



Special Executive Report

DATE: February 25, 2020
SER#: 8548
SUBJECT: Basis Trade At Cash Open (“TACO”) Transaction Eligibility for the E-mini Nasdaq 100 Index Futures Contract and the Russell 2000 Index Futures Contract

Effective Sunday, March 22, 2020, for trade date Monday, March 23, 2020, and pending all relevant CFTC regulatory review periods, Chicago Mercantile Exchange Inc. (“CME” or “Exchange”) will amend the E-mini Nasdaq 100 Index Futures contract (Rulebook Chapter 359, Clearing, CME ClearPort and CME Globex Code: NQ, TACO Code: NQQ), and the E-mini Russell 2000 Index Futures contract (Rulebook Chapter 393, Clearing, CME ClearPort and CME Globex Code: RTY, TACO Code: RTQ) (the “Contracts”) to allow Basis Trade At Cash Open (“TACO”) transaction eligibility.

A TACO transaction is an Exchange futures transaction that is priced with reference to the next following regularly scheduled opening quotation (“SOQ”) of such futures contract’s underlying cash Index (the “Basis”) (CME Rule 524. Section C. - (“Basis Trade at Cash Open (“TACO” Transactions”)).

TACO transactions on the Contracts may be executed on the CME Globex electronic trading platform and may be executed as block trades pursuant to the requirements of CME Rule 526. (“Block Trades”) and submitted for clearing via CME ClearPort with at a minimum block size threshold level for E-mini Nasdaq 100 of 500 contracts and for E-mini Russell 2000 of 40 contracts.

Amendments to CME Rulebook Chapter 359, E-mini Nasdaq 100 Index Futures contract and CME Rulebook Chapter 393, E-mini Russell 2000 Index Futures contract are as set forth in blackline format in Appendix A below.

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Appendix A

CME Rulebook Chapter 359

E-mini Nasdaq-100 Index® Futures

(additions underlined; deletions ~~struck through~~)

35906.

BASIS TRADE AT INDEX CLOSE (“BTIC”) AND BASIS TRADE AT CASH OPEN (“TACO”) TRANSACTIONS

All BTIC transactions and TACO transactions must be executed in accordance with the requirements of Rules 524.B. and 524.C., respectively.

35906.A. ~~BTIC~~ Block Trade Requirements

1. BTIC block trades must be executed in accordance with the requirements of Rule 526. For a BTIC block trade executed on a given Trading Day on or before the scheduled close of the Primary Listing Exchange, the corresponding futures price shall be made by reference to the Index closing value for the current Trading Day. For a BTIC block trade executed on a given Trading Day after the scheduled close of the Primary Listing Exchange, the corresponding futures price shall be made by reference to the Index closing value for the next Trading Day.
2. TACO block trades must be executed in accordance with the requirements of Rule 526. For a TACO block trade executed on a given Trading Day on or before the scheduled opening auction on the Primary Listing Exchange, the corresponding futures price shall be made by reference to the Index special opening quotation (“SOQ”) for such Trading Day. For a TACO block trade executed on a given Trading Day after the scheduled start of the opening auction on the Primary Listing Exchange, the corresponding futures price shall be made by reference to the SOQ for the next Trading Day.

35906.B. ~~BTIC~~ Price Assignment Procedures

1. The futures price of a BTIC transaction shall be determined by the Exchange at 3:45 p.m. (or within 45 minutes after the close of the Primary Listing Exchange in the case of an early scheduled close of the Primary Listing Exchange). Such price determination shall be deemed final.
2. The futures price of a TACO transaction made by reference to the Index SOQ for a given Trading Day shall be determined by the Exchange no later than 3:00 p.m. on such Trading Day. Such price determination shall be deemed final.

35906.C. ~~BTIC~~ Minimum Price Increments

The valid basis or price increment applied either to the Index closing value to establish the BTIC futures price or to the Index SOQ to establish the TACO futures price must be an integer multiple of the contract minimum price increment ~~stated in full tick increments~~ of 0.05 index points.

(End Chapter 359)

Chapter 393

E-mini Russell 2000 Index® Futures

(additions underlined; deletions ~~struck through~~)

39306.

BASIS TRADE AT INDEX CLOSE (“BTIC”) AND BASIS TRADE AT CASH OPEN (“TACO”) TRANSACTIONS

All BTIC transactions and TACO transactions must be executed in accordance with the requirements of Rules 524.B. and 524.C., respectively.

39306.A. BTIC Block Trade Requirements

1. BTIC block trades must be executed in accordance with the requirements of Rule 526. For a BTIC block trade executed on a given Trading Day on or before the scheduled close of the Primary Listing Exchange, the corresponding futures price shall be made by reference to the Index closing value for the current Trading Day. For a BTIC block trade executed on a given Trading Day after the scheduled close of the Primary Listing Exchange, the corresponding futures price shall be made by reference to the Index closing value for the next Trading Day.
2. TACO block trades must be executed in accordance with the requirements of Rule 526. For a TACO block trade executed on a given Trading Day on or before the scheduled opening auction on the Primary Listing Exchange, the corresponding futures price shall be made by reference to the Index special opening quotation (“SOQ”) for such Trading Day. For a TACO block trade executed on a given Trading Day after the scheduled start of the opening auction on the Primary Listing Exchange, the corresponding futures price shall be made by reference to the SOQ for the next Trading Day.

39306.B. BTIC-Price Assignment Procedures

1. The futures price of a BTIC transaction shall be determined by the Exchange at 3:45 p.m. (or within 45 minutes after the close of the Primary Listing Exchange in the case of an early scheduled close of the Primary Listing Exchange). Such price determination shall be deemed final.
2. The futures price of a TACO transaction made by reference to the Index SOQ for a given Trading Day shall be determined by the Exchange no later than 3:00 p.m. on such Trading Day. Such price determination shall be deemed final.

39306.C. BTIC Minimum Price Increments

The valid basis or price increment applied either to the Index closing value to establish the BTIC futures price or to the Index SOQ to establish the TACO futures price must be an integer multiple of the contract minimum price increment stated in full tick increments of 0.05 index points.

(End Chapter 393)