



Special Executive Report

DATE: June 28, 2022
SER#: 8999
SUBJECT: Basis Trade at Index Close (BTIC) Transaction Eligibility in Connection with CME CF Reference Rates New York for Micro Ether Futures, Micro Bitcoin Futures, Ether Futures, and Bitcoin Futures Contracts

Effective Sunday, July 24, 2022, for trade date Monday, July 25, 2022, and pending all CFTC regulatory review periods, Chicago Mercantile Exchange Inc. ("CME" or "Exchange") will enable Basis Trade at Index Close ("BTIC") transactions for Micro Ether Futures, Micro Bitcoin Futures, Ether Futures, and Bitcoin Futures contracts (the "Contracts") to the relative CME CF Reference Rate published at 4:00 p.m. New York time. BTIC transactions shall remain available on the London close for the Contracts (see [SER 8848](#) dated September 2, 2021).

BTIC Transaction	Rulebook Chapter	Commodity Code	BTIC Code London Close	BTIC Code New York Close
BTIC on Micro Ether futures against New York Close (Ether-Dollar Reference Rate New York - ETHUSD_NY)	347	MET	EMB	<u>EYB</u>
BTIC on Micro Bitcoin futures against New York Close (Bitcoin Reference Rate New York - BRRNY)	348	MBT	MIB	<u>MYB</u>
BTIC on Ether futures against New York Close (Ether-Dollar Reference Rate New York - ETHUSD_NY)	349	ETH	ETB	<u>ENB</u>
BTIC on Bitcoin futures against New York Close (Bitcoin Reference Rate New York - BRRNY)	350	BTC	BTB	<u>BNB</u>

To facilitate such BTIC transactions, CME and The Board of Trade of the City of Chicago, Inc. ("CBOT") (collectively, the "Exchanges") will concurrently implement administrative amendments to CME and CBOT Rule 524. ("Trading at Settlement ("TAS"), Basis Trade at Index Close ("BTIC") and Basis Trade at Cash Open ("TACO") Transactions").

Exhibit A provides amendments to CME Rulebook Chapters 347, 348, 349, and 350 in blackline format. Exhibit B provides amendments to CME and CBOT Rule 524. in blackline format.

Please refer questions on this subject to:

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Exhibit A

CME Rulebook

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

Chapter 347 Micro Ether Futures

34706. BASIS TRADE AT INDEX CLOSE (“BTIC”) TRANSACTIONS

All BTIC transactions must be executed in accordance with the requirements of Rule 524.B. For the purpose of this section and Rule 524.B., BTIC enables market participants to execute a basis trade relative to the closing level of the Index value~~the closing level of such futures contract's underlying cash Index shall mean the CME CF Ether Dollar Reference Rate (“ETHUSD_RR”).~~

<u>Closing Index Price at Which Basis Shall Be Determined</u>	<u>Index to Be Referenced</u>	<u>Index Publication Time</u>
<u>London Close</u>	<u>CME CF Ether-Dollar Reference Rate “ETHUSD_RR”</u>	<u>4:00 p.m. London time</u>
<u>New York Close</u>	<u>CME CF Ether-Dollar Reference Rate - New York Close “ETHUSD_NY”</u>	<u>4:00 p.m. New York time</u>

34706.A. Block Trade Requirements

BTIC block trades must be executed in accordance with the requirements of Rule 526.

For a BTIC or BTIC block trade executed prior to the publication of the Index on a given Trading Day ~~at or before 4:00 p.m. London time~~, the corresponding futures price shall be made by reference to the closing Index value for the current Trading Day.

For a BTIC or BTIC block trade executed on a given Trading Day after ~~4:00 p.m. London time~~ the publication of the Index, the corresponding futures price shall be made by reference to the closing Index value for the next Trading Day.

34706.B. Price Assignment Procedures

The price assignment procedure for BTIC transactions shall follow Rule 524.B.3.

34706.C. Minimum Price Increments

The valid basis or price increment applied to the closing Index value to establish the BTIC futures price shall be an integer multiple of the contract minimum price increment, \$0.10 per ether, equal to \$0.01 per contract.

34706.D. Market Disruption Events

In the event of disruption in the underlying market that precludes a valid Index value calculation, all pending and executed BTIC transactions in the corresponding futures contract shall be cancelled by the Exchange. Such disruption shall be declared by the Exchange in its sole discretion.

[End of Chapter.]

Chapter 348 Micro Bitcoin Futures

34806. BASIS TRADE AT INDEX CLOSE (“BTIC”) TRANSACTIONS

All BTIC transactions must be executed in accordance with the requirements of Rule 524.B.

For the purpose of this section and Rule 524.B., BTIC enables market participants to execute a basis trade relative to the closing level of the Index value~~the closing level of such futures contract's underlying cash Index shall mean the CME CF Bitcoin Reference Rate (“BRR”).~~

<u>Closing Index Price at Which Basis Shall Be Determined</u>	<u>Index to Be Referenced</u>	<u>Index Publication Time</u>
<u>London Close</u>	<u>CME CF Bitcoin Reference Rate "BRR"</u>	<u>4:00 p.m. London time</u>
<u>New York Close</u>	<u>CME CF Bitcoin Reference Rate - New York Close "BRR NY"</u>	<u>4:00 p.m. New York time</u>

34806.A. Block Trade Requirements

BTIC block trades must be executed in accordance with the requirements of Rule 526.

For a BTIC or BTIC block trade executed prior to the publication of the Index on a given Trading Day ~~at or before 4:00 p.m. London time~~, the corresponding futures price shall be made by reference to the closing Index value for the current Trading Day.

For a BTIC or BTIC block trade executed on a given Trading Day after ~~4:00 p.m. London time~~ the publication of the Index, the corresponding futures price shall be made by reference to the closing Index value for the next Trading Day.

34806.B. Price Assignment Procedures

The price assignment procedure for BTIC transactions shall follow Rule 524.B.3.

34806.C. Minimum Price Increments

The valid basis or price increment applied to the closing Index value to establish the BTIC futures price shall be an integer multiple of the contract minimum price increment, \$1.00 per bitcoin, equal to \$0.10 per contract.

34806.D. Market Disruption Events

In the event of disruption in the underlying market that precludes a valid Index value calculation, all pending and executed BTIC transactions in the corresponding futures contract shall be cancelled by the Exchange. Such disruption shall be declared by the Exchange in its sole discretion.

[End of Chapter.]

Chapter 349 Ether Futures

34906. BASIS TRADE AT INDEX CLOSE ("BTIC") TRANSACTIONS

All BTIC transactions must be executed in accordance with the requirements of Rule 524.B.

For the purpose of this section and Rule 524.B., BTIC enables market participants to execute a basis trade relative to the closing level of the Index value ~~the closing level of such futures contract's underlying cash Index shall mean the CME CF Ether Reference Rate ("ETHUSD_RR")~~.

<u>Closing Index Price at Which Basis Shall Be Determined</u>	<u>Index to Be Referenced</u>	<u>Index Publication Time</u>
<u>London Close</u>	<u>CME CF Ether-Dollar Reference Rate "ETHUSD_RR"</u>	<u>4:00 p.m. London time</u>
<u>New York Close</u>	<u>CME CF Ether-Dollar Reference Rate - New York Close "ETHUSD_NY"</u>	<u>4:00 p.m. New York time</u>

34906.A. Block Trade Requirements

BTIC block trades must be executed in accordance with the requirements of Rule 526.

For a BTIC or BTIC block trade executed prior to the publication of the Index on a given Trading Day ~~at or before 4:00 p.m. London time~~, the corresponding futures price shall be made by reference to

the closing Index value for the current Trading Day.

For a BTIC or BTIC block trade executed on a given Trading Day after ~~4:00 p.m. London time the publication of the Index~~, the corresponding futures price shall be made by reference to the closing Index value for the next Trading Day.

34906.B. Price Assignment Procedures

The price assignment procedure for BTIC transactions shall follow Rule 524.B.3.

34906.C. Minimum Price Increments

The valid basis or price increment applied to the closing Index value to establish the BTIC futures price shall be an integer multiple of the contract minimum price increment, \$0.05 per ether, equal to \$2.50 per contract.

34906.D. Market Disruption Events

In the event of disruption in the underlying market that precludes a valid Index value calculation, all pending and executed BTIC transactions in the corresponding futures contract shall be cancelled by the Exchange. Such disruption shall be declared by the Exchange in its sole discretion.

[End of Chapter.]

Chapter 350

Bitcoin Futures

35006. BASIS TRADE AT INDEX CLOSE (“BTIC”) TRANSACTIONS

All BTIC transactions must be executed in accordance with the requirements of Rule 524.B.

For the purpose of this section and Rule 524.B., ~~BTIC enables market participants to execute a basis trade relative to the closing level of the Index value. the closing level of such futures contract’s underlying cash Index shall mean the CME CF Bitcoin Reference Rate (“BRR”).~~

<u>Closing Index Price at Which Basis Shall Be Determined</u>	<u>Index to Be Referenced</u>	<u>Index Publication Time</u>
<u>London Close</u>	<u>CME CF Bitcoin Reference Rate “BRR”</u>	<u>4:00 p.m. London time</u>
<u>New York Close</u>	<u>CME CF Bitcoin Reference Rate - New York Close “BRR NY”</u>	<u>4:00 p.m. New York time</u>

35006.A. Block Trade Requirements

BTIC block trades must be executed in accordance with the requirements of Rule 526.

For a BTIC or BTIC block trade executed ~~prior to the publication of the Index~~ on a given Trading Day ~~at or before 4:00 p.m. London time~~, the corresponding futures price shall be made by reference to the closing Index value for the current Trading Day.

For a BTIC or BTIC block trade executed on a given Trading Day after ~~4:00 p.m. London time the publication of the Index~~, the corresponding futures price shall be made by reference to the closing Index value for the next Trading Day.

35006.B. Price Assignment Procedures

The price assignment procedure for BTIC transactions shall follow Rule 524.B.3.

35006.C. Minimum Price Increments

The valid basis or price increment applied to the closing Index value to establish the BTIC futures price shall be an integer multiple of the contract minimum price increment, \$1.00 per bitcoin, equal to \$5.00 per contract.

35006.D. Market Disruption Events

In the event of disruption in the underlying market that precludes a valid Index value calculation, all pending and executed BTIC transactions in the corresponding futures contract shall be cancelled by the Exchange. Such disruption shall be declared by the Exchange in its sole discretion.

[End of Chapter.]

Exhibit B

CME and CBOT Rulebooks

Chapter 5

(“Trading Qualifications and Practices”)

(additions are underscored)

524. TRADING AT SETTLEMENT (“TAS”), BASIS TRADE AT INDEX CLOSE (“BTIC”) AND BASIS TRADE AT CASH OPEN (“TACO”) TRANSACTIONS

[Section A. remains unchanged.]

524.B. Basis Trade at Index Close (“BTIC”) Transactions

A Basis Trade at Index Close (“BTIC”) transaction is an Exchange futures transaction which is priced with reference to the closing level of such futures contract’s underlying cash Index, or the closing level of a related index as described in the applicable product chapter, on a particular trading day (the “Basis”). The following shall govern BTIC transactions:

1. A BTIC order may be entered on Globex at any time the applicable futures contract is available for BTIC trading on Globex and during such BTIC-eligible futures contract’s prescribed pre-open time period. The initiation of any BTIC order on Globex outside these time periods is prohibited.
2. Unless otherwise specified in the Table, a BTIC-eligible product and contract month may be executed as a block trade pursuant to the requirements of Rule 526, except that a BTIC block trade cannot be executed on the last day of trading in an expiring BTIC-eligible futures contract.
3. The Basis established in any BTIC transaction must be stated in admissible price increments for the applicable futures contract as set forth in the applicable product chapter. The assigned futures price corresponding to such BTIC transaction shall be the closing level of the applicable cash Index, or the closing level of a related index as described in the applicable product chapter, for that trading day adjusted by the Basis established in such BTIC transaction. For any BTIC-eligible futures contract, the magnitude of the Basis in a BTIC block trade must be fair and reasonable in light of factors including, but not limited to, financing rates, expected dividend income, and time remaining until the underlying futures contract expiration. A BTIC futures transaction may result in an assigned futures price outside of applicable daily price limits. The assigned futures price is deemed final when determined by the Exchange, absent an index price correction by the index provider. If the closing level of a cash Index, or the closing level of a related index as described in the applicable product chapter, is corrected by the applicable cash Index provider prior to 4:00 p.m. CT on the following Business Day, the assigned futures price corresponding to such BTIC transaction shall be amended using the corrected closing level of the applicable cash Index, or the closing level of a related index as described in the applicable product chapter, adjusted by the Basis established in such BTIC transaction, and the assigned futures price shall be deemed final at that time.
4. Additional product-specific BTIC provisions, including those relating to disruptions in the publication of an index and the applicable index closing times, are set forth in the applicable product chapter in the Rulebook.

[The remainder of the Rule is unchanged.]