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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, noncompetitive, privately negotiated transaction either at or exceeding an Exchange determined minimum threshold quantity of futures or options contracts which is executed apart and away from the open outcry or electronic markets. Exchange Rule 4.31 sets forth the requirements for executing a block trade.

#### 2. How does a block transaction differ from an Exchange for Physical (“EFP”)/ Against Actual (“AA”) transaction?

EFPs/AAs are transactions where futures and corresponding cash positions are simultaneously exchanged. A block trade only involves futures, options on futures, or a combination of futures and options.

**3. What are the eligible contracts and the minimum threshold quantities for a block trade?**

The following table lists the eligible contracts and minimum threshold quantities for block trades.

Product	Contract Type	Minimum Threshold Quantity
Sugar #11	Futures	1st 12 calendar months - 1000 lots
		all other months - 500 lots
	Options	250 lots
Coffee "C"	Futures	outrights - for all contract months more than 12 calendar months out - 500 lots
		spreads - for all contract months more than 12 calendar months out - 250 lots
	Options	250 lots
Robusta Coffee	Futures	100 lots
	Options	100 lots
Cotton No. 2	Futures***	500 lots
	Options	250 lots
FCOJ	Options	100 lots
Cocoa	Options	100 lots
Russell Complex	Futures	75 lots
	Options	75 lots
NYSE Composite	Futures	75 lots
	Options	75 lots

\*\*\* Block Trades of Cotton No. 2 Futures are not permitted before April 1, 2008.

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

Each party to a block trade must be an Eligible Contract Participant ("ECP") as that term is defined in Section 1a(12) 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(12) 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.

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

Exchange Rule 4.31 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.

**6. 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.

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

The hours at which a block trade may be executed vary depending upon the entry venue, ICEBlock or TIPS®. Please see the table in Question 8.

**8. How are block trades reported?**

Block trades are reported using ICEBlock for all products listed on the electronic platform. All other products may be reported using TIPS. The following table provides the entry venue for each eligible commodity.

Product	Contract Type	Entry Venue	Block Trading Hours
Sugar #11	Futures	ICEBlock	1:30AM – 3:15PM*
	Options	TIPS	8:10AM – 12:30PM
Coffee "C"	Futures	ICEBlock	1:30AM – 3:15PM
	Options	TIPS	8:30AM – 12:30PM
Robusta Coffee	Futures	ICEBlock	1:30AM – 3:15PM
	Options	TIPS	8:30AM – 12:30PM
Cotton No. 2	Futures***	ICEBlock	1:30AM – 3:15PM
	Options	TIPS	10:30AM – 2:15PM
FCOJ	Options	TIPS	10:00AM – 1:30PM
Cocoa	Options	TIPS	8:00AM – 11:50AM
Russell Complex	Futures	ICEBlock	6:00PM – 6:00PM
		TIPS	9:30AM – 4:15PM
	Options	TIPS	9:30AM – 4:15PM
NYSE Composite	Futures	TIPS	9:30AM – 4:15PM
	Options	TIPS	9:30AM – 4:15PM

\*\*\* Block Trades of Cotton No. 2 Futures are not permitted before April 1, 2008.

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\* 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.

**9. 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.

**10. What are the procedures for entering a block trade in ICEBlock?**

Block trades through ICEBlock will only be permitted during electronic trading hours.

**Step 1** - The selling clearing member/floor member must notify ICE Futures U.S., by email at [blocktrades@theice.com](mailto:blocktrades@theice.com) within five (5) minutes of the trade execution. The e-mail must include the following information:

- Commodity
- Month/Year
- Volume
- Price
- Time of Execution (time that the parties agree to the block trade)
- Clearing Member
- CTI code
- C/H indicator
- Executing broker (floor broker, RI or Clearing Member 1900 series badge ID) badge number
- Account number
- Opposite broker (floor broker, RI or Clearing Member 1900 series badge ID) badge number
- Opposite clearing member
- Opposite CTI code
- Opposite C/H indicator
- Opposite account number, if known.
- Seller's contact information (Name, e-mail address, & phone #)

**Step 2** - ICE Futures US will enter the block transaction into ICEBlock.

**Step 3** -Both the buying clearing member and the selling clearing member must accept or challenge the transaction within 30 minutes of the trade being reported to ICE Futures U.S.

**Step 4** - Challenged transactions will subject to the same default logic as regular trades - transactions will be cleared by the executing broker's or RI's Guarantor Firm.

**11. What are the procedures for entering a block trade into TIPS?**

Block trades submitted through TIPS will only be permitted during open outcry trading hours for products exclusively traded on the floor.

**Step 1** - The block trade must be entered by either:

(1) each clearing member/floor member enters their side of the block transaction into TIPS; or

(2) one clearing member enters both sides of the transaction and allocates one side to another clearing member; or

(3) one floor member enters both sides of the transaction and allocates the sides to the respective clearing member(s).

The floor broker must record the block trade on a trading card, identify it as a “block” trade and ensure that it is reported to the designated exchange official.

**Step 2** - A clearing member must sign into TIPS using its 1900 series badge ID. Each Clearing Member entering a transaction will be required to enter a card and line number in TIPS for each Block transaction it submits to ICE Clear US. ICE Clear US has distributed a list of unique trading card numbers to be used specifically for submitting Block transactions by that Clearing Member. These trading card numbers are the same range of numbers that you are currently using for the input of EFP and EFS transactions.

When entering the Block transaction into TIPS, the letter “B” should be placed in the Trade Type column.

**Step 3** - TIPS will match the sides to the trade and each clearing member will be required to accept the matched trade via TIPS.

**Step 4** -The selling clearing member must notify ICE Clear US, by email to [ICEClearUS@theice.com](mailto:ICEClearUS@theice.com) five (5) minutes of the trade execution, as to the Commodity, Month, Year, volume, price, and opposite badge ID. The selling floor member must notify the podium of the same within five (5) minutes of the trade execution.

**Step 5** - Challenged transactions will be subject to the same default logic as regular trades - transactions will be cleared by the executing broker’s or RI’s Guarantor Firm.

**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?**

The seller is responsible for reporting the time of execution (the time the parties agreed to the block transaction). In addition, the Clearing Member must ensure that accurate execution times are submitted to the Exchange.

**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.

Satisfying the Quantity Requirements for a Futures Spread Block Trade

In order to be eligible for block execution, *each* leg of a futures spread must satisfy the requisite minimum threshold quantity requirements (“MQR”) for the contract. Legs may not be aggregated to meet the MQR.

For example, the MQR for the front month in the Sugar No. 11 futures contract (“SB”) is 1000 lots. If H08 is the front month, a 500 lot H08/H09 SB spread may not be executed as a block trade. While the 500 H09 will satisfy the MQR for back month SB, the 500 H08 does not satisfy the MQR for front month SB. Please note that the 500 H08 and 500 H09 *may not be aggregated* to satisfy the 1000 lot front month MQR. A 1000 H08/K08 spread may be executed as a futures spread block because the 1000 H08 satisfies the front month MQR and the 1000 K08 satisfies the back month MQR.

Satisfying the Quantity Requirements for an Options Spread/Combination Block Trade

In order to be eligible for block execution, at least one leg of an options spread or combination must meet the MQR. Legs may not be aggregated to meet the MQR.

For example, the MQR for Sugar No. 11 options (“SO”) is 250 lots. Thus, only one leg of a H08/K08 SO spread block trade must be at least 250 lots. In an options ratio spread only one leg needs to meet the MQR the other leg(s) may be less.

For a combination block trade involving different strike prices of K08 SO, only one of the legs needs to be at or greater than the 250 lot MQR. Thus, a 250 K08 1050 Calls/100 K08 1200 Calls combination may be executed as a block. The 1050 Calls satisfy the 250 lot MQR. As a result, the 1200 Calls do not need to satisfy the 250 lot MQR.

Satisfying the Quantity Requirements for a Future/Options Combination Block Trade

In order to be eligible for block execution, *each* futures leg must satisfy the requisite MQR and *at least one* options leg must satisfy the requisite MQR. Legs may not be aggregated to meet the MQR.

For example, the MQR for the front month in SB is 1000 lots while the MQR for SO is 250 lots. In order to be eligible for execution as a block, the legs of a combination trade consisting of front month SB and SO must satisfy both the 1000 lot requirement for front month SB futures and the 250 lot requirement for SO.

If H08 is the front month, a 1000 lot H08 SB/250 lot K08 SO 1000 Call combination may be executed as a block trade. The MQR for both futures and options would be satisfied. A 1000 lot H08 SB futures/250 lot K08 SO 1000 Calls/100 lot K08 SO 1200 Puts combination may also be executed as a block. While the K08 SO 1200 Puts do not meet the MQR, only one options leg needs to meet the MQR requirement, in this instance the K08 SO 1000 Calls meet the MQR. In addition the SB meets the MQR.

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

Yes. Block trades may be given up.

**16. Can block trades be used to offset an option position after expiration?**

No. Block Trades may only be executed during the block trading hours (see table in Question 8) for eligible products.

**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?**

Fees for block trades are determined by the Exchange's Board of Directors from time to time. Currently, the block trade surcharge for agricultural products is \$0.75; this surcharge is added to the regular Exchange and Clearing fee that is charged to the executing customer for the futures or option contract. Block trades are not subject to the \$0.25 electronic trading surcharge. Currently, no block trade surcharge is in effect for financial products.

## Appendix A

### Rule 4.31. Block Trading

(a) Members may enter into privately negotiated Transactions 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 an eligible Contract Participant as that term is defined in Section 1a(12) of the Act; provided that, if the Block Trade is entered into on behalf of Customers 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 that 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 Customers need not so qualify.

(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 any investment advisor registered with the Securities and Exchange Commission that is exempt from regulation under the Act or Commission regulations, with total assets under management exceeding US\$25 million or a foreign entity performing a similar role or function to a CTA or investment advisor that subject to a foreign regulation 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) It is the responsibility of the Clearing Member carrying the account for which a Block Trade is executed to determine that the requirements as stated in paragraphs (a) through (c) of this Rule have been complied with.