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COMMENT

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**From:** icebergq@aol.com  
**Sent:** Thursday, November 06, 2008 3:03 PM  
**To:** secretary  
**Subject:** Re: Proposed Rules for Trading Off the Centralized Market

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Re: Proposed Rules for Trading Off the Centralized Market

To Whom It May Concern:

I have been an options market-maker on NYBOT/ICE for over two years. I consider myself willing and able to adapt to changing market conditions. I am not against changes in the rules that allow for a better, more efficient market. However, the implementation of Block Trading has not been such a change. Since arriving on the floor, I have witnessed first hand Block Trading in both the cocoa and coffee options pit. I understand the sentiment for allowing trades to occur off the market; that some trades are too big to be efficiently absorbed by the crowd.

However, this is not at all how Block Trading has been used. The minimum size for a block trade has been set so low that ordinary trades that could easily be executed at one price in the crowd, without disrupting the market, have been executed as Block Trades. As a cocoa options trader, I can tell you that the current minimum Block Trade size of 100 is far too low. There are many traders in the pit that will easily trade 250 lots at one price on their own. So combined, an order of at least 500 lots can be absorbed by the crowd. However, I have witnessed 100 lot Block Trades that are done at egregious prices where it is clear that one of the customers is being taken advantage of. Surely, these customers will eventually learn that they are being taken advantage of and take their volume elsewhere.

Also, I believe that there is some confusion about setting Block Trade limits in options. Just because options trades are more complicated does not necessarily mean that the Block Trade size should be smaller. In the current rules "USFE seemed to imply that the 90% threshold should be lower for options than for futures. USFE noted that options transactions, particularly combination trades, are more complex than futures trades and require more human intervention than other trades. The options market is therefore more conducive to trading off the centralized market." While the options market is more complex, that is not a reason to lower the minimum Block Trade size. This is a reason that Block Trading rules should be set by the product committees. These committees are much more attuned to the needs of different markets. These

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individual committee members are active in their market and need a deep, liquid market to conduct their business. They are not beholden only to equity shareholders who may wish to sacrifice longer term viability in exchange for a minor gain in short term volume, and therefore, profits. These committees should be the ones the set rules for Block Trading that benefits the market as a whole. Lastly, there need to be "Rules" that govern Block Trading, not simply "guidelines" that can be easily manipulated.

Thank You,  
Jim Hertzberg  
IcebergQ@aol.com

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