



Special Executive Report

S-6249R

June 1, 2012

Basis Trade at Index Close (“BTIC”) Block Trades to be available for E-mini S&P Select Sector futures

Note: This SER replaces SER S-6249 issued on May 24, 2012

This revised Special Executive Report is being issued to include additional requirements with respect to the price reporting and submission of Basis Trade at Index Close (“BTIC”) block trades in CME E-mini S&P Select Sector™ Stock Index futures (“Select Sector futures”) that were not included in the Special Executive Report released on May 24, 2012.

Market participants that transact BTIC block trades should be aware that the only acceptable method for price reporting and submitting BTIC block trades is through CME ClearPort. It is not permissible for market participants to price report BTIC block trades to the Global Command Center (“GCC”) and separately enter the block trades into Front-End Clearing (“FEC”) as is allowed for other block trades in CME and CBOT products. Market participants should also be aware that entry of block trades into CME ClearPort requires registration. Additional information on registration for CME ClearPort is available on the CME Group website.

A Block Trade provision for E-mini Standard and Poor’s (“S&P”) Stock Index futures, Basis Trade at Index Close (“BTIC”), will be available effective Sunday, June 10, 2012 for trade date Monday, June 11, 2012.

The BTIC Block Trade methodology allows market participants to execute an E-mini S&P Select Sector Stock Index futures transaction as a basis trade relative to the underlying final daily index value for an S&P Select Sector index.

The two contra parties to the BTIC block trade may negotiate the basis level or price increment that will be applied to that trading day’s closing S&P Select Sector index value. The basis or price increment must be stated in standard size ticks. The standard tick size for E-mini S&P Select Sector futures contracts is equal to 0.10 index points, except for the E-mini S&P Financial Select Sector futures contract which has a standard tick size equal to 0.05 index points. The Basis must be fair and reasonable, taking into account financing rates, expected dividend income, time remaining until the Equity Index futures contract expiration and any of the factors set forth in CME Rule 526.D., as applicable.

Following the close of the primary securities market, the CME clearinghouse will wait 45 minutes after the close of the primary securities market and then reference the final daily cash index value disseminated by S&P for the relevant Select Sector index. The basis or price increment will be used to adjust the final daily S&P Select Sector index value to determine the cleared S&P Select Sector index futures price. The cleared futures price calculated from the BTIC block trade will approximate the end of day fair market value for the S&P Select Sector futures contract.

The cleared futures price derived from an S&P Select Sector BTIC block trade requires a smaller price increment than the standard price increment for the S&P Select Sector Index futures contract. A smaller price increment is required because the underlying stock price index is reported to a two decimal place level of precision.

For example if the final daily index value for an S&P Select Sector index is equal to 359.18 index points and the BTIC basis was negotiated at -1.10 index points, then the cleared E-mini Select Sector futures price would be equal to $359.18 + (-1.10) = 358.08$.

As shown in the prior example, the minimum price increment for a BTIC transaction will be 0.01 index points. The change in the minimum price increment or tick size is referenced in the Commodity Specifications Table in Rule 36901 in the appendix. A 0.01 tick increment for the BTIC futures price will eliminate a futures price rounding requirement that would introduce a positive futures price bias for one BTIC block trade market participant to the disadvantage of the other BTIC block trade market participant.

BTIC block trades in E-mini Select Sector Stock Index Futures are required to comply with the Block Trade reporting requirements of CME Rule 526. As such, the market participants must meet minimum contract thresholds as well as report, via CME ClearPort, both the block trade size and the futures contract basis within five minutes after agreeing to the terms of the BTIC block trade.

The minimum contract threshold for an E-mini S&P Select Sector Stock Index Futures BTIC block trade is 50 contracts. The final futures contract price will be determined approximately 45 minutes after the close of the primary securities market when the closing value of the underlying equity index is available.

The amendments to CME Rulebook Chapter 369 are included in the appendix to this Special Executive Report.

The CFTC submission on Basis Trade at Index Close ("BTIC") Block Trades for E-mini S&P Select Sector futures is forthcoming.

If you have any questions regarding these rule amendments, please contact Mr. John Nyhoff, R&PD at 312-930-2310 or Ms. Lucy Wang, R&PD at 312-648-5478.

Appendix

**Chapter 369
E-mini S&P Select Sector™ Stock Index Futures**

(Additions are underlined)

36901. COMMODITY SPECIFICATIONS

Each S&P Select Sector Stock Index futures contract shall be constructed per the specifications included in the table below.

	S&P: Select Sector™ Stock Index	Trading Unit (Contract Multiplier) & Currency	Minimum Price Increment or Tick Size	Position Limit
1	Consumer Discretionary	\$100.00 (USD)	0.10 Index Points (\$10.00) <u>0.01 Index Points</u> <u>(\$1.00) for BTIC</u> Block Trades only	12,500 contracts
2	Consumer Staples	\$100.00 (USD)	0.10 Index Points (\$10.00) <u>0.01 Index Points</u> <u>(\$1.00) for BTIC</u> Block Trades only	12,500 contracts
3	Energy	\$100.00 (USD)	0.10 Index Points (\$10.00) <u>0.01 Index Points</u> <u>(\$1.00) for BTIC</u> Block Trades only	12,500 contracts
4	Financial	\$250.00 (USD)	0.05 Index Points (\$12.50) <u>0.01 Index Points</u> <u>(\$2.50) for BTIC</u> Block Trades only	12,500 contracts
5	Health Care	\$100.00 (USD)	0.10 Index Points (\$10.00) <u>0.01 Index Points</u> <u>(\$1.00) for BTIC</u> Block Trades only	12,500 contracts
6	Industrial	\$100.00 (USD)	0.10 Index Points (\$10.00) <u>0.01 Index Points</u> <u>(\$1.00) for BTIC</u> Block Trades only	12,500 contracts

7	Materials	\$100.00 (USD)	0.10 Index Points (\$10.00) <u>0.01 Index Points (\$1.00) for BTIC Block Trades only</u>	12,500 contracts
8	Technology	\$100.00 (USD)	0.10 Index Points (\$10.00) <u>0.01 Index Points (\$1.00) for BTIC Block Trades only</u>	12,500 contracts
9	Utilities	\$100.00 (USD)	0.10 Index Points (\$10.00) <u>0.01 Index Points (\$1.00) for BTIC Block Trades only</u>	12,500 contracts

36906. Basis Trade at Index Close (“BTIC”) Transactions

A Basis Trade at Index Close (“BTIC”) Transaction is a futures transaction on an E-mini S&P Select Sector Stock Index that is priced with reference to the S&P cash index close price for the specific index.

The futures price assigned to a BTIC Transaction shall be based on the current day’s S&P cash index close price, or the current day’s S&P cash index close price adjusted by any valid price increment (the “Basis”) higher or lower than the applicable S&P cash index close price. The Basis must be fair and reasonable, taking into account financing rates, expected dividend income, time remaining until the Equity Index futures contract expiration and any of the factors set forth in Rule 526.D., as applicable.

36906.A. BTIC Block Trade Requirements

BTIC Transactions in E-mini S&P Select Sector Stock Index futures may be executed as block trades pursuant to the requirements of Rule 526. Both the block trade quantity and the valid price increment (the “Basis”) for BTIC block trades must be reported within five minutes of the agreement of the parties to execute the trade in accordance with Rule 526.F.

In addition to complying with the reporting requirements set forth above, BTIC block trades for BTIC-eligible Equity Index futures must be reported to the Exchange at least 10 minutes prior to the scheduled close of the underlying primary securities market to establish the BTIC futures price on the current trading day. The BTIC futures price for BTIC-eligible Equity Index futures orders that are not reported to the Exchange at least 10 minutes prior to the scheduled close of the underlying primary securities market shall be based on the index close price for the next available trading day for the primary securities market.

39606.B. Price Assignment Procedure for BTIC Futures

The futures price of a BTIC Transaction will be determined by the Exchange at 3:45 p.m. Central time and the Exchange determined price will be deemed final at that time. In the event of an early scheduled close of the primary securities market, the futures price of a BTIC Transaction 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 deemed final at that time.

36906.C. BTIC Orders Minimum Price Increment

(Refer to Rule 36901.- Commodity Specifications —Minimum Price Increment or Tick Size). The valid Basis or Price Increment applied to the index close price to establish the BTIC futures price must be stated in full tick increments, e.g. 0.10 index points for all E-mini S&P Select Sector Stock Index futures, except for the E-mini S&P Financial Select Sector Stock Index futures where the Basis or Price Increment applied to the index close to establish the BTIC settlement price must be stated in a full tick increments equal to 0.05 index points.

36906.C. BTIC Orders Prohibited on Last Day of Trading

BTIC orders for BTIC-eligible Equity Index futures may not be initiated on the last day of trading in an expiring contract.

36906.D. Market Disruption Events

In the event of an equity market disruption in the primary securities market, a BTIC-eligible Equity Index futures block trade order shall be cancelled. Equity market disruption events shall be declared at the sole discretion of the Exchange. Equity market disruptions may include, but are not limited to:

1. an unscheduled early closure for the day of the primary equity securities market, or
2. the occurrence of a Level 3 NYSE Rule 80B trading halt that requires an early closure of the primary securities market.

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Chapter 369
E-mini S&P Select Sector™ Stock Index Futures

36901. COMMODITY SPECIFICATIONS

Each S&P Select Sector Stock Index futures contract shall be constructed per the specifications included in the table below.

	S&P: Select Sector™ Stock Index	Trading Unit (Contract Multiplier) & Currency	Minimum Price Increment or Tick Size	Position Limit
1	Consumer Discretionary	\$100.00 (USD)	0.10 Index Points (\$10.00) 0.01 Index Points (\$1.00) for BTIC Block Trades only	12,500 contracts
2	Consumer Staples	\$100.00 (USD)	0.10 Index Points (\$10.00) 0.01 Index Points (\$1.00) for BTIC Block Trades only	12,500 contracts
3	Energy	\$100.00 (USD)	0.10 Index Points (\$10.00) 0.01 Index Points (\$1.00) for BTIC Block Trades only	12,500 contracts
4	Financial	\$250.00 (USD)	0.05 Index Points (\$12.50) 0.01 Index Points (\$2.50) for BTIC Block Trades only	12,500 contracts
5	Health Care	\$100.00 (USD)	0.10 Index Points (\$10.00) 0.01 Index Points (\$1.00) for BTIC Block Trades only	12,500 contracts
6	Industrial	\$100.00 (USD)	0.10 Index Points (\$10.00) 0.01 Index Points (\$1.00) for BTIC Block Trades only	12,500 contracts
7	Materials	\$100.00 (USD)	0.10 Index Points (\$10.00) 0.01 Index Points (\$1.00) for BTIC Block Trades only	12,500 contracts

8	Technology	\$100.00 (USD)	0.10 Index Points (\$10.00) 0.01 Index Points (\$1.00) for BTIC Block Trades only	12,500 contracts
9	Utilities	\$100.00 (USD)	0.10 Index Points (\$10.00) 0.01 Index Points (\$1.00) for BTIC Block Trades only	12,500 contracts

36906. Basis Trade at Index Close (“BTIC”) Transactions

A Basis Trade at Index Close (“BTIC”) Transaction is a futures transaction on an E-mini S&P Select Sector Stock Index that is priced with reference to the S&P cash index close price for the specific index.

The futures price assigned to a BTIC Transaction shall be based on the current day’s S&P cash index close price, or the current day’s S&P cash index close price adjusted by any valid price increment (the “Basis”) higher or lower than the applicable S&P cash index close price. The Basis must be fair and reasonable, taking into account financing rates, expected dividend income, time remaining until the Equity Index futures contract expiration and any of the factors set forth in Rule 526.D., as applicable.

36906.A. BTIC Block Trade Requirements

BTIC Transactions in E-mini S&P Select Sector Stock Index futures may be executed as block trades pursuant to the requirements of Rule 526. Both the block trade quantity and the valid price increment (the “Basis”) for BTIC block trades must be reported within five minutes of the agreement of the parties to execute the trade in accordance with Rule 526.F.

In addition to complying with the reporting requirements set forth above, BTIC block trades for BTIC-eligible Equity Index futures must be reported to the Exchange at least 10 minutes prior to the scheduled close of the underlying primary securities market to establish the BTIC futures price on the current trading day. The BTIC futures price for BTIC-eligible Equity Index futures orders that are not reported to the Exchange at least 10 minutes prior to the scheduled close of the underlying primary securities market shall be based on the index close price for the next available trading day for the primary securities market.

39606.B. Price Assignment Procedure for BTIC Futures

The futures price of a BTIC Transaction will be determined by the Exchange at 3:45 p.m. Central time and the Exchange determined price will be deemed final at that time. In the event of an early scheduled close of the primary securities market, the futures price of a BTIC Transaction 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 deemed final at that time.

36906.C. BTIC Orders Minimum Price Increment

(Refer to Rule 36901.- Commodity Specifications —Minimum Price Increment or Tick Size). The valid Basis or Price Increment applied to the index close price to establish the BTIC futures price

must be stated in full tick increments, e.g. 0.10 index points for all E-mini S&P Select Sector Stock Index futures, except for the E-mini S&P Financial Select Sector Stock Index futures where the Basis or Price Increment applied to the index close to establish the BTIC settlement price must be stated in a full tick increments equal to 0.05 index points.

36906.C. BTIC Orders Prohibited on Last Day of Trading

BTIC orders for BTIC-eligible Equity Index futures may not be initiated on the last day of trading in an expiring contract.

36906.D. Market Disruption Events

In the event of an equity market disruption in the primary securities market, a BTIC-eligible Equity Index futures block trade order shall be cancelled. Equity market disruption events shall be declared at the sole discretion of the Exchange. Equity market disruptions may include, but are not limited to:

1. an unscheduled early closure for the day of the primary equity securities market, or
2. the occurrence of a Level 3 NYSE Rule 80B trading halt that requires an early closure of the primary securities market.