

# MARKET REGULATION ADVISORY NOTICE

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Exchange	CME
Subject	All-or-None Transactions
Rule References	Rule 523
Advisory Date	April 18, 2022
Advisory Number	CME RA2201-2
Effective Date	May 2, 2022

Effective on trade date May 2, 2022, and pending all relevant CFTC regulatory review periods, this Market Regulation Advisory Notice will supersede CME Market Regulation Advisory Notice RA2104-2 from August 30, 2021. It is being issued enable All-or-None (“AON”) transactions for open outcry trading of Options on Three-Month SOFR Futures, Options on One-Month SOFR Futures and all Options on Three-Month Eurodollar Futures.

**Market participants are reminded of the following:**

- 1) AON trades may not, under any circumstances, be prearranged or otherwise involve prohibited pre-execution communications.**

Pursuant to Rule 539 (“Prearranged, Pre-negotiated and Noncompetitive Trades Prohibited”), the prearrangement of AON trades and pre-execution communications with respect to AON trades are strictly prohibited. As such, the only information that may be disclosed by any party with respect to an AON order is information that has been publicly exposed in the trading pit. Parties may not solicit potential counterparties to an AON order until the order has been openly bid or offered in the pit.

- 2) AON orders must be competitively and transparently executed in the open market by open outcry.**

All AON trades must be executed openly and competitively, without prearrangement. Bidding and offering practices must at all times be conducive to the competitive execution of trades, and members must ensure that the request for an AON market or the bid or offer for an AON order is clearly and transparently announced to the pit. Additionally, all AON bids and offers must include both quantity and price.

Additionally, in circumstances where a broker has both buy and sell AON orders for accounts with different beneficial ownership, the broker may only cross the orders pursuant to the cross procedures set forth in Rule 533 (“Simultaneous Buy and Sell Orders for Different Beneficial Owners”). Rule 533 requires the broker in these circumstances to bid and offer by open outcry the price and quantity of the AON orders three times. If neither the bid nor offer is accepted, the orders may be matched in the presence, and with the approval, of a designated Exchange official. It is incumbent upon a member handling simultaneous AON buy and sell orders to ensure that his bids and offers for the orders are announced clearly to the pit, and, if executed opposite each other, that the approval of the Exchange official is obtained contemporaneous with the execution of the orders.

**Failure to comply with the aforementioned requirements will result in disciplinary action.**

Market participants are strongly encouraged to review the FAQ to ensure an accurate understanding of the requirements for executing AON orders. The text of Rule 523 appears below, followed by the FAQ.

### **Rule 523 ALL-OR-NONE TRANSACTIONS**

The Exchange shall determine the minimum thresholds for and the commodities in which All-or-None transactions shall be permitted. The following shall govern All-or-None trading:

1. A member may request an All-or-None bid and/or offer for a specified quantity at or in excess of the applicable minimum threshold. Such request shall be made in the pit designated for the trading of the particular transaction.
2. A member may respond by quoting an All-or-None bid or offer price. A bid or offer in response to an All-or-None request shall be made only when it is the best bid or offer in response to such request, but such price need not be in line with the bids and offers currently being quoted in the regular market.
3. A member shall not execute any order by means of an All-or-None transaction unless the order includes specific instructions to execute an All-or-None transaction or the All-or-None bid or offer is the best price available to satisfy the terms of the order.
4. An All-or-None bid or offer may be accepted by one or more members provided that the entire quantity of the All-or-None order is executed at a single price and that each counterparty to the order accepts a quantity at or in excess of the designated minimum counterparty threshold. Each order executed opposite an All-or-None order must be for a quantity that meets or exceeds the minimum counterparty threshold. Separate orders may not be bunched to meet the minimum counterparty threshold.
5. All-or-None transactions shall not set off conditional orders (e.g., Stop Orders and MIT Orders) or otherwise affect orders in the regular market.
6. All-or-None transactions must be reported to a designated Exchange official who shall record and publish the quantity and prices separately from reports of transactions in the regular market. The brokers executing All-or-None transactions must maintain a record of said transaction in accordance with Rule 536.

### **FAQ Related to CME Rule 523 All-or-None Transactions**

**Q1: What is an All-or-None (“AON”) Order?**

A1: An AON order is an order that meets or exceeds an exchange-specified minimum quantity that can be executed only for its entire quantity and only at a single price. AON orders are permitted solely in Options on Three-Month SOFR Futures, Options on One-Month SOFR Futures and all Options on Three-Month Eurodollar Futures executed in the open outcry market during Regular Trading Hours.

**Q2: What are the significant differences between AON transactions and other trades executed via open outcry?**

- A2:
1. AON bids, offers and requests for a market must be for a quantity equal to or in excess of 4,000 contracts for options on Three-Month Eurodollar futures, 1,000 contracts for options on Three-Month SOFR futures and 250 contracts for options on One-Month SOFR futures. The contract minimum threshold applies to each leg of any spread or combination trade executed as an AON.
  2. Partial fills for an AON order are not permitted.
  3. The execution price of an AON order may be outside of the best bid/offer in the regular market.
  4. The price at which an AON order is executed does not elect conditional orders (e.g., stop orders, limit orders, MIT orders, etc.) in the regular market or otherwise affect such orders.
  5. AON transactions are reported separately from transactions in the regular market in the Time and Sales record.

**Q3: May an AON order be executed opposite more than one counterparty?**

A3: Yes. An AON order may be executed opposite multiple counterparties provided that the order is filled in its entirety at a single price and each opposing party to the order receives 10% or more of the AON order's full quantity.

**Q4: May a broker bunch separate orders to meet the counterparty minimum?**

A4: No. *Each* order executed opposite an AON order must be for a quantity that meets or exceeds the minimum counterparty threshold.

**Q5: What is the proper procedure for initiating an AON transaction in the pit?**

A5: The initiator of the AON order may request an AON market for a specific quantity or make an AON bid/offer for a specific quantity and price. **Any requests for an AON market and all AON bids and offers must be made openly and clearly announced in the pit.**

A member may respond by quoting an AON bid and/or offer price and the quantity, at or above the designated counterparty minimum, that he is willing to trade. Brokers who have orders that independently meet the minimum counterparty quantity threshold may also bid/offer in response to a request for an AON market.

The individual representing the AON order must determine if the total quantity bid/offered is sufficient to satisfy the entire quantity of the AON order at a single price. If so, he will consummate the AON trade with the opposing market participants. Just as in the regular market, it is the broker's responsibility to allocate quantities if there is more than one opposing party.

**Q6: May two AON orders be crossed?**

A6: AON orders to buy and sell that are for different beneficial owners and are initiated **without prearrangement** may be competitively executed opposite each other in the open market. A single broker may directly cross two AON orders provided that the cross trade procedures set forth in Rule 533 ("Simultaneous Buy and Sell Orders for Different Beneficial Owners") are followed.

Additionally, a broker executing an AON order may not take the opposite side of the order, or any portion of the order, into his own account (or an account in which he has a direct or indirect financial interest or an account over which he has discretionary trading authority) unless the customer has provided prior written consent to waive the application of Rule 531.A. ("General Prohibition") and the broker complies with the cross trade procedures set forth in Rule 533.

**Q7: May intra-commodity options spreads or options combinations be executed pursuant to Rule 523?**

A7: Yes, provided that each leg of the spread meets the contract's minimum quantity requirement.

**Q8: Are spreads involving Eurodollar options versus Eurodollar futures or SOFR options versus SOFR futures permitted to be executed as an AON?**

A8: Yes, provided that at least one option leg of the spread order meets the 4,000 contract AON minimum order quantity and the quantity of the futures leg is the appropriate delta equivalent.

Questions regarding this Advisory Notice may be directed to one of the following individuals in Market Regulation:

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