MARKET REGULATION ADVISORY NOTICE

Exchange	**CME, CBOT, NYMEX & COMEX**
Subject	**Block Trades**
Rule References	**Rule 526**
Advisory Date	**June 17, 2024**
Advisory Number	**CME Group RA2402-5**
Effective Date	**July 2, 2024**

Effective on trade date Tuesday, July 2, 2024, and pending all relevant CFTC regulatory review periods, this Market Regulation Advisory Notice will supersede CME Group Market Regulation Advisory Notice RA2303-5 from July 13, 2023. It is being issued to incorporate the following amendments:

- Clarification in Section 1 that block trades are privately and bilaterally negotiated transactions.
- Clarification in Section 11.b. that express consent to disclose identity is not required within a firm where such disclosure is necessary to avoid a rule violation.
- Various updates to Section 11.c. with respect to impermissible pre-hedging, including when a party directly or indirectly charges a fee associated with the execution or clearing of a block trade.
- Removal of product specific information from Section 14.
- Addition of a Frequently Asked Questions Section 17 to provide additional context and clarifying guidance with respect to block trades.

This Advisory Notice contains the following Sections:

1. Definition
2. Participation
3. Different Accounts with Common Beneficial Ownership
4. Eligible Products
5. Time and Prices
6. Minimum Quantities
7. Block Trade Submission
8. Recordkeeping
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10. Dissemination of Block Trade Information
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12. TAS, TAM and TMAC Block Trades
13. Basis Trade at Index Close ("BTIC") and Basis Trade at Cash Open ("TACO") Block Trades
14. Derived Block Trades
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All block trades are subject to the conditions set forth in Rule 526 and in this Advisory Notice. Violations of the Rule or any of the requirements and prohibitions set forth in this Advisory Notice may result in disciplinary action.

1. Definition of Block Trades

Block trades are privately and bilaterally negotiated futures, options or combination transactions that meet certain quantity thresholds which are permitted to be executed apart from the public auction market.

It is not permissible to facilitate the execution of block trades in Exchange-traded products on a system or facility accessible to multiple parties that allows for the electronic matching of or the electronic acceptance of bids and offers. Parties may use communication technologies to bilaterally request block quotes from one or more participants and to conduct privately negotiated block trades. Parties may also utilize technologies supported by third parties which allow for the electronic posting of indicative block markets displayed to multiple market participants. However, block trades executed between parties based on such electronically displayed indicative markets may be transacted only through direct bilateral communications involving the broker, where applicable, and the parties to the trade.

Market participants may utilize Directed Request for Quote ("DRFQ") functionality within CME Direct to privately negotiate and execute block trades. Additional information concerning DRFQ functionality, including a description of the workflow and requirements concerning user entitlements, is available at www.cmegroup.com/drfq. Additionally, a short video describing the DRFQ process is available here. To learn more about DRFQ, please contact PlatformSolutions@cmegroup.com.

2. Participation in Block Trades

Each party to a block trade must be an Eligible Contract Participant as that term is defined in Section 1a(18) of the Commodity Exchange Act. Eligible Contract Participants generally include exchange members and member firms, broker/dealers, government entities, pension funds, commodity pools, corporations, investment companies, insurance companies, depository institutions and high net-worth individuals. Commodity trading advisors and investment advisors who are registered or exempt from registration, and foreign persons performing a similar role and subject as such to foreign regulation, may participate in block transactions provided they have total assets under management exceeding $25 million and the block trade is suitable for their customers.

A customer order may be executed by means of a block trade only if the customer has specified that the order be executed as a block trade.

3. Block Trades between Different Accounts with Common Beneficial Ownership

Block trades between different accounts with common beneficial ownership are prohibited unless 1) each party's decision to enter into the block trade is made by an independent decision-maker; 2) each party has a legal and independent bona fide business purpose for engaging in the block trade; and 3) the block trade is executed at a fair and reasonable price. In the absence of satisfying all the aforementioned requirements, the transaction may constitute an illegal wash trade prohibited by Rule 534 ("Wash Trades Prohibited"). Common beneficial ownership is defined as not only accounts with the same beneficial ownership, but also accounts with common beneficial ownership that is less than 100%.

4. Block Eligible Products

A complete list of block eligible products may be found here:

CME, CBOT, NYMEX & COMEX Block Trade-Eligible Products and Minimum Quantity Thresholds

The marketplace is notified of block trade minimum quantity thresholds and any changes thereto via a Special Executive Report issued by Research & Product Development.

Interested market participants may receive these reports via email by visiting the CME Group Subscription Center located at:

http://www.cmegroup.com/tools-information/subscriptions/advisory-subscribe.html

5. Time and Prices of Block Trades

Block trades may be executed at any time, including times during which the public auction market is closed. Block trades may not be executed after the expiration of the underlying futures or options on futures contract month.

Block trades must be transacted at prices that are **"fair and reasonable"** in light of (i) the size of the transaction, (ii) the prices and sizes of other transactions in the same contract at the relevant time, (iii) the prices and sizes of transactions in other relevant markets, including, without limitation, the underlying cash market or related futures markets, at the relevant time, and (iv) the circumstances of the markets or the parties to the block trade.

The trade price must be consistent with the minimum price increment for the market in question. Additionally, each outright transaction and each leg of any block eligible spread or combination trade must be executed at a single price.

Block trade strategies involving a CME Group Exchange product and the product of any non-CME Group exchange are considered an outright transaction at the relevant CME Group Exchange, and, as such, will be reviewed for "fair and reasonable" pricing and timely submission solely as an outright transaction.

Block trade prices do not elect conditional orders (e.g. stop orders) or otherwise affect orders in the regular market.

6. Block Trade Minimum Quantities for Outrights, Spreads and Combinations

The block trade minimum quantity requirements for outright futures and outright options may be found using the link below.

CME, CBOT, NYMEX & COMEX Block Trade-Eligible Products and Minimum Quantity Thresholds

The bunching of block trade orders is not permitted except in the case of eligible CTAs or foreign Persons performing a similar role.

The Chief Regulatory Officer ("CRO") or his designee may exercise reasonable discretion and permit an exception to the block trade minimum threshold where, in the opinion of the CRO or his designee, the situation so requires and such exception is in the best interests of the Exchange, which may include, but is not limited to, instances involving the liquidation of a portfolio of positions where one or more of the legs of the aggregate transaction do not meet the block trade minimum threshold for the respective instrument(s).

Information with respect to minimum quantity thresholds for spreads and combinations executed as block trades may also be found here.

7. Block Trade Submission

Block trades in CME, CBOT, NYMEX and COMEX products must be submitted via CME Direct or CME ClearPort.

a) Submission Time Requirements

After a block trade is consummated it must be submitted to the Exchange via CME Direct or CME ClearPort within 5 or 15 minutes, depending on the product. Submission via CME Direct or CME ClearPort will result in a price report to the marketplace and submission to CME Clearing provided both sides of the trade pass the required credit check and the relevant terms of the respective sides of the trade match.

Where it is necessary for parties to agree to the individual leg prices on certain spread and combination trades to submit the trade, parties must do so as expeditiously as possible after agreeing to engage in the block trade.

Block trade prices are reported independently of transaction prices in the regular market and are not included as part of the daily trading range.

CME, CBOT, NYMEX & COMEX Block Trade-Eligible Products and Reporting Requirements

b) Additional Submission Requirements and Obligations

Since July 17, 2017, all block trades have been required to be submitted directly to CME Clearing via CME Direct, the CME ClearPort User Interface (UI), or the CME ClearPort API through proprietary or 3rd party software. CME Direct connects to the CME ClearPort API.

For the block trade to be price reported to the marketplace and submitted to CME Clearing, both sides of the trade must pass the required credit check and the relevant terms of the respective sides of the trade must match. If either side does not pass the required credit check or the terms do not match, the block trade price will not be reported to the marketplace and the block trade will remain uncleared.

Entry into CME Direct or CME ClearPort may be done by each of the counterparties to the trade (single-sided entry) or via a broker or other authorized representative (dual-sided entry).

For single-sided entry, the buyer and seller of a block trade may agree to separately enter their side of the block trade into CME Direct or CME ClearPort, indicating each other as the opposite party. In this circumstance, **both** the buyer and seller must enter their respective side of the transaction within the required time period.

For single-sided entry, one side of a trade (either the buyer or seller) may agree to enter their respective side of the trade and allege that trade against the other party. In this circumstance, the other party must ensure the alleged trade is accepted (complete with the correct account information for their side) within the required time period. Consequently, the first party entering their side of the trade should ensure the information being entered is correct and must leave enough time for the second party to accept the trade within the requisite time period.

For dual-sided entry where a broker or other representative is entering the buy and sell side of the block trade on behalf of the counterparties, the broker or other representative is responsible for the entry of the block trade within the requisite time period.

Block Trades in CME and CBOT Products

Block trades may be entered in CME Direct or CME ClearPort from 5:00 p.m. CT Sunday through 5:45 p.m. CT Friday. CME Direct and CME ClearPort do not permit the entry of CME and CBOT block trades during the maintenance window, from 5:45 p.m. CT to 6:00 p.m. CT Monday through Thursday. CME and CBOT block trades negotiated immediately prior to and during the maintenance window must be entered by 6:05 p.m. CT for products subject to a 5-minute reporting requirement or by 6:15 p.m. CT for products subject to a 15-minute reporting requirement.

Block Trades in NYMEX and COMEX Products

Block trades may be entered in CME Direct or CME ClearPort from 5:00 p.m. CT/6:00 p.m. Eastern Time (“ET”) through 4:00 p.m. CT/5:00 p.m. ET each business day. CME Direct and CME ClearPort do not permit the entry of NYMEX and COMEX block trades between 4:00 p.m. CT/5:00 p.m. ET and 5:00 p.m. CT/6:00 p.m. ET each business day or at any time on weekends.

NYMEX and COMEX block trades negotiated immediately prior to and during the time that block trade entry is not permitted must be entered by 5:05 p.m. CT/6:05 p.m. ET for products subject to a 5-minute reporting requirement or by 5:15 p.m. CT/6:15 p.m. ET for products subject to a 15-minute reporting requirement.

Block trades negotiated at any other time during which CME Direct or CME ClearPort are closed must be submitted no later than 5 or 15 minutes after the time CME Direct or CME ClearPort reopens, depending on the reporting requirement for the specific product.

Block trades may also be reported to the CME ClearPort Facilitation Desk/Global Command Center via email at FacDesk@cmegroup.com. **Please note that for the Facilitation Desk to submit the trade, the counterparty accounts must be registered with credit limits and product permissions set up in CME Account Manager.**

The Facilitation Desk is closed from 4:30 p.m. CT/5:30 p.m. ET Friday through 5:00 p.m. CT/6:00 p.m. ET Sunday.

c) Information Required for Reporting Block Trades

When reporting a block trade, the following information is required:

- Contract, contract month and contract year for futures, and, additionally for options, strike price and put or call designation for standard options, as well as the expiration date and exercise style for flex options;
- Quantity of the trade or, for spreads and combinations, the quantity of each leg of the trade;
- Price of the trade or, for certain spreads and combinations, the price of each leg of the trade;
- Account numbers for each side of the trade;
- Buyer's clearing firm and seller's clearing firm;
- For block trades reported via email, name and phone number of the party reporting the trade and counterparty name and contact information for verification purposes; and
- Execution time (to the nearest minute in Central/Eastern Time) of the trade. The execution time is the time at which the trade was consummated as described at the end of this section.

A block trade in a block eligible option may be executed up to and including the day on which an option contract expires for purposes of offsetting an open option position, provided the offsetting block trade is submitted via CME Direct or CME ClearPort no later than the beginning of the CME ClearPort maintenance window.

The failure to submit timely, accurate and complete block trade reports may subject the party responsible for the reporting obligation to disciplinary action. Parties shall not be sanctioned for block reporting infractions deemed to arise from factors beyond the reporting party's control (e.g. the block trade fails the CME ClearPort automated credit check).

Please note that the execution time of a block trade is the time that the trade is consummated, which is the time that the parties agree to the trade in principle. In that regard, spread block trades are deemed consummated at the time the parties agree to the differential or combination price, not the time the leg prices are determined. Market participants must accurately report the execution time of the block trade. The reporting of inaccurate execution times may result in disciplinary action.

8. Block Trade Recordkeeping

Complete order records for block trades must be created and maintained pursuant to Rule 536 and CFTC Regulations. Additionally, the time of execution of the block trade must also be recorded for all block trades.

9. Error Remediation

Dual-Sided Entry

For dual-sided entry where a broker or other representative has entered the buy and sell side of the block trade on behalf of the counterparties and the trade has cleared, but for which the broker or other representative has made an error in the terms of the trade, the error may be corrected as follows:
If the error is discovered on the same CME Direct or CME ClearPort trade date on which submission occurred, the broker or other representative may void the erroneous submission and resubmit the block trade with the correct information.

If the error is discovered after the CME Direct or CME ClearPort trade date on which submission occurred, the broker or other representative may request the Exchange to correct the error within three business days.

Single-Sided Entry

For single-sided entry where the trade has cleared, but where an error has been made in the terms of the trade, either party may request the Exchange to correct the error within three business days.

All correction requests made to the Exchange must include evidence that the counterparties to the block trade agree to the correction request. All correction requests are subject to review and approval by the Exchange.

To request a correction please contact the CME ClearPort Facilitation Desk/Global Command Center at +1 800 438 8616 in the U.S., +44 20 7623 4747 in Europe, +65 6532 5010 in Asia, or via email at FacDesk@cmegroup.com.

Error correction requests received after the three-business-day window may not take place without the express approval of CME Clearing. Market participants should contact CME Clearing Services at +1 312 207 2525.

10. Dissemination of Block Trade Information

The date, execution time, contract month, price and quantity of block trades are automatically reported once they are cleared. Block trade information is reported on the MerQuote system and may be accessed by entering the code “BLK”. Block trade information is also displayed on the CME Group website at the following link: http://www.cmegroup.com/tools-information/blocktrades.html. Block trade information is also displayed on the trading floor.

Block trade prices are published separately from transactions in the regular market.

Block trade volume is also identified in the daily volume reports published by the Exchange.

11. Use of Nonpublic Information Regarding Block Trades

a) General

Parties involved in the solicitation or negotiation of a block trade may not disclose the details of those communications to any other party for any purpose other than to facilitate the execution of the block trade. Parties privy to nonpublic information regarding a consummated block trade may not disclose such information to any other party prior to the public report of the block trade by the Exchange. Notwithstanding the preceding sentence, the disclosure of a customer’s identity by a broker is governed

solely by the terms of Section b) below. Parties solicited to provide a two-sided block market are not deemed to be in possession of nonpublic information provided side of market interest is not disclosed in the context of the solicitation.

b) Broker Disclosure of Customer Identity

A broker negotiating a block trade on behalf of a customer may disclose the identity of the customer to potential counterparties, including the counterparty with which the block trade is consummated, only with the express permission of the customer. Express consent must be obtained in writing (letter, email, instant message, etc.) or on a recorded phone line, and evidence of such consent must be provided to Market Regulation upon request. Such express consent is not required on a trade-by-trade basis. Express consent is also not required within a firm where such disclosure is necessary to avoid a rule violation.

Except in circumstances where brokers obtain express consent on a trade-by-trade basis, brokers must reconfirm such consent on no less than an annual basis. For the reconfirmation, negative consent is permissible. Brokers should retain documentation evidencing the annual reconfirmation and must provide it to Market Regulation upon request.

With a customer's consent, the broker may disclose the customer's identity solely to parties involved in the block trade negotiation, including the party with whom the block trade is consummated. Disclosure to anyone else is strictly prohibited.

c) Pre-Hedging/Anticipatory Hedging

Parties to a potential block trade may engage in pre-hedging or anticipatory hedging of the position that they believe in good faith will result from the consummation of the block trade, except for an intermediary that takes the opposite side of its own customer order. In such instances, prior to the consummation of the block trade, the intermediary is prohibited from offsetting the position they anticipate to be established by the block trade in any account which is owned or controlled, or in which an ownership interest is held, or for the proprietary account of the employer of such intermediary. The intermediary may enter into transactions to offset the position only after the block trade has been consummated.

Market Regulation will consider the entirety of the communications pertaining to the negotiation and execution of a block trade, including pre-existing disclosures, in assessing whether a pre-hedging party is acting in a principal capacity. A party acting principally in a block trade negotiation that plans on engaging in pre-hedging activity must ensure it is clear to its counterparty that the party is trading principally, and, as such, owes no agency duties to the counterparty. Disclosures in the header/footer of a party's instant message communications advising that the party is acting principally and owes no agency duties to the counterparty would suffice. Alternatively, such disclosures could be made in other recorded communications contemporaneously with the block trade negotiation and prior to the principal engaging in pre-hedging. Disclosures in account opening agreements or other similar non-contemporaneous communications may be deemed insufficient if the block trade negotiation itself indicates, implies, or infers that agency duties may be owed to the counterparty. Conflicting inferences will be viewed by Market Regulation in a light most favorable to the counterparty.

While pre-hedging may be permissible, it is a violation of exchange Rule 532 for a person to engage in front-running conduct, including directly or indirectly trading on the basis of material nonpublic information when he knows or reasonably should have known the information was obtained or disclosed through fraud, deception, or in violation of a pre-existing duty.

The Exchange may proceed with an enforcement action when the facts and circumstances of pre-hedging suggest deceptive or manipulative conduct by any of the involved parties, including when an intermediary handling a customer order violates duties owed to the customer.

This guidance applies only in the context of pre-hedging of block trades. This guidance does not affect any requirement under the CEA or CFTC Regulations.

12. TAS,TAM, and TMAC Block Trades

Certain block eligible futures contract months may be executed as block trades and assigned the current day's settlement price or any valid price increment ten ticks higher or lower than the settlement price ("TAS block trades"). Certain block eligible futures contract months may also be executed as block trades and assigned the current day's marker price or any valid price increment ten ticks higher or lower than the marker price ("TAM block trades"). Certain block eligible futures contract months may also be executed as block trades and assigned the current day's marker price or any valid price increment four ticks higher or lower than the marker price ("TMAC block trades").

Additionally, intra-commodity calendar spreads may be executed as TAS or TAM block trades provided the underlying spread is eligible for TAS or TAM trading. Please refer to the most recent Advisory Notice on TAS and TAM transactions for the list of products, contract months and spreads for which TAS or TAM pricing is permitted.

TAS block trades, including eligible TAS calendar spread block trades, may not be executed on the last day of trading in an expiring contract.

The products and contract months in which TAS.TAM and TMAC block trades are permitted are set forth in the list of block trade eligible products which is available on the CME Group website via the following link:

Block Trade-Eligible Products and Minimum Quantity Thresholds

13. Basis Trade at Index Close ("BTIC") and Basis Trade at Cash Open ("TACO") Block Trades

A BTIC transaction is an Exchange futures transaction that is priced with reference to the applicable cash Index closing level. For a BTIC block trade executed on a given Trading Day on or before the scheduled close of the underlying primary securities market, the corresponding futures price shall be made by reference to the Index closing value for the current Trading Day. BTIC block trades are not permitted on the last day of trading in an expiring contract month.

A TACO transaction is an Exchange futures transaction that is priced with reference to the next following regularly scheduled special opening quotation ("SOQ") of such futures contract's underlying cash Index.

A list of BTIC block eligible products and block minimum thresholds is available on the CME Group website via the following link:

BTIC Block Trades Table

The futures price assigned to a BTIC block trade will be the current day's applicable cash Index closing level adjusted by any valid price increment (the "Basis") higher or lower than the current day's cash Index closing level.

The futures price assigned to a TACO block trade will be the next following regularly scheduled special opening quotation ("SOQ") of the applicable cash Index adjusted by any valid Basis higher or lower than the SOQ.

The Basis in BTIC and TACO transactions must be stated in full tick increments as set forth in the applicable product chapter and must be fair and reasonable taking into account financing rates, expected dividend income and the time remaining until the applicable futures contract expires.

The futures price of a BTIC block trade will be determined by the Exchange at 3:45 p.m. Central Time and the Exchange-determined price will be final at that time. In the event of an early scheduled close of the primary securities market, the futures price of a BTIC block trade will be determined by the Exchange 45 minutes after the early scheduled close time for the primary securities market, and the Exchange-determined price will be final at that time. In the event of an equity market disruption in the primary securities market, all BTIC block trades will be cancelled for that trade date.

The futures price of a TACO block trade will be determined by the Exchange shortly after the SOQ is disseminated by Standard & Poor's. In the event of a disruption in the primary listing exchange for a given cash Index such that the administrator of such cash Index is unable to produce a regularly scheduled SOQ, all TACO block trades which rely on that SOQ will be cancelled.

Except as identified in the list of block eligible products, BTIC and TACO block trades **may not** be executed as a spread transaction. Parties wishing to effectuate a block spread transaction will be required to negotiate the transaction as separate outright BTIC or TACO block trades, with each leg meeting the applicable block trade minimum threshold.

14. Derived Block Trades

A derived block trade is a transaction in an eligible contract in which a dealer consummates a block trade with a client but where the price and quantity of the block trade depends on one or more hedging transactions by the dealer that take place after the block trade has been consummated, but prior to the block trade being submitted to the Exchange. Derived block trades are available solely in contracts identified here, at the existing block trade minimum threshold applicable to those products.

Derived block trades are not permitted in any other products.

The counterparties to a derived block trade must comply with the following requirements and procedures:

General Requirements

- The counterparties must agree that the execution will be done as a derived block trade
- A written or electronic record of the terms of the transaction must be created and maintained pursuant to the requirements of Rule 536.E.
- Prior to the execution of any hedging transactions, the dealer and client must consummate the block trade and determine and agree upon the following:
  - The quantity of futures or the notional value of the block trade, which must meet or exceed the applicable block trade minimum quantity threshold;
  - The execution methodology for the dealer's hedging transaction(s);
  - The markets in which the dealer's hedging transactions will take place; and
  - The pre-determined basis to be used by the dealer in determining the price of the block trade after the hedging transactions have been concluded.
- The hedging transactions and the consummated block trade must occur and be submitted to the Exchange on the same Exchange business day by 5:45 p.m. CT,
- No spread trades are permitted for derived block trades

Permissible hedging vehicles include stock baskets, other cash market instruments such as Exchange Traded Funds (ETFs), Exchange Traded Notes (ETNs), and/or equity index futures or options on futures contracts. At a minimum, the hedging vehicles must evidence a reasonable degree of price correlation to the equity index futures product underlying the derived block trade.

Permissible execution methodologies governing the execution of the hedges may include volume weighted average price ("VWAP"), time weighted average price ("TWAP"), percentage of volume ("POV"), limit price, or other agreed upon hedge types as determined by the dealer and the client at the time the block trade is consummated, and must be identified when submitting the block trade via CME Direct.

If the dealer is unable to execute the full quantity of hedges necessary to support the originally agreed upon quantity of the block trade consummated with the client, the dealer must, at a minimum, submit the block trade at a quantity that corresponds to the quantity of hedges the dealer executed. Alternatively, with the client's consent, the dealer may submit the block trade up to the full quantity originally agreed upon.

In the event the quantity of hedges does not meet the block trade minimum threshold, the dealer may, with the client's consent, submit the block trade at any quantity at or in excess of the block trade minimum threshold. Alternatively, the dealer may notify the client that no block trade was able to be submitted due to the lack of sufficient hedges to meet the block trade minimum quantity threshold. If no block trade is submitted, the dealer must keep a record noting that the block trade could not be submitted and produce the record to Market Regulation upon request.

Submission Requirements

- Derived block trades must be submitted via CME Direct by the dealer facilitating the trade (dual-sided entry) no later than 5:45 p.m. CT on the day the trade occurs;
- The block trade must be accurately identified within CME Direct by checking the derived block checkbox;
- The dealer must provide the following additional information concerning the hedging activity when submitting the derived block trade via the CME Direct block entry ticket:
    - The hedge type (VWAP, TWAP, POV, Limit, or Other);
    - The hedge description;
    - The product(s) in which the hedge(s) took place (free form text box);
    - The basis used for determining the block trade price (expressed in Index points); and
- The time of execution submitted into CME Direct must accurately identify the time that the dealer and the client consummated the block trade in principle, which must have been prior to the commencement of any hedging activity; and

Derived block trades will be uniquely identifiable when price reported on the CME Group website and distributed via market data.

15. Text of Rule 526

Rule 526 BLOCK TRADES

The Exchange shall designate the products in which block trades shall be permitted and determine the minimum quantity thresholds for such transactions. Additionally, with respect to block trades in swaps, the minimum size for such transactions shall be established at levels at or in excess of those set forth in Appendix F to Part 43 of CFTC Regulations *[this sentence appears solely in CBOT's rule]*. The following shall govern block trades:

A. A block trade must be for a quantity that is at or in excess of the applicable minimum threshold. Orders may not be aggregated in order to achieve the minimum transaction size, except by those entities described in Sections I. and J.

B. Each party to a block trade must be an Eligible Contract Participant as that term is defined in Section 1a(18) of the Commodity Exchange Act.

C. A member shall not execute any order by means of a block trade for a customer unless such customer has specified that the order be executed as a block trade.

D. The price at which a block trade is executed must be fair and reasonable in light of (i) the size of the block trade, (ii) the prices and sizes of other transactions in the same contract at the relevant time, (iii) the prices and sizes of transactions in other relevant markets, including without limitation the underlying cash market or related futures markets, at the relevant time, and (iv) the circumstances of the markets or the parties to the block trade.

E. Block trades shall not set off conditional orders (e.g., Stop Orders and MIT Orders) or otherwise affect orders in the regular market.

F. Unless otherwise agreed to by the principal counterparties to the block trade, the seller, or, in the case of a brokered transaction, the broker handling the block trade, must ensure that each block trade is reported to the

Exchange within the time period and in the manner specified by the Exchange. The report must include the contract, contract month, price, quantity of the transaction, the respective clearing members, the time of execution, and, for options, strike price, put or call and expiration month. The Exchange shall promptly publish such information separately from the reports of transactions in the regular market.

G. Block trades must be reported to the Clearing House in accordance with an approved reporting method.

H. Clearing members and members involved in the execution of block trades must maintain a record of the transaction in accordance with Rule 536.

I. A commodity trading advisor ("CTA") registered or exempt from registration under the Act, including, without limitation, any investment advisor registered or exempt from registration under the Investment Advisors Act of 1940, shall be the applicable entity for purposes of Sections A., B., C., and D., provided such advisors have total assets under management exceeding $25 million and the block trade is suitable for the customers of such advisors.

J. A foreign Person performing a similar role or function to a CTA or investment advisor as described in Section I, and subject as such to foreign regulation, shall be the applicable entity for purposes of Sections A., B., C., and D., provided such Persons have total assets under management exceeding $25 million and the block trade is suitable for the customers of such Persons.

16. Contact Information

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

Urmi Graft, Director, Investigations, 312.341.7639
Cash Kinghorn, Manager, Investigations, 312.930.1873
Tiffany Riviere, Lead Investigator, 312.930.2316
Penelope Beckhardt, Lead Investigator, Investigations, 312.435.3664
Erin Middleton, Director, Rules & Regulatory Outreach, 312.341.3286
Paige Gawrys, Senior Specialist, Rules & Regulatory Outreach, 312.872.5078

For media inquiries concerning this Advisory Notice, please contact CME Group Corporate Communications at 312.930.3434 or news@cmegroup.com.

17. Frequently Asked Questions

Q1: Does a broker or intermediary need to be an ECP to facilitate a block trade between two eligible parties?

A1: Only the buyer and seller of a block trade need to meet the participation requirements as codified in Rule 526.B. and the associated guidance in Section 2 of this Advisory Notice. All parties to a block trade must be appropriately registered in the industry for the business they are conducting and have their accounts and access properly permissioned in CME Direct and/or ClearPort prior to agreeing to or executing a block transaction. Please note that a broker registered in ClearPort is not necessarily the same as a "Broker" registered in the industry. See definitions in ClearPort User Guide.

Q2: Can positions be transferred via block trades?

A2: Transfers should be executed pursuant to Rule 853. Parties effectuating a transfer via the execution of a block trade must ensure the execution meets the requirements of Rule 526 and this Advisory Notice, namely Section 3, which requires independent decision-makers on both sides of the transaction, independent and bona fide business purposes, and a fair and reasonable price. Executing a block trade, or multiple block trades, for accounts with common beneficial ownership in a manner that negates or strictly limits market risk may be deemed a direct or indirect wash trade.

Q3: May a block trade be executed at a price below the minimum price increment?

A3: No. Each block trade must be negotiated and executed at the minimum price increment. A broker may not accept an order for a price below the minimum price increment. It is not, however, a violation if two or more block trades that are each independently negotiated and executed at the minimum price increment achieve an average price that is below the minimum price increment.

Q4: If a party charges a fee or commission in connection with a block trade, would that party be prohibited from pre-hedging?

A4: If a party or party's employing firm charges their block counterparty a brokerage or commission fee, Market Regulation will infer that agency duties were owed to the counterparty. The party charging the brokerage or commission would therefore be prohibited from pre-hedging the block trade. This prohibition does not apply to scenarios where the pre-hedging party's employing firm charges fees to the counterparty that are typically part of servicing of the counterparty's account, such as give-up or clearing fees, regulatory fees, block reporting fees, etc., so long as the fees do not represent a commission or charge that indicates or implies that the block was intermediated, or broker assisted. Market Regulation may evaluate if the negotiated price of the block trade includes an add-on commission from which agency duties could be inferred, including for example if a pre-hedging party shares profits with the party's agency desk for a specific block trade.

Q5: What factors will Market Regulation consider in assessing whether communications during a block negotiation indicate, imply or infer that agency duties may be owed to the counterparty?

A5: Market Regulation will consider the entirety of the communications pertaining to the block trade, including prior disclosures. Representations by a party that they will "work an order" *on behalf of* a counterparty implies that they are engaging in activity on behalf of and in the best interest of the counterparty. Agency duties may be inferred from that communication and pre-hedging would be prohibited. To avoid conflicting inferences from common trade parlance, such as "working an order," parties intending on pre-hedging should ensure through recorded communications that the counterparty is aware that the party is acting in a principal capacity and owes no duties to the counterparty.

Q6: What is the time of execution of the block trade?

A6: Block trades are executed at the time the parties agree to the trade in principle and all material terms are known or reasonably determinable. For outright transactions, this means when the parties agree to the terms deemed material to the agreement, including, but not limited to: a specific or reasonably determinable and reportable price (e.g. the daily settlement price) and the quantity of the transaction. For spreads that are only comprised of CME Group products, the time of execution is the time that the parties agree to the price differential. For strategies that are comprised of CME Group products and non-CME Group futures and options on futures products, the time of execution is when the parties agree to the price of the CME Group leg.

Example: At 1:00pm CT, a customer placed an order with an intermediary to purchase 50 contracts in a futures contract at a differential (+0.50) to the underlying index, which is to be published at 9:00pm CT. At 2:00pm, the intermediary found a seller and both parties indicated interest in consummating a transaction once the underlying index price is published at 9:00pm CT. At 9:00pm CT, the relevant index was circulated, which provided for an index price of 600.00. At such point, in order to consummate the transaction and meet the Exchange's private negotiation standard, the intermediary must receive from each of the counterparties to the transaction confirmation of the final price of the transaction (600.50). At 9:10pm CT, both parties agreed to the price, quantity, market, and all other material terms of the transaction. The details of the block trade must then be submitted to the Exchange within 5 or 15 minutes depending on the

product, noting the execution time of the transaction as the time the counterparties agreed to the final price of the transaction (9:10pm CT).

Q7: What does it mean for a trade to have independent decision-makers?

A7: In the context of block trades between accounts with common beneficial ownership, independent decision-makers are parties who each manage separate accounts with separate business purposes and reporting structures. Where parties cannot demonstrate independence in decision making, the transaction may constitute an illegal wash trade prohibited by Rule 534 ("Wash Trades Prohibited"). Common beneficial ownership is defined as not only accounts with the same beneficial ownership, but also accounts with common beneficial ownership that is less than 100%.

Q8: How should a market participant handle simultaneously received buy and sell block orders?

A8: Market participants, including account executives, brokers, or other intermediaries, who accept simultaneous buy and sell orders for execution have an independent "duty to inquire" about the propriety of such orders. In the absence of such inquiry, the market participant accepting the orders may be found to have aided and abetted wash trades if the execution of the orders produces a wash result. Market participants receiving simultaneous buy and sell orders for block execution must inquire to ascertain whether the orders are for accounts with common beneficial ownership.

If the buy and sell orders are for accounts with common beneficial owners, the broker must ensure the block transaction satisfies this Advisory Notice and Rule 526, including that the opposing orders were placed by independent decision-makers, each having bona fide business purposes for the transaction. Further, block trades require private and bilateral negotiation. The market participant receiving the simultaneous buy and sell orders for common beneficial owners may not simply match the orders opposite one another and submit the transaction to the Exchange as a block trade. There must be a private negotiation between the buyer and seller, even if it is through an intermediary.

To the extent the market participant solicits another to act as the counterparty to both the buy and sell block orders, each buy and sell must be separately negotiated and not made contingent on the other.

Executing both buy and sell orders opposite a single counterparty in a manner that negates or strictly limits market risk may produce a wash result for the buyer, seller, and counterparty who bought and sold. In the event a wash result occurs, the facilitating market participant may be liable as an aider and abettor pursuant to Rule.432.X.

Q9: When is information about a block trade considered public?

A9: Information about a block trade is considered public when the Exchange disseminates to the marketplace details concerning the block trade. Parties may rely on a complete, accurate and confirmed report of the block trade to the Exchange as immediately disseminated and therefore public.

Q10: When is a market participant considered in possession of nonpublic information and therefore prohibited from sharing, or trading based on, that information?

A10: Parties who have been solicited to engage in a block trade where the price or side of market of a block order or potentially forthcoming block order has been disclosed are considered in possession of nonpublic information and may not use or disclose such information pursuant to the

guidance in this Advisory Notice and Rule 532. Parties who discuss general market color or provide/solicit two-sided markets are not considered in possession of nonpublic information.

Parties to an executed block trade are also in possession of nonpublic information until the public report of the block trade by the Exchange. Such parties are, however, permitted to hedge the risk associated with their block trade after consummation but before the public report of the block trade. Additionally, principals to a block trade as described in Section 11.c. may engage in pre-hedging or anticipatory hedging of the position that they believe in good faith will result from the consummation of the block trade.

Q11: Can the price of a block trade be changed after execution?

A11: The price of the block trade that is submitted to the Exchange must match the price that was agreed to by the parties in the negotiation and reflected in records, communications, or other audit trail. Errors in reporting block trade details to the Exchange may be corrected as outlined in Rule 808.H. or described in the Error Remediation section of this Advisory Notice.

Q12: Is it permissible to execute a block trade at the settlement price in a product that is not TAS eligible?

A12: To the extent a product is not TAS-eligible as a block trade, parties are not permitted to execute a block trade at the settlement price until the settlement price has been published by the Exchange. Parties may have discussions of interest in engaging in a block trade to be priced at the settlement price for a non-TAS-eligible product prior to the settlement price being known. Once the settlement price is known, the parties may agree to such price and execute the block trade.

Q13: A party wishes to trade an option block trade without a delta hedge. How can a liquidity provider pre-hedge the delta risk that they expect to result from the future consummation of the option block trade in compliance with Rule 526 and this Advisory Notice?

A13: In this scenario, the material terms of the option block transaction may not be reasonably determinable or agreed to until the liquidity provider is able to ascertain market pricing based on the liquidity provider's pre-hedging activity. Typically, a party solicits a liquidity provider, who is acting in a principal capacity, for an indication of interest in executing an option block trade where the negotiated price of the block trade is dependent on the hedging that the liquidity provider is able to achieve in the underlying futures product. After receiving the solicitation, the liquidity provider pre-hedges the position that they believe in good faith will result from the future consummation of the option block trade. The liquidity provider subsequently shows a firm price to the counterparty. If the counterparty agrees to the trade, the option block trade is considered executed, and the parties must submit the transaction within the required timeframe for the product. If, however, the counterparty and liquidity provider do not come to an agreement for the option block trade, the pre-hedging will still be deemed to have been done in good faith.

Please note that the price of the option block trade must be fair and reasonable in light of (i) the size of the transaction, (ii) the prices and sizes of other transactions in the same contract at the relevant time, (iii) the prices and sizes of transactions in other relevant markets, including, without limitation, the underlying cash market or related futures markets, at the relevant time, and (iv) the circumstances of the markets or the parties to the block trade. In ascertaining the reasonableness of the options block trade price, Market Regulation may consider the time required for the liquidity provider to reasonably pre-hedge the position they believed would result from the future consummation of the options block trade.

Q14: What is the reporting time requirement for block strategies involving a CME Group Exchange product and a futures or options on futures product of a non-CME Group exchange?

A14: In assessing the timeliness of a block trade report to the Exchange, Market Regulation will consider whether the block trade was a component of a strategy involving a CME Group Exchange product and a block trade of a product of a non-CME Group exchange futures or options on futures. If parties indicate at the time of submission that the CME Group exchange component was part of a strategy involving a non-CME Group exchange, Market Regulation will consider the block trade to have been timely reported if the transaction information was submitted to the Exchange within 15 minutes of execution. Parties can indicate a block trade was a component of a block trade incorporating a non-CME Group product through the self-reporting tool in the Firm Regulatory Portal or by utilizing the Cross Exchange Spread Indicator on CME Direct or ClearPort. In reviewing these transactions, Market Regulation may require parties to provide transaction details concerning the non-CME Group exchange block transaction.