USD	100 contracts	250 contracts	Not available
CME\$INDEX, EUR/GBP, EUR/CHF, EUR/JPY, NZD/USD, BRL/USD, CZK/USD, CZK/EUR, HUF/EUR, HUF/USD, ILS/USD, KRW/USD, PLN/USD, PLN/EUR, RMB/USD, RMB/EUR, RMB/JPY, RUB/USD, ZAR/USD, USD/TRY, EUR/TRY	50 contracts	250 contracts	Not available
AUD/CAD, AUD/JPY, AUD/NZD, CAD/JPY, CHF/JPY, EUR/AUD, EUR/CAD, EUR/NOK, EUR/SEK, GBP/JPY, GBP/CHF, NOK/USD, SEK/USD	50 contracts	Not available	Not available
Weather	20 contracts	20 contracts	Not available
Wood Pulp	25 contracts	25 contracts	Not available
Housing	20 contracts	20 contracts	Not available
Nonfarm Payroll	20 contracts	20 contracts	Not available

* NOT applicable to E-mini FX or E-mini equity indexes except those listed above.

CBOT Products	Futures	Options	Flex Options
2-Year Treasury Notes (RTH)	5,000 contracts*	2,000 contracts	Same as Non-Flex Options
2-Year Treasury Notes (ETH)	2,500 contracts*	1,000 contracts	Same as Non-Flex Options
2-Year Treasury Notes (ATH)	1,250 contracts*	500 contracts	Same as Non-Flex Options
3-Year Treasury Notes (RTH)	5,000 contracts*	Not available	Not available
3-Year Treasury Notes (ETH)	2,500 contracts*	Not available	Not available
3-Year Treasury Notes (ATH)	1,250 contracts*	Not available	Not available
5- and 10-Year Treasury Notes (RTH)	5,000 contracts*	7,500 contracts	Same as Non-Flex Options
5- and 10-Year Treasury Notes (ETH)	2,500 contracts*	3,750 contracts	Same as Non-Flex Options
5- and 10-Year Treasury Notes (ATH)	1,250 contracts*	1,875 contracts	Same as Non-Flex Options
30-Year Treasury Bonds (RTH)	3,000 contracts*	7,500 contracts	Same as Non-Flex Options
30-Year Treasury Bonds (ETH)	1,500 contracts*	3,750 contracts	Same as Non-Flex Options
30-Year Treasury Bonds (ATH)	750 contracts*	1,875 contracts	Same as Non-Flex Options
30-Day Fed Funds (RTH)	2,000 contracts	1,500 contracts	Same as Non-Flex Options
30-Day Fed Funds (ETH)	1,000 contracts	750 contracts	Same as Non-Flex Options
30-Day Fed Funds (ATH)	500 contracts	375 contracts	Same as Non-Flex Options
5-, 7-, 10- and 30-Year Interest Rate Swaps (RTH)	2,000 contracts	Not available	Not available
5-, 7-, 10- and 30-Year Interest Rate Swaps (ETH)	1,000 contracts	Not available	Not available
5-, 7-, 10- and 30-Year Interest Rate Swaps (ATH)	500 contracts	Not available	Not available

CBOT Products	Futures	Options	Flex Options
Dow Jones-AIG Commodity Index Excess Return	300 contracts	Not available	Not available
Ethanol	10 contracts	10 contracts	Not available

* Block trading of intra-commodity Treasury and Interest Rate Swap futures calendar spreads is prohibited.

11. Contact Information

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

Market Regulation:	Kathleen Zaino, Associate Director	312.435.3577
	William Coyle, Investigator	312.435.3596
CME Clearing:	CME Clearing Support	312.207.2525

12. Text of CME & CBOT 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. **CME** - The seller must ensure that each block trade is reported to the Exchange within five minutes of the time of execution; except that block trades in interest rate futures and options executed outside of Regular Trading Hours (7:00 a.m. – 4:00 p.m. Central Time, Monday – Friday on regular business days) and Housing and Weather futures and options must be reported within fifteen 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.

- F. **CBOT** - The seller must ensure that each block trade is reported to the Exchange within five minutes of the time of execution; except that block trades in interest rate futures and options executed outside of Regular Trading Hours (7:00 a.m. – 4:00 p.m. Central Time, Monday – Friday on regular business days) must be reported within fifteen 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.