



Special Executive Report

DATE: July 20, 2021
SER#: 8819
SUBJECT: Amendments to CME and CBOT Rule 524. and Certain CME and CBOT Equity Index Futures Contracts Regarding Basis at Trade Index Close ("BTIC") Transactions, Price Assignment and Disruption Event Procedures

Effective Sunday, August 8, 2021 for trade date Monday, August 9, 2021, and pending all relevant Commodity Futures Trading Commission ("CFTC") regulatory review periods, Chicago Mercantile Exchange Inc. and The Board of Trade of the City of Chicago, Inc. (collectively, the "Exchanges") will amend CME and CBOT Rule 524. ("Trading at Settlement ("TAS"), Basis Trade at Index Close ("BTIC") and Basis Trade at Cash Open ("TACO") Transactions") and certain CME and CBOT equity index futures contracts in Table 1. below regarding BTIC transactions, price assignment and disruptive trading procedures (collectively, the "Rule Amendments").

Specifically, the Rule Amendments: (1) remove language regarding disruption event handling from Rule 524.B. and insert appropriate rule language in each product chapter of the Contracts; (2) standardize the price assignment rules regarding BTIC transactions in CME and CBOT Rule 524.B.; (3) include administrative amendments to the Contracts' BTIC transaction rules for harmonization purposes.

Table 1.

Rulebook Chapter	Contract Title
	CME
352	Nikkei Stock Average Futures
352B	Yen Denominated Nikkei Stock Average Futures
354	USD Denominated Ibovespa Futures
355	S&P 500 Growth Index Futures
356	S&P 500 Value Index Futures
357	S&P 500 Total Return Index Futures
357B	Adjusted Interest Rate S&P 500 Total Return Index Futures
358	E-mini Standard and Poor's 500 Stock Price Index Futures
359	E-mini Nasdaq 100 Index Futures
360	E-Mini Nasdaq Biotechnology Index Futures
362	E-mini Standard and Poor's Midcap 400 Stock Price Index Futures
364	E-mini S&P 500 ESG Index Futures
367	E-mini S&P Europe 350 ESG Index Futures
368	E-Mini S&P Smallcap 600 Index Futures
369	E-mini Standard and Poor's Select Sector Stock Index Futures
371	Yen Denominated TOPIX Index Futures
372	Adjusted Interest Rate Russell 1000® Total Return Index Futures
373	Adjusted Interest Rate Russell 2000® Total Return Index Futures
374	Adjusted Interest Rate Nasdaq-100 Total Return Index® Futures
375	Adjusted Interest Rate FTSE® 100 Total Return Declared Dividend Index Futures
383	E-mini Russell 1000 Index Futures
384	E-mini Russell 1000 Growth Index Futures
385	E-mini Russell 1000 Value Index Futures
386	E-mini USD Denominated FTSE 100 Index Futures
387	E-mini FTSE 100 Index Futures

Rulebook Chapter	Contract Title
388	E-mini FTSE China 50 Index Futures
390	E-mini FTSE Developed Europe Index Futures
391	E-mini FTSE Emerging Index Futures
392	E-mini® IPOX® 100 U.S. Index Futures
393	E-mini® Russell 2000® Index Futures
394	E-mini® Russell 2000® Growth Index Futures
395	E-mini® Russell 2000® Value Index Futures
396	Nasdaq-100 Total Return Index Futures
397	Russell 1000 Total Return Index Futures
398	Russell 2000 Total Return Index Futures
	CBOT
27	CBOT E-mini Dow Jones Industrial Average Index Futures (\$5 Multiplier)
30	CBOT Dow Jones US Real Estate Index Futures
31	Dow Jones Industrial Average Total Return Index Futures
33	Adjusted Interest Rate Dow Jones Industrial Average TM Total Return Index Futures

Exhibit A below provides amendments to CME and CBOT Rule 524. in blackline format. Amendments to the Contracts listed in Table 1. above may be viewed [HERE](#).

Please refer questions on this subject to:

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EXHIBIT A
CME Rulebook
Chapter 5
("Trading Qualifications and Practices")
(additions underscoring; deletions ~~overstruck~~)

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

[The introduction and Section A. are 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 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 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 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 adjusted by the Basis established in such BTIC transaction, and the assigned futures price shall be deemed final at that time.

- ~~4. In the event of a disruption in the primary listing exchange for a given cash Index (or a disruption in the applicable national bourse or market in the case of a given non-US cash Index), 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, and may include, without limitation, an unscheduled early close of the primary listing exchange (or applicable national bourse or market) or a NYSE Rule 80B trading halt declared in response to a Level 3 (20%) decline in the S&P 500 Index that necessitates an early close of the primary listing exchange.~~
- ~~5.~~ Additional product-specific BTIC provisions requirements, including those relating to disruptions in the publication of an index, are set forth in the applicable product chapter in the Rulebook.

[The remainder of the Rule is unchanged.]

CBOT Rulebook
Chapter 5
("Trading Qualifications and Practices")
(Additions are underscored, deletions are ~~overstruck~~)

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

[The introduction and Section A. are 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 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 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 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 adjusted by the Basis established in such BTIC transaction, and the assigned futures price shall be deemed final at that time.

- ~~4. In the event of a disruption in the primary listing exchange for a given cash Index (or a disruption in the applicable national bourse or market in the case of a given non-US cash Index), 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, and may include, without limitation, an unscheduled early close of the primary listing exchange (or applicable national bourse or market) or a NYSE Rule 80B trading halt declared in response to a Level 3 (20%) decline in the S&P 500 Index that necessitates an early close of the primary listing exchange.~~
- ~~5.~~ Additional product-specific BTIC provisions requirements, including those relating to disruptions in the publication of an index, are set forth in the applicable product chapter in the Rulebook.

[The remainder of the Rule is unchanged.]