CME Group

Special Executive Report

DATE: **October 16, 2020**

SER#:   **8669**

SUBJECT: **Amendments to the CME and CBOT Rule 539.C. ("Pre-Execution Communications Regarding Globex Trades") and the Crossing Protocols Table Relating to CME and CBOT Agricultural Products (Except Dairy Products)**

Effective Sunday, November 8, 2020 for trade date Monday, November 9, 2020, and pending all relevant CFTC regulatory review periods, Chicago Mercantile Exchange Inc. ("CME") and The Board of Trade of the City of Chicago, Inc. ("CBOT") (collectively, the "Exchanges") will amend the CME and CBOT Rule 539.C. ("Pre-Execution Communications Regarding Globex Trades") amending language in the RFQ + RFC Cross ("R-Cross") protocol section concerning agricultural products. The amendments are based on changes to the crossing protocol in all CME and CBOT agricultural futures and options products with the exception of CME Dairy futures and options.

Specifically, the Committed Cross ("C-Cross") protocol will be enabled for all CME and CBOT agricultural futures and options except CME Dairy futures and options, and the R-Cross protocol will be eliminated for those products. The R-Cross protocol will continue to be enabled for CME Dairy futures and options. CME and CBOT agricultural options, except CME Dairy options subject to the C-Cross crossing protocol, will adopt a 50% Better Price or Volume Match ("BPVM"). Amendments to Rule 539.C. Crossing Protocols Table ("the "Table") in the Interpretations and Special Notices Section of the Rulebooks are being adopted in connection with the changes (collectively, the "Rule Amendments").

The change to the crossing protocol for all CME and CBOT agricultural futures and options save Dairy futures and options is being adopted to incentivize brokers to engage, with customer consent, in pre-execution communications for trades intended for execution on the CME Globex electronic trading platform.

Additional information and regulatory guidance regarding CME and CBOT Pre-execution Communications may be viewed **here.**

Additional information concerning C-Cross may be viewed here.

The Rule Amendments are set forth In Exhibit A and Exhibit B below in blackline format.

Questions regarding this Special Executive Report may be directed to:
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Exhibit A

CME and CBOT and Rulebooks
Chapter 5
("Trading Qualifications and Practices")
Rule 539.C. Crossing Protocols Table

Product Class	DCM	Product Subgroup	Globex ("G") Cross		Agency ("A") Cross		RFQ + RFC ("R") Cross		Committed ("C") Cross**			
			Futures	Options	Futures	Options	Futures	Options	Futures		Options	
Agriculture	CME	~~ALL~~ Grain & Oilseed	✓				✓	✓	✓	0%	✓	50%
Agriculture	CBOT	~~ALL~~ Livestock	✓				✓	✓	✓	0%	✓	50%
Agriculture	CME	Dairy	✓				✓	✓				

Exhibit B

CME Rulebook
Chapter 5
("Trading Qualifications and Practices")

(additions **underscored**; deletions ~~overstruck~~)

539.   PREARRANGED, PRE-NEGOTIATED AND NONCOMPETITIVE TRADES PROHIBITED

[Sections A. and B. are unchanged.]

539.C.   Pre-Execution Communications Regarding Globex Trades

Parties may engage in pre-execution communications with regard to transactions executed on the Globex platform where one party (the first party) wishes to be assured that a contra party (the second party) will take the opposite side of the order under the following circumstances:

[Subsections C.1. and C.2. are unchanged.]

3.   Permissible Entry Methods for Orders

The following order entry methods for futures, options, spreads and combinations vary by product, as set forth in the Rule 539.C. Crossing Protocols Table ("Table") in the Interpretations Section at the end of Chapter 5.

[Subsections a. - c. are unchanged.]

d.   RFQ + RFC Cross ("R-Cross")

Following the pre-execution communication, a Request for Quote ("RFQ") for the particular futures, options spread or combination must be entered into Globex. Thereafter, the RFC order must be entered no less than fifteen (15) and no more than thirty (30) seconds after the RFQ in order to proceed with the trade, except the RFC order in **Dairy** ~~Agricultural~~ futures and options must be entered no less than five (5) seconds and no more than thirty (30) seconds after the entry of the RFQ. The RFQ and the RFC order must be entered within the same trading session. Failure to enter the RFC order within 30 seconds after the entry of the RFQ will require a new RFQ to be entered prior to the entry of the RFC order, which must be entered in accordance with the time parameters described above in order to proceed with the trade.

[The remainder of the Rule is unchanged.]

CBOT Rulebook
Chapter 5
("Trading Qualifications and Practices")

(deletions ~~overstruck~~)

539.   PREARRANGED, PRE-NEGOTIATED AND NONCOMPETITIVE TRADES PROHIBITED

[Sections A. and B. are unchanged.]

539.C.   Pre-Execution Communications Regarding Globex Trades

Parties may engage in pre-execution communications with regard to transactions executed on the Globex platform where one party (the first party) wishes to be assured that a contra party (the second party) will take the opposite side of the order under the following circumstances:

[Subsections C.1. and C.2. are unchanged.]

3.   Permissible Entry Methods for Orders

The following order entry methods for futures, options, spreads and combinations vary by product, as set forth in the Rule 539.C. Crossing Protocols Table ("Table") in the Interpretations Section at the end of Chapter 5.

[Subsections a. - c. are unchanged.]

d.   RFQ + RFC Cross ("R-Cross")

Following the pre-execution communication, a Request for Quote ("RFQ") for the particular futures, options spread or combination must be entered into Globex. Thereafter, the RFC order must be entered no less than fifteen (15) and no more than thirty (30) seconds after the RFQ in order to proceed with the trade, except the FRC order in Agricultural futures and options must be entered no less than five (5) seconds and no more than thirty (30) seconds after the entry of the RFQ. The RFQ and the RFC order must be entered within the same trading session. Failure to enter the RFC order within 30 seconds after the entry of the RFQ will require a new RFQ to be entered prior to the entry of the RFC order, which must be entered in accordance with the time parameters described above in order to proceed with the trade.

[The remainder of the Rule is unchanged.]