

CME Housing Futures and Options Block Trading

Step-By-Step Guide

We just wanted to pass along this reminder to traders who might be interested in engaging in block trades in CME Weather futures and options. Below, you'll find the steps you need to follow in order to start block trading.

- 1. You must be an Eligible Contract Participant in order to do block transactions and the requirements for this are detailed 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 trade a minimum number of CME Housing futures and futures on options contracts to execute a block trade.**

Below is a table with the various thresholds:

CME Housing Block Minimums

Hours	Futures	Options on Futures
5 p.m. to 2:00 p.m. Central Time the following day. Last trading day is until 12 noon Central Time on the last Tuesday of every month.	20 contracts	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 114 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 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".

5. **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*** (e.g., within 15 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 weather 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/housing.

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, CME Housing Products at (312) 634-8921.