



Special Executive Report

S-8622

July 13, 2020

Amendments to CME, CBOT, and NYMEX/COMEX Rule 539.C. (“Pre-Execution Communications Regarding Globex Trades”)

Effective on trade date Monday, July 27, 2020, and pending all relevant CFTC regulatory review periods, 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”) are adopting amendments to Rule 539.C. (“Pre-Execution Communications Regarding Globex Trades”) to incorporate a volume component into the CME Globex electronic trading platform (“CME Globex”) matching algorithm for the Committed Cross (“C-Cross”).

The change to the algorithm adopts a volume-component in addition to the existing best price level component. Upon the effective date, if the price of the Request for Cross (“RFC”) represents a new best price level (both a bid price higher than the current bid and an offer price lower than the current offer), or if the price of the RFC is equal to the best bid or offer and the quantity of the RFC is greater than the quantity at that current best bid or offer at the time of submission of the RFC to CME Globex, and, during the five (5) second period between the entry of the RFC and the cross occurring, a better price for either the buy or sell order has not been entered into CME Globex, a certain percentage of the quantity on the RFC will cross at the RFC price. The percentage is termed a Better Price or Volume (“BPVM”) allocation.

In circumstances where the price of the RFC is equal to the best bid or offer and the quantity of the RFC is greater than the quantity at that current best bid or offer, the quantity eligible for the BPVM is the difference between the RFC quantity and the quantity at that current best bid or offer.

Products currently eligible for a BPM allocation are set forth in the Rule 539.C. Crossing Protocols Table available [here](#), which will be modified to BPVM on the effective date.

The amendments to CME, CBOT, and NYMEX/COMEX Rule 539.C. are set forth below with additions underscored. RA2005-5 appears in Exhibit B.

The Rule Amendments are set forth below, with additions underscored and deletions ~~overstruck~~.

**CME Rulebook
Chapter 5
 (“Trading Qualifications and Practices”)
(Additions are underscored.)**

539. PREARRANGED, PRE-NEGOTIATED AND NONCOMPETITIVE TRADES PROHIBITED

[Sections A. and B. are unchanged.]

539.C. Pre-Execution Communications Regarding Globex Trades

Parties may engage in pre-execution communications with regard to transactions executed on the Globex platform where one party (the first party) wishes to be assured that a contra party (the second party) will take the opposite side of the order under the following circumstances:

[Subsections C.1. and C.2. are unchanged.]

3. Permissible Entry Methods for Orders

The following order entry methods for futures, options, spreads and combinations vary by product, as set forth in the Rule 539.C. Crossing Protocols Table ("Table") in the Interpretations Section at the end of Chapter 5.

[Subsections a. and b. are unchanged.]

c. Committed Cross ("C-Cross")

Following the pre-execution communication, a Request for Cross ("RFC") order which contains both the buy and the sell orders must be entered into the Globex platform. Upon entry of the RFC, the Globex platform will display an indication that a cross will occur in five (5) seconds. In certain products as set forth in the Table in the Interpretations Section at the end of Chapter 5, a certain percentage of the quantity on the RFC will cross if the price of the RFC represents a new best price level or if the price of the RFC is equal to the best bid or offer and the quantity of the RFC is greater than the quantity at that current best bid or offer at the time of submission of the RFC to the Globex platform, and a better price for either the buy or sell order has not been entered into the Globex platform during the five (5) second period between entry of the RFC and the cross occurring.

[The remainder of the Rule is unchanged.]

CBOT Rulebook
Chapter 5
("Trading Qualifications and Practices")
(Additions are underscored; Deletions are ~~everstruck~~.)

539. PREARRANGED, PRE-NEGOTIATED AND NONCOMPETITIVE TRADES PROHIBITED

[Sections A. and B. are unchanged.]

539.C. Pre-Execution Communications Regarding Globex Trades

Parties may engage in pre-execution communications with regard to transactions executed on the Globex platform where one party (the first party) wishes to be assured that a contra party (the second party) will take the opposite side of the order under the following circumstances:

[Subsections C.1. and C.2. are unchanged.]

3. Permissible Entry Methods for Orders

The following order entry methods for futures, options, spreads and combinations vary by product, as set forth in the Rule 539.C. Crossing Protocols Table ("Table") in the Interpretations Section at the end of Chapter 5.

[Subsections a. and b. are unchanged.]

c. Committed Cross ("C-Cross")

Following the pre-execution communication, a Request for Cross ("RFC") order which contains both the buy and the sell orders must be entered into the Globex platform. Upon entry of the RFC, the Globex platform will display an indication that a cross will occur in five (5) seconds. In certain products as set forth in the Table in the Interpretations Section at the end of Chapter 5, a certain percentage of the quantity on the RFC will cross if the price of the RFC represents a new best price level or if the price of the RFC is equal to the best bid or offer and the quantity of the RFC is greater than the quantity at that current best bid or offer at the time of submission of the RFC to the Globex platform, and a better price for either the buy or sell order has not been entered into the Globex platform during the five (5) second period between entry of the RFC and the cross occurring.

[The remainder of the Rule is unchanged.]

NYMEX/COMEX Rulebook
Chapter 5
("Trading Qualifications and Practices")
(Additions are underscored; Deletions are ~~everstruck~~.)

539. PREARRANGED, PRE-NEGOTIATED AND NONCOMPETITIVE TRADES PROHIBITED

[Sections A. and B. are unchanged.]

539.C. Pre-Execution Communications Regarding Globex Trades

Parties may engage in pre-execution communications with regard to transactions executed on the Globex platform where one party (the first party) wishes to be assured that a contra party (the second party) will take the opposite side of the order under the following circumstances:

[Subsections C.1. and C.2. are unchanged.]

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[Subsections a. and b. are unchanged.]

c. Committed Cross ("C-Cross")

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[The remainder of the Rule is unchanged.]

Questions regarding the Rule Amendments may be directed to MarketReg.Outreach@cmegroup.com or one of the following individuals in the Market Regulation Department:

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