

OneChicago ✕

141 West Jackson, Suite 1065
Chicago, Illinois 60604

September 12, 2012

Mr. David Stawick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: Notice to Members: Pre-Execution Discussions and Cross Trades

Dear Mr. Stawick:

Pursuant to section 5c(c)(1) of the Commodity Exchange Act, as amended (the "Act"), and section 41.24 of the regulations promulgated by the Commission under the Act, submitted herewith is a Notice to Members regarding Pre-Execution Discussions and Cross Trades.

This Notice to Members ("NTM") was part of a previous NTM 2010-13 dated August 27, 2010 regarding Block Trades, Pre-Execution Discussions and Cross Trades. This updated notice separates the Block Trades segment from NTM 2010-13 onto its own notice (NTM 2012-25), clarifies the policy surrounding Block Trades and identifies which specific types of transaction (i.e. bilateral) are excluded.

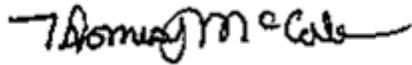
The amended Pre-Execution Discussions and Cross Trades notice is included as Attachment A. Deleted text is shown by a strikethrough (---) and new text is underlined (___). These changes will become effective on September 14, 2012.

There is no new operational impact related to the amendment.

Comments on this revised OneChicago notice to members have not been solicited and none have been received. The Regulatory Oversight Committee has reviewed and approved these changes.

On behalf of OneChicago, I hereby certify that the notice to members complies with the Act and the regulations promulgated thereunder and a copy of the submission has been posted on the OneChicago website at http://www.onechicago.com/?page_id=8917.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Thomas G. McCabe". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Thomas G. McCabe
Chief Operating Officer
OneChicago, LLC

Encl: Attachment A

Attachment A

OneChicago ✕

NOTICE TO MEMBERS #~~2010-13~~2012-26

(This replaces Notice to Members 2012-24)

Date: ~~August 19, 2010~~ September 12, 2012

RE: ~~Block Trades~~ Pre-Execution Discussions and Cross Trades

Effective Date: ~~August 27, 2010~~ September 14, 2012

Block Trades

~~Pursuant to OneChicago Rule 417(a), the Exchange permits eligible contract participants to execute block trades away from the public auction market in privately negotiated transactions for a minimum number of 100 contracts per transaction. Block trades can also be traded competitively. All block trades must be executed and reported no earlier than 30 minutes before trading begins in the Contract of the block trade on the Business Day of execution and no later than 60 minutes (45 minutes for ETFs) after trading ends in the Contract of the block trade on the Business day of execution.~~

~~Each firm executing a side of a block trade must have at least one designated person preauthorized to report block trades. Only OneChicago member firms with a clearing relationship at The Options Clearing Corporation will be allowed to report a block trade.~~

~~All block trades must be reported to OneChicago without delay after the trade is executed must include the basic terms of the trade, including the relevant Contract, contract month, price, quantity, time of execution, and counterparty clearing member for each block trade. Block trades can be executed or reported via OCX.BETS. Voice brokered block trades must be reported without delay following their execution by entering a Bi-lateral transaction in OCX.BETS. Please reference OneChicago Block Trade reporting procedures on www.OneChicago.com.~~

~~It is the responsibility of the buying and selling firms to effect any subsequent allocations or necessary updates to non-critical matching fields utilizing their chosen post trade processing system.~~

~~To protect market integrity during the negotiation and reporting period, any party with knowledge of the pending block trade is prohibited from entering offsetting orders in the specific, or any related, OneChicago product for the benefit of the account or accounts related to a party to the block trade until the block trade has been reported to and disseminated by the OneChicago price distribution mechanism. Additionally, no party with knowledge of the pending block trade report is allowed to exercise discretion by withholding (or placing) orders for any account that would have (or would not have) been placed but for the knowledge of the pending block trade until the block trade has been reported to and disseminated by the OneChicago price distribution mechanism. Parties subject to the jurisdiction of a member or an affiliate of the Intermarket Surveillance Group (“ISG”) are further prohibited from submitting related offsetting orders on OneChicago if they utilize block trade reporting facilities of any other ISG participant exchange until such trades have been disseminated to the marketplace via the standard public reporting mechanism for that exchange.~~

~~OneChicago considers busting block trades to be a serious matter and may deny a bust request based on the factors surrounding the request, including but not limited to the market impact of the original report, the amount of variation between the block trade price and the market price at the time of the report and the length of time transpiring since the block trade was reported to the public. Fees may be levied for busting a block trade.~~

~~Any attempt to circumvent this policy or misrepresent a transaction as a block trade will be forwarded to the appropriate party for investigation.~~

Pre Execution Discussions

In accordance with OneChicago Rule 614, the Exchange permits Members and Access Persons to engage in pre-execution discussions pursuant to which one part may agree in advance to take the opposite side of the other party’s order for a transaction to be executed on the Exchange, on the following conditions

1. Customers of each such party must consent to allow pre-execution discussions with other market participants;
2. Any Member or Access Person who is solicited to participate in a OneChicago transaction through pre-execution discussions shall not (i) disclose to any other party the details of such discussions or (ii) enter an order or quote through the Exchange to take advantage of information conveyed during such discussions unless such Member or Access Person has agreed during the pre-execution discussions to participate in the transaction in accordance with this policy and the order or quote is entered to implement that agreement; and

3. Except for bilateral block trades conducted pursuant to Rule 417 and bilateral exchange of future for physical transactions conducted pursuant to Rule 416, period of four seconds shall elapse between entering the first order or quote and entering the second order for the opposite side. The order or quote initially entered may be filled or lifted by a third party during the four-second waiting period rather than consummating the transaction with the intended party as contemplated by the pre-execution discussions

Cross Trades

1. In accordance with OneChicago Rules 409 and 610, any Member or Access Person may cross orders, including exchange futures for physical and blocks provided that the Member or Access Person enters one side of the trade (which shall be the Customer's side in the event that the Member or its affiliate is taking the other side) into OneChicago's trading system at least four seconds before entering the order for the opposite side.
2. Notwithstanding the foregoing, any Member or Access Person shall not be in violation of Rule 409 and 610 due to cross trades as defined above, where neither Member nor Access Person has knowledge of the other's Order and there is no coordination or prearrangement of the cross trade, provided that the relevant Member or Access Person shall be responsible, upon the request of OCX, to demonstrate to OCXs reasonable satisfaction, that neither Member nor Access Person had knowledge of the other's Order.
3. ~~This Policy recognizes the electronic nature of the Exchange and the order entry and trading processes associated therewith.~~