



Special Executive Report

S-7611

March 4, 2016

Updated Requirements for Proper Recordation, Endorsement and Keypunching of CME Brokerage Reassignment (“BK”) Trades

Effective immediately, this Special Executive Report (“SER”) supersedes CME Group SER-7488 from October 8, 2015. It is being issued based on a decision to eliminate the Chicago Mercantile Exchange Inc. (“CME”) requirement that the upper division member being credited with brokerage on the futures leg of an options/futures spread must be in the same quadrant as the executing broker. The revised requirement is that the upper division member being credited with the brokerage must be physically present on the trading floor (excluding break rooms and restrooms). No other requirements concerning the Brokerage Reassignment (“BK”) process have been changed.

General Requirement:

The BK process must be used by all IMM and IOM members who execute an options/futures spread trade via open outcry in an options pit where the futures leg of the spread is a product outside of the IMM or IOM member’s division. The purpose of the BK process is to ensure that any brokerage for the futures leg of the options/futures spread is properly credited to a member in the division in which the futures product has been allocated.

For example, an IOM member executing a Eurodollar options/futures spread in the Eurodollar options pit must ensure that the brokerage paid on the futures leg is properly directed to an IMM or CME member. Or, for example, an IOM or IMM member executing a Live Cattle options/futures spread in the CME Livestock options pit must ensure that the brokerage paid on futures leg is properly directed to a CME member.

Executing Broker Responsibilities:

The following **must be denoted on the trading card or order ticket** used by the IMM or IOM member executing the options/futures spread:

1. Trade Type “6” which identifies the execution as a spread trade made via open outcry;
2. “BK” which identifies that brokerage on the futures leg will be reassigned to a member other than the executing member;

3. The acronym of the upper division member being credited the brokerage; and
4. The signature of the upper division member who will be credited with the brokerage applicable to the execution of the futures leg of the options/futures spread (the upper division member must be physically present on the trading floor at the time the order was executed, excluding the break rooms and restrooms).

Firm Keypunching Responsibilities:

When keypunching BK trades, firms must comply with the following requirements:

1. The IMM or IOM member executing the options/futures spread **must be identified as the executing broker for the trade**. This is accomplished by the firm entering the executing broker in the FILLING BROKER field on the Trade Confirmation Record (“TCR”);
2. BK must be entered in the FRGN EX field on the TCR;
3. The acronym of the upper division member must be entered in the FRGN FRM field on the TCR; and,
4. If a BK trade is also identified as a give-up trade, the trade must be keypunched and matched in CME Front End Clearing prior to being given up to the carrying firm.

The above-referenced requirements must be observed in order for upper division members to be properly credited with the brokerage associated with the futures leg of the options/futures spread. Failure to comply with these requirements may result in disciplinary action.

Questions concerning executing broker responsibilities may be directed to one of the following Trading Floor Investigation Specialists in the Market Regulation Department:

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Questions concerning firm keypunching responsibilities may be directed to CME Clearing Customer Service at 312.207.2525 or via email at ccs.@cmegroup.com.