

CME Lehman Brothers U.S. Aggregate IndexSM Futures Contract

Block Trading Step-By-Step

[CME Rule 526](#) discusses the requirements to engage in Block Trades on CME markets. This memo is to remind traders of the Rule 526 requirements for engaging in block trades in CME Lehman Brothers U.S. Aggregate Index Futures Contracts. Please refer to the rule or, if you have any questions, please contact CME Market Regulation.

1. **First, you must be an Eligible Contract Participant in order to do block transactions and the requirements for this are delineated in Rule 526.B. of the CME Rulebook.** Such eligible participants include Exchange members and member firms, broker/dealers, government entities, pension funds, commodity pools, corporations, investment companies, insurance companies, depository institutions, and high net-worth individuals. Further, Rule 526 provides for the participation of Commodity Trading Advisors (CTAs) and registered investment advisors - with net assets under management of at least \$25 million – to conduct block transactions.
2. **You have to do a minimum number of fifty (50) CME Lehman Brothers U.S. Aggregate Index Futures Contracts to execute a block trade.**
3. **You come to a clear agreement with your counter-party on a fair and reasonable price for the CME Lehman Brothers U.S. Aggregate Index Futures Contract and the number of those contracts** (e.g., “we at ABC Bank sell 200 December 2007 CME Lehman Brothers U.S. Aggregate Index Futures Contracts at a price of 1350.00 to Worldwide Investors”). Block trades must be transacted at prices that are “fair and reasonable” in light of the size of the order, prices in related cash, futures and option markets and the circumstances of the participants.

4. Each counter-party to the trade should call their clearing firm to let them know they have engaged in a block trade and include all relevant details so that the trade will be able to clear quickly. **It is also a good idea to give your clearing firm notice early on to avoid surprises if you plan to execute such a trade in the near future.**
5. **The seller's clearing firm must report the trade to the GLOBEX® Control Center (GCC) within 15 minutes after the counter-parties have agreed to the details of the trade.** The phone number for the GCC is 312-456-2391, after the phone is answered you should choose option "3."
6. **When the seller's clearing firm reaches the GCC representative, they must provide the following information:**
 - ***The name of the seller's clearing firm's representative and his/her phone number at the clearing firm.***
 - ***Time of the trade*** (the time of the agreement between counter-parties)
 - ***The number of contracts*** (remember the minimum Block Trading threshold for CME Lehman Brothers U.S. Aggregate Index Futures is 50 contracts)
 - ***The name of the contract*** (it is best if you give the contract codes including month and year—e.g., December 2007 CME Lehman Brothers U.S. Aggregate Index Futures Contracts: **LBAZ7**)
 - ***The price of the contract*** (e.g., 1350.00 for a CME Lehman Brothers U.S. Aggregate Index Futures Contract).
 - ***The name of the buyer's clearing firm*** (this may be the same as the seller's clearing firm)

There is a Q&A on CME block trading on the exchange web site at:

<http://www.cme.com/blocks>

For more information regarding block trading rules or eligibility to transact block trades in CME Lehman Brothers U.S. Aggregate Index Futures Contracts, please contact Kathy Zaino, Associate Director, Daily Investigations, CME Market Regulation at (312) 930-2341.