

CME Housing Futures and Options Block Trading

Step-By-Step Guide

For traders who are interested in engaging in block trades in CME Housing futures and options, you'll find the steps you need to follow in order to start block trading below.

- 1. You must be an Eligible Contract Participant in order to do block transactions as detailed in Rule 526.B. of the CME Rulebook and as defined in by the Commodity Futures Trading Commission (CFTC).**

Eligible contract participants (ECPs), as defined by the CFTC, generally include sophisticated parties such as financial institutions, insurance companies, investment companies, commodity pools, corporations or other entities, employee benefit plans, governmental entities, brokers or dealers, futures commission merchants (FCMs), floor brokers or floor traders, investment advisors, commodity trading advisors or foreign persons acting as an investment manager or fiduciary for another ECP or any other person that the CFTC deems eligible. Some of these participants are subject to regulation and asset requirements. Individuals must have total assets of more than \$10,000,000 or total assets of more than \$5,000,000 and enter into an agreement, contract or transaction in order to manage the risk associated with an asset owned or liability incurred by the individual. (See Section 1a(12) of the Commodity Exchange Act.)

- 2. You have to trade a minimum number of CME Housing futures and futures on options contracts to execute a block trade.**

Below is a table with the thresholds:

CME Housing Block Minimums

	Hours	Block Minimum
Futures	5:00 p.m. to 2:00 p.m. the following day (Central Time) Sunday through Thursday. Last trading day is until 12 noon (Central Time) on the last Tuesday of the expiring month.	20 contracts
Options on Futures	8:00 a.m. to 2:00 p.m. (Central Time) Monday through Friday. Last trading day is until 12 noon (Central Time) on the last Tuesday of the expiring month.	20 contracts

3. **You come to a clear agreement with your counter-party on a fair and reasonable price for the housing contract and the number of those contracts.**

(E.g., we at ABC Bank sell 20 Chicago November 2006 Housing futures contracts at a price of 237.34 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. Further, the trade price must adhere to the minimum tick and price validation requirements of the market in question.

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.**

❖ **The seller's clearing firm must report the trade within 5 minutes after the counter-parties have agreed to the details of the trade.**

❖ The phone number to report block trades is **312-648-3935 or 312-648-3936.**

5. **When the seller's clearing firm reaches the CME 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*** (e.g., within 5 minutes of the agreement between counter-parties)
- ***The number of contracts*** (remember the minimum thresholds!)
- ***The name of the contract*** (e.g., it is best if you give the contract codes including month and year—Chicago November 2006 Housing futures **CHIX6**)

Visit www.cme.com/housing for all housing codes.

- ***The price of the contract for futures or the premium, strike price and whether it is a call or put if it is an option*** (e.g., 237.34 for a housing futures contract or 5 ticks for the 237 November 2006 Housing call).
- ***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: www.cme.com/blocks.

For more information regarding block trading rules or eligibility to transact block trades in housing futures and futures on options, please contact Dave Smith, Manager, Alternative Investments at (312) 634-8921.