



## ICE Futures U.S.

6 December 2022

### Notice

#### Amendments to Block Trade FAQ

Effective December 13, 2022, and pending regulatory processes, ICE Futures U.S. ("IFUS" or the "Exchange") will amend its Block Trade FAQ to provide market participants guidance regarding the new Equity Basis Block ("EBB") trade type. The amendments to the Exchange's Block Trade FAQ are provided as Exhibit A that follows.

As background, the EBB is a block trade where the futures price is determined as a fixed +/- differential, or basis, to the value of a basket of the underlying equity securities which are bought or sold by one of the parties to the block trade over the course of a pre-determined, agreed upon period of time during a single trading session. EBB trades have additional recordkeeping and reporting requirements, which are detailed in the FAQ (Exhibit A).

#### For more information:

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Key Information Documents for certain products covered by the EU Packaged Retail and Insurance-based Investment Products Regulation can be accessed on the relevant exchange website under the heading "Key information Documents (KIDS)," commencing January 1, 2019.

## Exhibit A

### **BLOCK TRADE FAQ**

#### **Question 26 - What is an Equity Basis Block (“EBB”)?**

An EBB is an Exchange block trade where the futures price is determined as a basis to one or more hedging transactions which are bought or sold by one of the parties over the course of an agreed upon, predetermined period of time during a single trading session.

Permissible hedging vehicles include stock baskets, cash market instruments, or equity index futures or options. At a minimum, the hedging vehicle must demonstrate a reasonable price correlation to the equity index futures product underlying the EBB. EBB trades may only be executed in the MSCI Indices, NYSE FANG+ Index and ICE Biotechnology and Semiconductor Index futures contracts.

#### **General Requirements**

- EBB must be reported to the Exchange via ICE Block and adhere to the existing block minimum thresholds applicable to those products.
- All participants must agree that the execution will be done as an EBB.
- Prior to executing the hedge, the participants must consummate the block trade and agree to: the quantity of futures or notional value of the block, the execution methodology for the hedging transactions, the markets the hedging transaction(s) will take place, and the predetermined basis to be used in determining the price of the block trade after the hedge has been concluded.

#### **Execution and Reporting**

EBB trades and the corresponding hedge transactions must occur and be submitted on the same business day by 5:45 pm ET. The “execution time” for an EBB trade is the time at which the participants consummated the block trade in principle, which must have occurred prior to the commencement of the hedging activity. The block trade must be accurately identified by selecting the “Basis” trade type in ICE Block. The submitter must also report the agreed upon basis and the hedge product description by entering that information in the “Transaction Details” text field on the block trade submission screen in the ICE Block application. Upon request, participants must be able to provide the identity and volume traded of the equity securities comprising the basket and the price (including currency) at which each equity security was traded. If a participant is unable to execute the full quantity of hedges necessary to support the originally agreed upon quantity of the block trade consummated with the counterparty, the participant must, at a minimum, submit the block trade at a quantity that corresponds to the quantity of hedges the participant executed. Alternatively, with the counterparty’s consent, the participant may submit the block trade up to the full quantity originally agreed upon.

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