



## Special Executive Report

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**DATE:** April 1, 2020  
**SER#:** 8545RR  
**SUBJECT:** Reduction of the Minimum Price Increment of the E-mini IPOX 100 U.S Index Futures Contract

(SER 8545RR supersedes SER 8545R dated March 27, 2020 to advise of an effective date of trade date Monday, April 6, 2020.)

Effective Sunday, April 5, 2020, for trade date Monday, April 6, 2020, Chicago Mercantile Exchange Inc. ("CME" or "Exchange") will amend the E-mini IPOX 100 U.S Index Futures contract (Rulebook Chapter: 392; CME Globex/CME ClearPort Code: IPO; BTIC Code: IPT) (the "Contract") to reduce the minimum price fluctuation.

Specifically, the Exchange will amend Rule 39202.C. ("Price Increments") to reduce the minimum price increment of the Contract for trades executed on the CME Globex electronic trading platform and for trades submitted for clearing via CME ClearPort from 1.00 index points to 0.25 index points.

As a result, the Exchange will implement conforming amendments to Rule 39202.I. ("Price Limits and Trading Halts") such that the number of minimum ticks that this range encompasses will now increase from two (2) ticks to eight (8) ticks.

Also at this time, the Exchange will amend Rule 39206.C. ("BTIC Order Minimum Price Increment") to reduce the minimum price increment of Basis at Trade Index Close ("BTIC") transactions of the Contract from 0.50 index points to 0.25 index points.

Finally, the Exchange will amend Rule 588.H. ("Globex Non-Reviewable Trading Ranges") table (the "NRR Range") to reflect the related amended NRR Range contained therein (collectively, the "Rule Amendments").

The Rule Amendments are designed to increase overall market participation.

The Rule Amendments are as set forth in blackline format in Appendix A below.

The Commodity Futures Trading Commission ("CFTC") will be notified of the Rule Amendments during the week of April 13, 2020 via the weekly notification procedures set forth in Part 40 of the CFTC Regulations.

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**Appendix A  
CME Rulebook**

**Chapter 392**

**E-mini® IPOX® 100 U.S. Index Futures**

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

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**39202. TRADING SPECIFICATIONS**

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**39202.C. Price Increments**

Bids and offers shall be quoted in Index points. The minimum price increment shall be 0.25 ~~4.00~~ Index points, equal to \$2.50 ~~\$10.00~~ per contract, ~~except for intermonth spreads executed pursuant to Rule 542.A., for which the minimum price increment shall be 0.50 Index points, equal to \$5.00 per intermonth spread.~~

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**39202.I. Price Limits and Trading Halts**

Futures trading shall be subject to Price Limits as set forth in this Rule. For the purpose of this Rule the Exchange shall determine, in its sole discretion, the futures delivery month that represents the Primary Futures Contract Month and when such Primary Futures Contract Month is limit bid or limit offered.

**1. Daily Determination of Price Limits**

For a given Business Day, Price Limits applicable to a futures contract for a given delivery month shall be calculated on the basis of the corresponding Reference Price (Rule 39202.I.1.a.) and the corresponding Offsets (Rule 39202.I.1.b.), as follows:

5% Price Limits = Reference Price minus 5% Offset, and Reference Price plus 5% Offset

7% Price Limit = Reference Price minus 7% Offset

13% Price Limit = Reference Price minus 13% Offset

20% Price Limit = Reference Price minus 20% Offset

**1.a. Reference Prices for Price Limits**

For a given Business Day, for futures for a given delivery month, the Exchange shall set a contract Reference Price on the first preceding Business Day, as follows:

**Tier 1** Such Reference Price shall be based on the volume-weighted average price of transactions in such futures on the CME Globex electronic trading platform between 2:59:30 p.m. and 3:00:00 p.m. (or between 11:59:30 a.m. and noon in the case of an early scheduled close of the Primary Listing Exchange) ("reference interval").

**Tier 2** If no such transaction occurs during the reference interval, then such Reference Price shall be based on the average of midpoints of bid/ask spreads for such futures quoted on CME Globex during the reference interval, provided that the Reference Price calculation shall exclude the midpoint value for any such bid/ask spread that is wider than 2.00 Index points (equal to eight (8) ~~two (2)~~ minimum price increments).

**Tier 3** If such Reference Price cannot be determined pursuant to Tier 1 or Tier 2, then the Exchange, in its sole discretion, shall set such Reference Price by alternative means which may include, but are not limited to, derivation by reference to the basis relationship between such futures contract's price and the Index, or application of Tier 1 and Tier 2 calculations to successive time intervals of increasing length, in integer multiples of thirty (30) seconds, until suitable price data are obtained.

The resultant Reference Price value shall be rounded down to the nearest integer multiple of 0.50 Index points. Such Reference Price, so rounded, shall be used for determination of the corresponding Price Limits.

In the event of an unscheduled early close of the Primary Listing Exchange, such Reference Price shall be set by application of these procedures to a Tier 1 reference interval defined as the final thirty (30) seconds of the Primary Listing Exchange trading day.

For newly listed futures for a given delivery month, the Exchange shall set, in its sole discretion, a Reference Price value for the purpose of determining Price Limits for the first day of trading in such futures.

### 1.b. Offsets for Price Limits

For a given Business Day, the Exchange shall determine Offsets on the basis of the Index value ("I") at the close of trading on the Primary Listing Exchange (Rule 39200.B.) on the first preceding Business Day, as follows:

5% Offset = 5% of I (0.05 x I)

7% Offset = 7% of I (0.07 x I)

13% Offset = 13% of I (0.13 x I)

20% Offset = 20% of I (0.20 x I)

Each resultant Offset value shall be rounded down to the nearest integer multiple of 0.50 Index points. Each such Offset, so rounded, shall be used in determination of the corresponding Price Limits.

### 2. Application of Price Limits from Start of Trading Day to 8:30 a.m.

From the start of any Trading Day until 8:30 a.m., there shall be no trading in futures for a given delivery month at any price that is either strictly lower than or strictly higher than the range defined by the 5% Price Limits (Rule 39202.I.1.) applicable to such futures on such Trading Day.

Without limitation to the foregoing, the start of any Trading Day generally shall coincide with the start of the CME Globex trading session at 5:00 p.m. on the evening first preceding such Trading Day.

If the Primary Futures Contract Month is limit bid or limit offered at 8:23 a.m. and remains limit bid or limit offered at 8:25 a.m., then futures trading shall halt and remain halted until 8:30 a.m. Prior to reopening of Globex trading in futures at 8:30 a.m., the Exchange shall provide indicative opening prices in accord with Rule 573.

### 3. Application of Price Limits and Trading Halts from 8:30 a.m. to 2:25 p.m.

Except as provided in Rules 39202.I.3.a. and 39202.I.3.b., from 8:30 a.m. until and including 2:25 p.m., or from 8:30 a.m. until and including 11:25 a.m. in the case of an early scheduled close of the Primary Listing Exchange, futures for a given delivery month shall trade subject to the corresponding Price Limits (Rule 39202.I.1.), as follows:

There shall be no futures trading at any price strictly lower than the corresponding 7% Price Limit, unless the Primary Futures Contract Month becomes limit offered at its 7% Price Limit.

At such time as the Primary Futures Contract Month becomes limit offered at its 7% Price Limit, the Exchange shall initiate a 2-minute observation interval. At the conclusion of such observation interval:

If the Primary Futures Contract Month is not limit offered at its 7% Price Limit, futures trading shall continue subject to the corresponding 13% Price Limit.

If the Primary Futures Contract Month remains limit offered at its 7% Price Limit, futures trading shall halt for two (2) minutes, and shall then resume subject to the corresponding 13% Price Limit.

At such time as the Primary Futures Contract Month becomes limit offered at its 13% Price Limit, the Exchange shall initiate a 2-minute observation interval. At the conclusion of such observation interval:

If the Primary Futures Contract Month is not limit offered at its 13% Price Limit, futures trading shall continue subject to the corresponding 20% Price Limit.

If the Primary Futures Contract Month remains limit offered at its 13% Price Limit, futures trading shall halt for two (2) minutes, and shall then resume subject to the corresponding 20% Price Limit.

There shall be no futures trading at any price strictly lower than the corresponding 20% Price Limit.

### 3.a. Regulatory Halts

At such time as the Primary Listing Exchange may declare a Regulatory Halt (Rule 39200.C.) in response to a Level 1 (7%) Market Decline in the S&P 500 Index, futures trading shall halt. When trading resumes on the Primary Listing Exchange, futures trading shall resume subject to the corresponding 13% Price Limit.

At such time as the Primary Listing Exchange may declare a Regulatory Halt in response to a Level 2 (13%) Market Decline in the S&P 500 Index, futures trading shall halt. When trading resumes on the Primary Listing Exchange, futures trading shall resume subject to the corresponding 20% Price Limit.

At such time as the Primary Listing Exchange may declare a Regulatory Halt in response to a Level 3 (20%) Market Decline in the S&P 500 Index, futures trading shall halt and remain halted until trading resumes on the Primary Listing Exchange on the following Business Day.

### 3.b. Unscheduled Non-Regulatory Halts

If an unscheduled trading halt that is not also a Regulatory Halt occurs on one or more Primary Listing Exchanges between 8:30 a.m. and 2:25 p.m., or between 8:30 a.m. and 11:25 a.m. in the case of an early scheduled close of the Primary Listing Exchange(s), then futures trading shall be subject to such trading halts or such price limits as the Exchange, in its sole discretion, may determine to be appropriate.

### 4. Application of Price Limits from 2:25 p.m. to 3:00 p.m.

From 2:25 p.m. to 3:00 p.m., or from 11:25 a.m. to noon in the case of an early scheduled close on the Primary Listing Exchange, trading in futures for a given delivery month shall be subject only to the corresponding 20% Price Limit (Rule 39202.I.1.).

At such time as the Primary Listing Exchange may declare a Regulatory Halt in response to a Level 3 (20%) Market Decline in the S&P 500 Index, futures trading shall halt and remain halted until trading resumes on the Primary Listing Exchange on the following Business Day.

#### 5. Application of Price Limits from 3:00 p.m. to Close of Trading Day

From the close of trading on the Primary Listing Exchange at 3:00 p.m., or at noon in the case of an early scheduled close on the Primary Listing Exchange, until the close of the current Trading Day, trading in futures for a given delivery month shall be subject to an upper Price Limit equal to the corresponding Reference Price determined on the current Business Day (Rule 39202.I.1.a.) plus the 5% Offset determined on the current Business Day (Rule 39202.I.1.b.).

Trading in such futures also shall be subject to a lower Price Limit set as the corresponding Reference Price determined on the current Business Day minus the 5% Offset determined on the current Business Day, provided that such lower Price Limit shall be no lower than the 20% Price Limit (Rule 39202.I.1.) applicable to the current Trading Day.

Without limitation to the foregoing, the close of the current Trading Day generally shall coincide with the close of the CME Globex trading session on such Trading Day.

[Remainder of Rule unchanged]

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### **39206. BASIS TRADE AT INDEX CLOSE (“BTIC”) TRANSACTIONS**

Futures shall be eligible for BTIC transactions.

For any BTIC transaction in futures on a given Trading Day, the price shall be based on the Index closing price on such Trading Day, adjusted by an admissible futures price increment (“basis adjustment”) above or below such Index closing price, in accordance with Rule 39206.C. The magnitude of such basis adjustment must be fair and reasonable in light of factors such as, but not limited to, financing rates, expected dividend income, and time remaining until futures contract expiration.

#### **39206.A. BTIC Block Trade Requirements**

A BTIC transaction in futures may be executed as a block trade, provided that such block trade is executed in accordance with CME Rule 526.

Both the size of such block trade and any applicable basis adjustment shall be reported to the Exchange within five (5) minutes after agreement by the parties to such trade.

For a BTIC block trade that is executed on a given Trading Day and reported to the Exchange at least 10 minutes prior to the scheduled close of the primary securities market, the corresponding futures price shall be made by reference to the Index closing price for the current Trading Day. For such BTIC block trade that is reported to the Exchange later than 10 minutes prior to the scheduled close of the primary securities market, the corresponding futures price shall be made by reference to the Index closing price for the next following Trading Day.

#### **39206.B. Price Assignment Procedure for BTIC Futures**

The 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 securities market in the case of an early scheduled close of the primary securities market). Such price determination shall be deemed final.

Where an order for a BTIC block trade would result in a futures price lower than the respective 20% Price Limit (Rule CCC02.I.), such BTIC block trade order shall be cancelled.

#### **39206.C. BTIC Order Minimum Price Increment**

The minimum price increment shall be ~~0.25~~ ~~0.50~~ Index points, equal to ~~\$2.50~~ ~~\$5.00~~ per contract, for any basis adjustment that is applied to an Index closing price to establish a BTIC transaction price.

#### **39206.D. BTIC Orders Prohibited on Last Day of Trading**

Orders for BTIC transactions in expiring futures may not be initiated on the last day of trading in such expiring futures (Rule 39202.G.).

#### **39206.E. Market Disruption Events**

In the event of disruption in the primary securities market, all orders for BTIC block trades in futures shall be cancelled. Such event of disruption shall be declared by the Exchange, in its sole discretion, and may include without limitation:

1. unscheduled early closure of the primary securities market, or

2. a NYSE Rule 80B trading halt declared in response to a Level 3 (20%) decline in the S&P 500 Index, necessitating early close of the primary securities market.

(End Chapter 392)

**INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER 392**

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**CME Rulebook  
Chapter 5**

**(“Trading Qualifications and Practices”)  
Rule 588.H. (“Globex Non-Reviewable Trading Ranges”) Table**

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

Instrument	Globex Symbol	Outrights			Spreads	
		Globex Non-Reviewable Ranges (NRR)	NRR: Globex Format	NRR: Minimum Ticks	NRR: Globex Format	NRR: Minimum Ticks
E-mini IPOX 100 U.S. Index Futures	IPO	4 index points	400	4 <u>16</u>	100	≥ <u>4</u>
BTIC on E-mini IPOX 100 U.S Index Futures	IPT	1 index point	100	≥ <u>4</u>	N/A	N/A