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**ICE FUTURES U.S.  
BLOCK TRADE – FAQs**

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## QUESTIONS

### 1. What is a block trade?

A block trade is a permissible, off-exchange, privately negotiated transaction either at or exceeding an Exchange determined minimum threshold quantity of futures or options contracts which is executed at a fair and reasonable price apart and away from the central limit order book. Exchange Rule 4.07 sets forth the requirements for executing a block trade.

Notwithstanding anything to the contrary in Rule 4.07 or this FAQ, the Chief Regulatory Officer or his designee may authorize an exception to the minimum threshold quantity, or permit a block trade at a price within the historical range for the contract(s) being traded, where, in the opinion of the Exchange official, it is deemed: (i) to be in the best interests of the Exchange; or (ii) to be the most appropriate means to remedy an error that results from the good faith acts or omissions of any Person.

Any decision to permit such a block trade shall be made at the sole and absolute discretion of the Chief Regulatory Officer or his designee. Without limiting the generality of the foregoing, such discretion may be exercised to facilitate the correction of trading errors or in 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).

### 2. What are the eligible contracts and the minimum threshold quantities for a block trade?

The minimum quantity requirements for block trades of eligible Energy futures and options contracts can be found under the “Energy Forms” tab at the link below:

#### **Energy Futures and Options Block Minimum Sizes**

<https://www.theice.com/futures-us/regulation>

Table 1 below lists the eligible agricultural and index futures and options contracts and the minimum quantity requirements for block trades. Table 2 below lists the eligible financial contracts and the minimum quantity requirements for block trades and Table 3 lists the eligible metals futures and options contracts and the minimum quantity requirements for block trades.

**TABLE 1 – Agricultural Contracts**

Product	Contract Type	Minimum Threshold Quantity
Sugar No. 11®	Futures	250 lots.
		<b>100 lots S11/White Sugar Arbitrage (see Question 20 below) – 100 lots</b>
	Calendar Spread Options	100 lots
	All Other Options	250 lots
Coffee “C”®	Futures	250 lots
		<b>100 lots Arabica/Robusta Futures Arbitrage (see question 20 below)</b>
	Calendar Spread Options	100 lots
	All Other Options	250 lots
Cotton No. 2®	Futures	500 lots
	Calendar Spread Options	100 lots
	All Other Options <sup>[2]</sup>	250 lots
FCOJ	Options	100 lots
Cocoa	Calendar Spread Options	100 lots
	All Other Options	350 lots
Canola	Options	50 lots

**TABLE 2 – Financial and Digital Currency Contracts**

Product	Contract Type	Minimum Quantity
NYSE FANG+™ Index	Futures	20 lots
<b>Quarterly and Daily Futures on the following MSCI Indexes</b>		
MSCI ACWI NTR Index (MMW & DML) MSCI EAFE Index (MFS & DMQ) MSCI Emerging Markets Index (MME & DMU) MSCI Emerging Markets NTR Index (MMN & DMY) MSCI Emerging Markets Asia NTR Index (ASN & DMX) MSCI Emerging Markets EMEA NTR (MMM & DM6) MSCI Emerging Markets Latin Am. NTR Index (MML & DMW) MSCI Europe Index (MCE) MSCI Europe MTR Index (EU9 & DMR) MSCI North America NTR Index (NAA) MSCI World NTR Index (MWS & DMJ)	Futures	50 lots
Quarterly and Daily Futures on all other MSCI Indexes and all MSCI Index Total Return Futures	Futures	5 lots
NYSE Biotechnology Index <sup>SM</sup> GTR	Futures	5 lots
NYSE Semiconductor Index <sup>SM</sup> GTR	Futures	5 lots
U.S. Dollar Index	Futures	75 lots
	Options	25 lots
All Currency Pair	Futures	5 lots
ICE U.S. Conforming 30-year Fixed Mortgage Rate Lock Weighted APR Index	Futures	5 lots
ICE U.S. Jumbo 30-year Fixed Mortgage Rate Lock Weighted APR Index	Futures	5 lots
SOFR Index	Futures	5 lots

**TABLE 4 – Metals Contracts**

Product	Contract Type	Minimum Quantity
Gold Daily	Futures	5 lots
Silver Daily	Futures	5 lots

Note: in the case of a strategy trade, the sum of the legs must be at least the block threshold level

**3. Who may participate in block trades?**

Each party to a block trade must be either:

(1) an Eligible Contract Participant (“ECP”) as that term is defined in Section 1a(18) of the Commodity Exchange Act (“Act”). ECPs include, but are not limited to floor brokers, FCMs, broker/dealers, financial institutions, insurance companies, pension funds, corporations, commodity pools, investment companies and high net worth individuals which satisfy certain criteria specified in Section 1a(18) of the Act. Notwithstanding the foregoing, if the block trade is entered into on behalf of a Customer by a commodity trading advisor registered under the Act (“CTA”), including without limitation any investment advisor registered as such with the Securities and Exchange Commission who is exempt from regulation under the Act or CFTC regulations with total assets under management exceeding US \$25 million, or by a foreign entity performing a similar role or function to a CTA or investment advisor that is subject to foreign regulation with total assets under management exceeding US \$50 million, the individual Customer need not be an ECP.

(2) a non-United States person, as such term is defined in CFTC Regulation 4.7(a)(1)(iv). This includes (a) natural persons not resident in the US, (b) corporations, partnerships and other entities organized under the laws of a foreign jurisdiction with their principal place of business in a foreign jurisdiction, (c) an estate or trust, the income of which is not subject to US income tax, and (d) an employee pension plan of an entity organized and having its principal place of business outside of the U.S.,

(3) a corporation, business trust, partnership, limited liability company or similar business venture (other than a commodity pool), which, at the time of entering into the first block trade on the Exchange, has total assets in excess of \$5 million and meets one of the portfolio requirements specified in CFTC Regulation 4.7(a)(1)(v), as described below,

(4) -an individual with **net worth**, or joint net worth with a spouse, of \$1 million who qualifies as an accredited investor under SEC regulation 501(a)(5) on that basis and meets one of the portfolio requirements specified in CFTC Regulation 4.7(a)(1)(v), as described below, or

(5)- an individual that had \$200,000 income in the prior 2 years (or \$300,000 if joint with a spouse) and has a reasonable expectation of earning the same in the current year, who qualifies as an accredited investor under the **income test** of SEC regulation 501(a)(6) on that basis and meets one of the portfolio requirements specified in CFTC Regulation 4.7(a)(1)(v), as described below.

The portfolio requirements applicable to any Person executing block trades in reliance on meeting the standards in paragraphs 3, 4 or 5 above are as follows:

(i)-The trader owns securities and other investments with an aggregate market value of \$2 million, or

(ii)-the trader has had on deposit with an FCM for their own account, at any time during the 6 months preceding the date *of the first block trade*, at least \$200,000 initial margin and option premiums together with required minimum security deposits for retail forex transactions for commodity interest transactions; or

(iii) - a combination of (i) and (ii) above, so long as the sum of the amounts from each of subsection (i) and (ii), expressed as a percentage of the minimum \$ amount specified in the subsection, equals 100%; e.g., \$1 million in securities and \$100,000 in futures margin and premiums.

**4. Are there any price restrictions for block trades?**

Exchange Rule 4.07 provides that all block trades must be executed at a price which is fair and reasonable in light of the size of such block trade, the price and size of other trades in the same contract at the relevant time; and the price and size of trades in other relevant markets, at the relevant time. In addition, the trade price must adhere to the minimum tick and price validation requirements of the market in question. Additionally, each leg of any blocked spread or combination trade must be done at a single price. It is impermissible to split the quantity of a particular leg and report different prices for such leg.

Notwithstanding the foregoing, block trades in all MSCI Index futures contracts (including spread blocks and Block at Index Close or "BIC" Trade) may be priced in thousandths (0.001) of an index point even though the minimum tick size in the central order book is larger.

**5. Can any order which exceeds the minimum quantity threshold be executed as a block trade?**

No, the order must specifically be designated as a block trade by the customer.

**6. What recordkeeping and audit trail requirements are attendant to a block trade?**

The recordkeeping and audit trail requirements associated with a block trade are identical to the requirements associated with any other futures or options transaction. In addition, order tickets must explicitly state that the order may be executed as a block trade.

**7. What are the trading hours for block trades?**

Block trades for all products may be executed at anytime.

For Energy Futures contracts, Block and EFS trades will be allowed until the close of the ETS on the Business Day prior to the Final Payment Date.

For Energy Options contracts, Block and EOO trades will be allowed until either 4:15pm EPT or 15 minutes prior to the Exercise Notice deadline defined in 18.04(d,) whichever is earlier, on the Exercise Day.

## 8. How are block trades reported?

A block trade may be reported directly using Exchange approved electronic functionality, such as the ICE Block application. A participant or an authorized submitter (i.e. broker or clearing member) unable to report a block trade directly must, within the time limits prescribed in Question 9, submit complete block trade details as described below to ICE Futures U.S., by email at [futures-blocktrades@theice.com](mailto:futures-blocktrades@theice.com). The time stamp the email was sent with all the applicable information will constitute the submitted time to the Exchange.

The information below should, at minimum, be provided in the initial email to ICE Operations:

Trade Date	Buying Firm
Execution Time ( <b>the time the deal was consummated</b> )	Buy Trader Name and ID
Quantity	Contact details
Total quantity	Email
Strip(s)	Phone #
Product Code(s)	Clearing Account #
Product(s)	Selling Firm
Price	Sell Trader Name and ID
Strike(s)	Contact details
Put or Call	Email
BIC Information (if applicable)	Phone #
	Clearing Account #

Any party involved in the consummated block trade(s) must promptly confirm the terms of such block trade(s) with ICE's Market Supervision in a timely manner. Failure to do so may constitute a violation of Exchange Rule 4.07 and may result in summary fine or disciplinary action.

Both the clearing member for the buyer and the clearing member for the seller must accept or challenge the transaction within 30 minutes of the trade being submitted to ICE Futures U.S. No matter how the block trade is submitted to the Exchange, the recordkeeping and audit trail requirements associated with a block trade are identical to the requirements associated with any other futures or options transaction.

## 9. What are the reporting requirements for block trades?

Block trades in the following contracts must be reported no later than 15 minutes of execution:

- Energy Futures and Options\*;
- Metals Futures and Options\*;
- Currency Futures and Options\*\*; and

- MSCI Futures and NYSE FANG+ Index (except Block at Index Close Trades\*\*).

For Energy Futures and Options Contracts, Metals Futures and Options Contracts, Currency Futures Contracts, MSCI Futures Contracts and BICs on MSCI Futures Contracts, fifteen (15) minutes from the time of execution.

For all other products, five (5) minutes from the time of execution for single leg trades and 10 minutes from of time of execution for block trades consisting of two or more legs.

Block trades which are executed during normal trading hours for an Exchange Futures Contract or Exchange Option or during specified hours on certain designated holidays determined by the Exchange, which will be announced by the Exchange in advance of such holidays, must be reported no later than the time periods specified above after execution. For block trades executed outside of normal trading hours or on non-designated holidays, the block trade must be reported to the Exchange no later than 5 minutes prior to the open of the next trading session for the particular block eligible contract.

The failure to submit timely, accurate and complete block trade details may subject the party responsible for the reporting obligation to disciplinary action.

\*For each of these products and notwithstanding the foregoing, all block trades executed during the last ten minutes of the trading day must be reported to the Exchange no later than five minutes after the close of trading.

\*\*In the case of Block at Index Close (BIC) trades on MSCI Index Futures Contracts and NYSE FANG+ Index Futures, (see Question 23 for additional information), there are separate time considerations given the time that the index value is published.

#### **10. What are the procedures for entering a block trade in ICE Block?**

In order to submit a block trade directly into ICE Block, the party entering the transaction must have access to ICE Block or WebICE and must have received permission via the ICE Block application to enter the trades for the accounts involved in the block trade from the Clearing Member(s) carrying those accounts (see Question 12 below). Any party that utilizes ICE Block to submit trade(s) to the Exchange must take reasonable steps to ensure their actions do not cause significant market interruptions or system anomalies that may limit the ability of other market participants to trade, engage in price discovery, or manage risk. In the event that a block trade is executed for an account or accounts for which the appropriate ICE Block permissioning has not been completed by the clearing member, such block trade must be submitted by notifying ICE Futures U.S., as described in Question 8 above.

The party submitting the block trade must enter complete block trade details into the ICE Block application within the time provided in Question 9, as follows:

a. Single sided-- where the seller/buyer submits a trade that is alleged to the buyer/seller. The buyer/seller must confirm the alleged block within the aforementioned reporting time period.

b. Two sided-- where the seller/buyer submits and confirms for both the buy and sell side of the block. The selling/buying clearing member/authorized submitter will need to be permissioned to accept trades on behalf of the buying/selling clearing member. Two sided entry of blocks in ICE Block will automatically clear and be downloaded to PTMS.

In the case of block trades involving an arbitrage transaction (see Question 20 for additional information), the submitter must also report the arbitrage premium and the details (Month/Yr) for the contract month involved in the ICE Futures Europe leg by entering that information in the "Transaction Details" text field on the block trade submission screen in ICE Block.

In the case of Block at Index Close (BIC) trades on MSCI Futures Contracts, (see Question 23 for additional information), the submitter must also report the agreed upon basis and the date and time at which the basis was agreed by entering that information in the "Transaction Details" text field on the block trade submission screen in the ICE Block application.

**11. How do I obtain access to enter orders directly into ICE Block?**

In order to obtain access to ICE Block, Clearing Members, customers and third parties must have completed or must complete: (1) an ICE Futures U.S. Electronic User Agreement or ICE Futures U.S. Broker Agreement; and (2) an ICE Futures U.S. Enrollment Form. In addition, Customers and third parties (brokers) must receive permission to submit a block trade directly into ICE Block from the Exchange Clearing Member(s) clearing the specific account(s) involved in the block trade. PLEASE NOTE: such permission must be received for EACH INDIVIDUAL ACCOUNT for which the customer or third party intends to enter a block trade and must be given by the CLEARING MEMBER CLEARING THE ACCOUNT.

Clearing Members can permission customers and third parties to enter blocks and/or EFRPs (EFPs, EFSs and EOOs) for the accounts they clear through Clearing Admin. The Help Desk can be contacted at 770-738-2101 to assist in setting up access for firms and their designated users.

**12. Must block trades be brokered by an Exchange Member or Clearing Member?**

No. If the clearing member(s) has so authorized, block trades may be negotiated directly between non-member "eligible contract participants" (customers). In the event, however, customers directly negotiate block trades, the affected clearing members are responsible for the timely capture and reporting of all required information including the time of execution.



**13. Who is responsible for reporting the execution time?**

Either party, or broker, may report a block trade. However, in circumstances where no broker was involved and the parties are unclear on who is responsible to report the consummated block trade, the seller would be the responsible party to ensure it is reported.

The party or broker submitting the block trade to the Exchange is responsible for reporting the time of execution (the time the parties agreed to the block transaction). As discussed in Question 10 above, for single-sided entry of block trades, the first party or broker submitting the block trade to the alleged party must report the execution time.

**14. May spreads or combination trades be executed as block trades?**

Yes. Spreads and combinations may be executed as block trades provided the trade represents a unified strategy controlled by a single entity and executed for a single account or group of eligible accounts (see Question 17).

**Intra-commodity**

Intra-commodity futures spreads, intra-commodity options spreads may be executed as block trades provided that the sum of the quantities of the legs of the transaction meets the requisite minimum quantity requirements ("MQR").

For example, the MQR for the Henry Basis Future contract ("HEN") is 25 contracts. A 15 lot September 2012 / October 2012 HEN spread may be blocked as a block trade. Please note that the 15 September 2012 and 15 October 2012 *may be aggregated* to satisfy the 25 lot MQR.

**Inter-commodity**

Inter-commodity futures spreads, inter-commodity options spreads and inter-commodity combination transactions may be executed as block trades provided that the sum of the quantities of the legs of the transaction meets the largest MQR for the underlying products.

For example, the MQR for the MISO Indiana Real Time Financial Off-Peak futures contract ("CPO") is 10 contracts and the MQR for the NYISO Zone A Financial Off-Peak futures contract ("AOP") is 78 contracts. A 50 lot September 2012 CPO/ October 2012 AOP inter-commodity spread may be blocked as a block trade. Please note that the 50 September 2012 CPO and 50 October 2012 AOP *may be aggregated* to satisfy the largest MQR of 78 lots (AOP).

**Futures/Options Combination**

Inter-commodity and intra-commodity combination block trades may be executed in all products where the option contract is eligible for block execution.

In order for a combination to meet the requirements for block execution, *the sum of the quantities* of the options leg must satisfy the requisite MQR (please review the Intra/Inter Commodity language reflected above to determine the required MQR). While the futures leg does *not* need to separately satisfy the requisite MQR, the futures leg *must* offset the net options position of the options leg(s). Please note that the futures leg cannot be greater or less than the number of contracts required to offset the net delta of the options leg(s).

For example, assume that a block combination trade for Henry Penultimate options (“PHE”) and futures (“PHH”) is agreed between two parties, consisting of 80 lots of December 2012 PHE \$4.00 Calls and 16 November 2012 PHH futures contracts (a 20 delta). Since the MQR for options on Henry Penultimate (PHE) is 60 lots, the options quantity complies with the MQR for the options portion of the combination trade; given the options quantity of 80 lots and the 20 delta for the options, the future quantity of 16 lots is equal to the net delta of the options position (calculated by multiplying the options quantity by the delta, or  $80 \times .2000 = 16$  lots), and therefore the futures quantity complies with the volume requirement for the futures position of the combination. If the futures quantity in this example were significantly larger or smaller than 16 lots, it would not comply with the volume requirement for the futures portion of a combination block trade.

#### **Multi-Exchange Inter-Commodity Strategies**

Inter-commodity futures and options spreads in energy contracts (Natural Gas, Power, Physical Environmental, Liquefied Natural Gas, and Oil) where one leg includes an ICE Futures U.S. contract and another leg includes an ICE Futures Europe contract may be executed as a block trade provided that the sum of the quantities of the legs meets the MQR for the ICE Futures U.S. product.

A strategy that includes an ICE Futures U.S. contract and a contract from an exchange other than ICE Futures Europe may not combine the quantities of the legs to meet the MQR. Instead, the block trade quantity must meet the MQR of the ICE Futures U.S. contract.

**15. May block trades be given up?**

Yes. Block trades may be given up.

**16. Can block trades be executed for a future or option position after Last Trading Day?**

Block trades for only Energy contracts may be executed up to expiration, but block trades for Agricultural and Financial products can't be executed after close of trading on the respective market on last trading day

**17. Can orders be bunched to constitute one side of a block trade?**

Yes, but only if the order is entered by a single controlling entity. For example, a CTA eligible to transact blocks may bunch orders entered on behalf of multiple accounts over which the CTA exercises power of attorney, provided that the aggregate order meets the minimum quantity requirements. Two or more traders who generally act independently with respect to accounts with different beneficial ownership may not bunch their orders for purposes of meeting the block trade minimum order quantity requirements.

Other than the CTA exception, brokers may not bunch orders from otherwise autonomous customers.

**18. What fees are associated with block trades?**

Block trade fees vary by product. Current Exchange and Clearing fees can be found at:

Energy Product Fees:

[https://www.theice.com/publicdocs/futures\\_us/IFUS\\_S2F\\_Energy\\_Fees.pdf](https://www.theice.com/publicdocs/futures_us/IFUS_S2F_Energy_Fees.pdf)

All Other Product Fees:

[https://www.theice.com/publicdocs/futures\\_us/Exchange\\_and\\_Clearing\\_Fees.pdf](https://www.theice.com/publicdocs/futures_us/Exchange_and_Clearing_Fees.pdf).

**19. Can Trade at Settlement (“TAS”) trades be executed as block trades?**

Yes, TAS trades may be executed as block trades for certain contracts. TAS blocks may be executed for those products and contract months for which both TAS and block trades are permitted. Current TAS products can be found at: [https://www.theice.com/publicdocs/futures\\_us/TAS\\_FAQ.pdf](https://www.theice.com/publicdocs/futures_us/TAS_FAQ.pdf)

TAS trades can be executed, and are subject to the same eligibility, minimum trade quantity and timely reporting requirements as block trades generally. TAS block trades are to be reported using the same procedures outlined above for block trades generally.

**20. What is an eligible futures arbitrage block trade?**

The Exchange has established a reduced block trade minimum quantity requirement of 100 lots for:

1. Sugar No. 11 futures contracts purchased or sold as part of a Sugar No. 11/white refined arbitrage trade against the ICE Futures Europe White Sugar futures (“Refined”) contracts. For each Sugar No. 11 futures contract purchased or sold as a part of the arbitrage, there must be at least one Refined contract sold or purchased; and
2. ICE Futures U.S. Coffee “C” Futures (Arabica) purchased or sold as part of an Arabica/Robusta arbitrage trade against ICE Futures Europe Coffee Futures (Robusta) contracts. For each Coffee “C” futures contract

purchased or sold as a part of the arbitrage, there must be an equivalent amount of Robusta sold or purchased (for every 10 Coffee “C” contracts traded, there must be approximately 17 Robusta contracts traded).

The Clearing Member(s) for each such arbitrage block transaction will be responsible for ensuring that the transaction is in fact part of an arbitrage transaction.

**21. Do block trades between accounts of affiliated parties constitute as Wash trade?**

The Exchange permits block trades in all futures and options contracts between accounts of affiliated parties provided that each block trade meets all of the following requirements:

- (i) the block trade price must be executed at a fair and reasonable market price;
- (ii) each party must have a separate and independent legal bona fide business purpose for engaging in the trades; **and**
- (iii) each party's decision to enter into the block trade must be made by a separate and independent decision-maker.

If the block trade(s) does not meeting all of the requirements set forth above, the transaction may constitute an illegal Wash trade prohibited by ICE U.S. Rule 4.02(c).

**22. What restrictions are in place regarding the disclosure of block trade details?**

A broker negotiating a potential block trade for a customer may, with the customer's express consent, disclose the customer's identity to parties involved in the negotiation of a block trade. Parties involved in the solicitation or negotiation of a block trade may not disclose the terms of a block trade to non-involved parties prior to the block trade being publicly reported by the Exchange. However, a broker may communicate to one or more of the parties involved in negotiating the block trade whether the negotiation of the trade has ended, prior to the block trade being publicly reported by the Exchange. A broker may not communicate any additional information beyond the fact that the negotiation ended. Parties receiving such notification may not trade on that information, or disclose such information to any other party, prior to the block trade being publicly posted.

**23. What is a Block trade at Index Close (BIC) and for which products is it available?**

A Block trade at Index Close (BIC) is a type of off-exchange block trade where the price is determined as a basis to a prospective closing level of the index underlying the futures contract on a specified date. A BIC trade is not a separate futures contract. It is a way of trading existing MSCI futures contracts.

BIC trades may only be executed in the MSCI and NYSE FANG+ Index\_futures contracts.

The minimum block size requirements for BICs are the same as the non-BIC MSCI and NYSE Fang+ Index futures block minimums shown in Table 2, Question 2.

### BIC Trade execution and Reporting

- BIC trades must be submitted and reported to the Exchange in accordance with the procedure described in Questions 9 and 10.
- The “execution time” for a BIC trade is the time at which the final price and quantity of futures contracts have been determined. A BIC trade must be reported to the Exchange by 8:30am New York Time the following business day.
- Both the basis and the final outright block trade price must be “fair and reasonable” when they each are agreed upon and determined in accordance with Exchange Rule 4.07 (a) (iii).

### Example OF BIC trade

#### **MSCI Emerging Markets**

- On Monday at 1:30 pm NY time, the buyer and seller have a discussion and the dealer agrees to accept a limit order for \$15,000,000 notional value of MSCI Emerging Markets Index Futures to be filled the next trading day at the MSCI Emerging Markets index closing level plus a basis of +.26 index points
- The next day’s official MSCI Emerging Markets index closing level of 900.11 is available at 6:30 pm NY time on Tuesday
- The block trade is finally priced and executed at 900.37 ( $900.11 + .26$ ) for 333 contracts ( $\$15,000,000 \div (\$50 * 900.37)$ ), and reported to the Exchange before 8:30 am NY time on Wednesday (because final price determined after 4:45 pm NY time – see “BIC Trading Details”)
- The BIC trade clears and settles like any block trade executed on Wednesday.

#### **24. Is pre-hedging or anticipatory hedging of a block trade permitted?**

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 engaging in a negotiation to offset the position or offsetting the position 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 has been consummated.

It shall be a violation of Exchange Rule 4.02(h) for a Person to engage in the front running of a block trade when acting on material non-public information regarding an impending transaction by another person, acting on non-public information obtained through a confidential employee/employer relationship, broker/customer relationship, or in breach of a pre-existing duty. It should be noted that a Person solicited to provide a two-sided block market is not deemed to be in possession of material nonpublic information provided that “side of market interest” is not disclosed in the context of such solicitation.

A party acting principally in a block trade negotiation that plans on engaging in pre-hedging activity, upon request from the Exchange, must provide sufficient documentation to support that the persons employed by the party (or its affiliates) involved in the transaction were not acting in an agency capacity during the negotiation and execution of such block trade. Representations or communications by a party that appear to suggest an order is being worked on behalf of a counterparty are viewed by Market Regulation to imply that such agency duties are owed to the counterparty. In such scenarios, pre-hedging is prohibited. Failure by a party to provide sufficient documentation to support its actions in a principal capacity may constitute a violation of Exchange rules, including, but not limited to, rules pertaining to acts that are detrimental to the best interests of the Exchange.

The Exchange may proceed with 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 acts against its customer’s best interests.

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

**25. Does the use of electronic platforms or systems satisfy the private negotiation standard for a block trade?**

It is permissible to use communication platforms or technologies to bilaterally request block trade markets from one or more market participants and to conduct privately negotiated block trades. It is not permitted 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 anonymous bids and offers. Block trades transacted in such manner *do not* satisfy the private negotiation standard.

Parties may also use 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 on the basis of

such electronically displayed indicative markets may be transacted *only* through direct bilateral communications involving the broker, where applicable, and the parties to the trade. To demonstrate that the block trade based on such technologies was privately negotiated, the broker(s) or parties involved in a transaction must maintain and provide, when requested, documentation or correspondence that clearly evidences direct bilateral communications between the broker(s) and the parties to the trade. Failure to provide such documentation or communication would render the block trade in violation of the private negotiation standard.

## **26. What is an Equity Basis Block (“EBB”)?**

An EBB is an Exchange block trade where the futures price is determined as a basis to one or more hedging transactions which are bought or sold by one of the parties over the course of an agreed upon, predetermined period of time during a single trading session.

Permissible hedging vehicles include stock baskets, cash market instruments, or equity index futures or options. At a minimum, the hedging vehicle must demonstrate a reasonable price correlation to the equity index futures product underlying the EBB. EBB trades may only be executed in the MSCI Indices, NYSE FANG+ Index and ICE Biotechnology and Semiconductor Index futures contracts.

### **General Requirements**

- EBB must be reported to the Exchange via ICE Block and adhere to the existing block minimum thresholds applicable to those products.
- All participants must agree that the execution will be done as an EBB.
- Prior to executing the hedge, the participants must consummate the block trade and agree to: the quantity of futures or notional value of the block, the execution methodology for the hedging transactions, the markets the hedging transaction(s) will take place, and the predetermined basis to be used in determining the price of the block trade after the hedge has been concluded.

### **Execution and Reporting**

EBB trades and the corresponding hedge transactions must occur and be submitted on the same business day by 5:45 pm ET. The “execution time” for an EBB trade is the time at which the participants consummated the block trade in principle, which must have occurred prior to the commencement of the hedging activity. The block trade must be accurately identified by selecting the “Basis” trade type in ICE Block. The submitter must also report the agreed upon basis and the hedge product description by entering that information in the “Transaction Details” text field on the block trade submission screen in the ICE Block application. Upon request, participants must be able to provide the identity and volume traded of the equity securities comprising the basket and the price (including currency) at which each equity security was traded. If a participant is unable to execute the full quantity of hedges necessary to support the originally agreed upon quantity of the block trade consummated with the counterparty, the

participant must, at a minimum, submit the block trade at a quantity that corresponds to the quantity of hedges the participant executed. Alternatively, with the counterparty's consent, the participant may submit the block trade up to the full quantity originally agreed upon.

**27. What are the block trade requirements for MSCI Total Return Index futures contracts?**

Block trades involving MSCI Total Return Index futures contracts may be reported using either the Trade-At-Close ("TAC") or the Trade-At-Market ("TAM") pricing formulas, as defined in Chapter 28 of the Rules. For block trades that are reported using the TAC pricing formula, participants will be required to enter the TRF Spread in basis points in ICEBlock. For block trades that are reported using the TAM pricing formula, participants must select the TAM trade type in ICEBlock and will be required to enter both a TRF Spread value in basis points and a custom price for the underlying MSCI index in index points. Block trades involving MSCI Total Return Index futures contracts must meet or exceed the minimum quantity requirement and all other recordkeeping, reporting, and price reasonability requirements.



## Appendix A

### Rule 4.07. Block Trading

(a) Privately negotiated Transactions may be entered into with respect to Commodity Contracts designated by the Exchange for such purpose (hereinafter referred to as "Block Trades"), provided that all of the following conditions are satisfied:

(i) Each party to a Block Trade must be:

(A) an eligible contract participant as that term is defined in Section 1a(18) of the Act; *provided that*, if the Block Trade is entered into on behalf of Customers by (1) a commodity trading advisor registered under the Act ("CTA"), including without limitation any investment advisor registered as such with the Securities and Exchange Commission that is exempt from regulation under the Act or CFTC regulations ("Exempt Investment Adviser"), with total assets under management exceeding US \$25 million, or by (2) a foreign entity performing a similar role or function to a CTA or investment advisor that is subject to foreign regulation ("Foreign Adviser"), with total assets under management exceeding US \$50 million, the individual Customers need not so qualify, or

(B) a corporation, business trust, partnership, limited liability company or similar business venture (other than a commodity pool), which, at the time of entering into the first block trade on the Exchange, has total assets in excess of \$5 million and meets one of the portfolio requirements specified in CFTC Regulation 4.7(a)(1)(v), or

(C) a natural person whose individual net worth, or joint net worth with that person's spouse, at the time of entering into the first block trade on the Exchange, would qualify the individual as an 'accredited investor' as defined in SEC Rule 230.501(a)(5) and who meets one of the portfolio requirements specified in CFTC Regulation 4.7(a)(1)(v); or

(D) a natural person whose income, at the time of entering into the first block trade on the Exchange, would qualify the individual as an 'accredited investor' as defined in SEC Rule 230.501(a)(6) and who meets one of the portfolio requirements specified in CFTC Regulation 4.7(a)(1)(v), or

(E) a 'Non-United States person', as such term is defined in CFTC Regulation 4.7(a)(1)(iv).

(ii) Each buy or sell order underlying a Block Trade must:

(A) state explicitly that it is to be, or may be, executed by means of a Block Trade; and

(B) be for at least the applicable minimum threshold as specified by the Exchange; *provided that* only a CTA, including without limitation an Exempt Investment Adviser, with total assets under management exceeding US \$25 million or a Foreign Adviser with total assets under management exceeding US \$50 million, may satisfy this requirement by aggregating orders for different accounts.

(iii) The price at which a Block Trade is executed must be fair and reasonable in light of (A) the size of such Block Trade, (B) the price and size of other Trades in the same contract at the relevant time; and (C) the price and size of Trades in other relevant markets, at the relevant time.

(iv) Block Trades shall not set off conditional orders, including but not limited to, stop orders, limit orders or market-if-touched orders, or otherwise affect orders in the regular market.

(v) Block Trades executed on the Last Trading Day for any delivery month in Sugar No. 11 Futures Contract must be executed and reported before the final five (5) minutes of trading.

(b) Block Trades may be executed in Exchange Futures and Options Contracts as determined by the Board and must meet the applicable minimum thresholds for such contracts as determined by the Board from time to time.

(c) The parties to a Block Trade shall cause the Transaction to be reported to the Exchange in accordance with such procedure as are determined by the Exchange from time to time.

(d) If a Clearing Member has actual or constructive knowledge that an account it carries does not meet the requirements of paragraph (a)(i) of this Rule and fails to take appropriate action, the Clearing Member may be found to have committed an act detrimental to the best interests of the Exchange. Upon request from the Exchange, a Clearing Member carrying an account for which a Block Trade has been executed shall verify that the account holder meets the requirements of paragraph (a)(i) of this Rule and shall advise the Exchange of the basis of such determination.

(e) Block Trades may not be used to establish positions upon which a cash and carry exemption request made in accordance with Rule 6.29 is based.

(f) Notwithstanding paragraph (a)(i) of this Rule, the Chief Regulatory Officer or his designee may authorize an exception to the minimum threshold quantity or permit a block trade at a price within the historical range for the contract(s) being traded, where, in the opinion of the Exchange official, it is deemed: (i) to be in the best interests of the Exchange; or (ii) to be the most appropriate means to remedy an error that results from the good faith acts or omissions of any Person.