

Block Trades FAQ

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Associated with MGEX Rule 83.17.

Q1: What are Block Trades?

A1: Block Trades are large quantity transactions that are privately negotiated off the Exchange's Electronic Trading System between two parties for the sale or purchase of futures or options. Block Trades do not involve an offsetting cash, OTC, or other listed contract position.

Q2: Who is eligible to participate in Block Trades?

A2: Block Trades can only be conducted by Eligible Contract Participants as defined by Section 1a(18) of the Commodity Exchange Act. Additionally, if an Eligible Contract Participant is conducting a Block Trade on behalf of a customer, the customer must have specified the order is to be conducted as a Block Trade.

Q3: What products are permitted by the Minneapolis Grain Exchange for Block Trades?

A3: Block Trades are permitted for SPIKES® Volatility Index Futures. Block Trades are not permitted in Hard Red Spring Wheat products or Agricultural Index products.

Q4: What are the minimum quantities for Block Trades?

A4: The minimum quantity for a Block Trade is described in the applicable rule for each product. Block Trades must be equal to or greater than this quantity. When trading spreads, the sum of the quantities of the legs of the transaction must meet the minimum block quantity threshold. No Block Trade eligible product can be spread in a Block Trade with any other product.

Q5: Can orders for different accounts be aggregated to meet the minimum quantity threshold?

A5: No, pursuant to MGEX Rules 83.17.A., orders for different accounts cannot be aggregated to meet the minimum quantity threshold.

Q6: How are Block Trades priced?

A6: Block Trades are required to be executed at a price that is fair and reasonable with consideration to the prevailing market price of the contract. See the below table for the minimum price increment for a Block Trade in each eligible product. Each outright transaction and each leg of any eligible spread must be executed at a single price.

| Block Trade Minimum Price Increment | |
|-------------------------------------|-------------------------|
| Product | Minimum Price Increment |
| SPIKES Volatility Index Futures | 0.01 Index Points |

Q7: When must Block Trades be reported?

A7: Block Trades must be reported to MGEX within fifteen (15) minutes following the execution of the Block Trade. If the Block Trade is a spread, the trade must be reported fifteen (15) minutes after the time when the trade is agreed to, not necessarily when the individual legs are priced.

Q8: What information must a Clearing Member report in order to clear a Block Trade?

A8: Block Trades are not submitted directly to MGEX by the parties to the Block Trade. Instead, the required information is reported to the Exchange by each party's Clearing Member. For each side of a Block Trade, the Clearing Member must report: the contract, contract month, price, quantity of the transaction including quantities for each leg, buy/sell side, CTI and Regular (House) or Segregated (Customer) indicators, the Transaction Type Indicator (B), account number, the respective Clearing Member code, the time of execution, and any other information required in accordance with MGEX Rules.

Q9: What are the recordkeeping requirements for Block Trades at the Minneapolis Grain Exchange?

A9: Parties to a Block Trade must maintain all records relevant to the Block Trade futures contract. Records may be requested by the Department of Audits and Investigations to verify the Block Trade was bona fide in nature. At minimum, the maintained documentation should be sufficient to support the price of the Block Trade as fair and reasonable, that the reported execution time is accurate, and in the case of customer orders that the customer specified the order be executed as a Block Trade.

Q10: When can Block Trades be traded?

A10: See the below table for the trading time and final reporting time for Block Trade eligible products. Note Block Trades can only occur on Exchange business days.

| Block Trade Times | | |
|---------------------------------|-------------------|----------------------|
| Product | Trading Time (CT) | Final Reporting Time |
| SPIKES Volatility Index Futures | 8:30 am – 4:00 pm | 4:15 pm |

Q11: Can a party participating in a Block Trade engage in pre-hedging?

A11: Parties to a potential Block Trade may engage in pre-hedging of the position that they believe in good faith will result from the consummation of the Block Trade, except for an intermediary that takes the opposite side of its own customer order. In such instances, prior to the consummation of the Block Trade, the intermediary is prohibited from engaging in pre-hedging. The intermediary may enter into transactions to hedge or offset the position only after the Block Trade has been consummated.

Questions regarding this FAQ may be directed to the Department of Audits and Investigations at (612) 321-7101 or at compliance@mgex.com.

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