

Noncompetitive Trading Requirements 2024 U.S. Derivatives Exchanges

Course Outline and Provider Qualifications

Welcome to the Exchange Analytics Noncompetitive Trading Requirements (U.S.). This course is designed to explain the primary noncompetitive trading requirements that apply to derivatives trading at major exchange markets in the U.S.

CME Group – CME, CBOT, NYMEX, COMEX

Intercontinental Exchange – ICE U.S., ICE EU

- I. Regulatory Background
 - a. The Self-Regulatory Structure
 - National Regulator
 - Self-Regulatory Organizations
 - Derivatives Exchanges
 - b. Competitive Transaction Requirement
 - Noncompetitive Transactions
- II. Pre-Execution Communications
 - a. Permitted Pre-Execution Communications
 - b. Pre-Execution Communication Practices
 - Consent
 - Confidentiality
 - Order Execution
 - Anticipatory Hedging
 - c. Insider Trading / Misappropriated Information
 - Improper Uses of MNPI
- III. Cross Orders - CME Group, ICE U.S., ICE EU
 - a. Trading Opposite Customer Orders
 - General Rule
 - CME Globex
 - ICE U.S.
 - b. Crossing Order Protocol – CME, ICE U.S., ICE EU
 - Agency Cross
 - Globex Cross
 - Committed-Cross
 - RFQ & RFC Cross
- IV. Block Trading
 - a. Block Trading Basics
 - b. Quantity Thresholds

- c. Bunching Orders
- d. Fair Pricing – CME, ICE U.S., ICE EU
- e. Common Beneficial Ownership
- f. Confidentiality – Unfair Advantage
- g. Required Block Trade Reporting Details
- h. Anticipatory or Pre-Hedging
- i. Block Trade Eligible:
 - CME Products
 - ICE Products
 - TAS and TAM Products
- j. Derived & Equity Basis Block Trades
- k. CME – Derived Block Trades
 - Hedging & Reporting Requirements
- l. ICE Futures U.S. – Equity Basis Block Trades
 - Hedging & Reporting Requirements
- m. Multi-Exchange – Inter Commodity Spreads
- n. Eligible Contract Participants – CME, QEPs – ICE
- o. Execution & Reporting – CME
 - Execution – Submission – Timing
- p. Execution and Reporting – ICE U.S. and ICE EU
- V. EFRPs – “Exchange for Related Position”
 - a. Definitions:
 - At CME and ICE U.S.
 - At ICE EU
 - b. Related Positions
 - c. Non-Bona Fide – Examples
 - d. Parties to an EFRP
 - e. The Exchanges: Specific EFRP Scenarios
 - f. Third-Party Facilitation
 - g. Common Beneficial Ownership and Common Control
 - h. EFRPs: Execution – Price – Quantity – Timing
 - i. Wash Sales
 - j. Transitory EFRPs
 - k. EFRP Recordkeeping and Reporting
 - l. EFRP Problem Areas
 - m. EFRP Errors
- VI. Noteworthy Cases
 - a. Enforcement Powers of Regulatory Authorities
 - b. Communications and Confidential Information (Cases 1-4)
 - c. Block Trading (Cases 1-4)
 - d. EFRPs (Cases 1-4)
 - e. Knowledge Check

❖ Course Completion Acknowledgement

Provider Qualifications - About the Authors

In its Interpretative Notice on Compliance Rule 2-9: Ethics Training Requirements, the National Futures Association states that 1) “Each Member should ensure that its selected provider is qualified and obtain proof that the provider has completed relevant proficiency testing and has three years of relevant industry experience, or similar experience;” and 2) that “Firms should only use providers that they reasonably in good faith believe are not subject to any investigations or bars from registration.” To address those requirements, Exchange Analytics presents the following information on the individuals who prepared this course material:

Marc Nagel serves as an advisor to Exchange Analytics and was the primary course author. Mr. Nagel retired as Chief Operating Officer and Chief Compliance Officer of a clearing Futures Commission Merchant. He serves on the Futures Commission Merchant Advisory Committee of the National Futures Association and on the Advisory Board of the IIT- Chicago Kent College of Law Futures and Derivatives Conference. Mr. Nagel is employed as a futures industry compliance consultant and expert witness. He is a licensed CPA and attorney, admitted to the State of Illinois Supreme Court, the U.S. District Court for the Northern District of Illinois, and the U.S. Tax Court. Mr. Nagel is a registered Floor Broker and has held various Exchange memberships since 1979. Mr. Nagel received his BS in Accountancy and CPA from the University of Illinois and his JD from IIT/Chicago Kent College of Law. Mr. Nagel (NFA ID 0194163) is not subject to any investigations or bars from registration. He has no regulatory actions or other disciplinary history.

Joseph Adamczyk served as a co-author. Prior to his affiliation with Exchange Analytics, he served as the Chief Compliance Officer for Options Clearing Corporation (OCC). Mr. Adamczyk oversaw the firm’s compliance risk monitoring and governance programs, advised the board of directors and staff on compliance and regulatory requirements, and interacted with federal regulators on compliance, risk, and examination matters. Before joining OCC, Mr. Adamczyk worked at CME Group where he served as the Managing Director & Associate General Counsel overseeing the company’s non-U.S. legal staff and activities. In this role, he interacted with regulators from around the globe. He also handled CME Group’s interactions with U.S. regulators and other authorities on cybersecurity and technology controls, requirements, cyber incident response, and examinations. At CME Group, Mr. Adamczyk also served as the Global Head of Investigations and Enforcement in the Market Regulation Department. In that role, he oversaw teams responsible for monitoring, investigating, and enforcing the CME Group exchanges’ trade practice rules and other requirements. Mr. Adamczyk received his MBA from the University of Chicago, law degree from Loyola University Chicago School of Law, and undergraduate degree from DePaul University. He has no regulatory actions or other disciplinary history.