

**SUBMISSION COVER SHEET**

**IMPORTANT:** Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 20-031

Organization: Chicago Mercantile Exchange Inc. ("CME")

Filing as a:  DCM  SEF  DCO  SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): January 16, 2020 Filing Description: Modifications to the Eurodollar Options Market Maker Program

**SPECIFY FILING TYPE**

Please note only ONE choice allowed per Submission.

**Organization Rules and Rule Amendments**

- |                                     |                                     |            |
|-------------------------------------|-------------------------------------|------------|
| <input checked="" type="checkbox"/> | Certification                       | § 40.6(a)  |
| <input type="checkbox"/>            | Approval                            | § 40.5(a)  |
| <input type="checkbox"/>            | Notification                        | § 40.6(d)  |
| <input type="checkbox"/>            | Advance Notice of SIDCO Rule Change | § 40.10(a) |
| <input type="checkbox"/>            | SIDCO Emergency Rule Change         | § 40.10(h) |

Rule Numbers: Not Applicable

**New Product**

Please note only ONE product per Submission.

- |                          |                                       |            |
|--------------------------|---------------------------------------|------------|
| <input type="checkbox"/> | Certification                         | § 40.2(a)  |
| <input type="checkbox"/> | Certification Security Futures        | § 41.23(a) |
| <input type="checkbox"/> | Certification Swap Class              | § 40.2(d)  |
| <input type="checkbox"/> | Approval                              | § 40.3(a)  |
| <input type="checkbox"/> | Approval Security Futures             | § 41.23(b) |
| <input type="checkbox"/> | Novel Derivative Product Notification | § 40.12(a) |
| <input type="checkbox"/> | Swap Submission                       | § 39.5     |

Official Product Name:

**Product Terms and Conditions (product related Rules and Rule Amendments)**

- |                          |   |                      |
|--------------------------|---|----------------------|
| <input type="checkbox"/> | Certification   | § 40.6(a)            |
| <input type="checkbox"/> | Certification Made Available to Trade Determination     | § 40.6(a)            |
| <input type="checkbox"/> | Certification Security Futures                          | § 41.24(a)           |
| <input type="checkbox"/> | Delisting (No Open Interest)                            | § 40.6(a)            |
| <input type="checkbox"/> | Approval  | § 40.5(a)            |
| <input type="checkbox"/> | Approval Made Available to Trade Determination          | § 40.5(a)            |
| <input type="checkbox"/> | Approval Security Futures                               | § 41.24(c)           |
| <input type="checkbox"/> | Approval Amendments to enumerated agricultural products | § 40.4(a), § 40.5(a) |
| <input type="checkbox"/> | “Non-Material Agricultural Rule Change”                 | § 40.4(b)(5)         |
| <input type="checkbox"/> | Notification  | § 40.6(d)            |

Official Name(s) of Product(s) Affected:

Rule Numbers:



Christopher Bowen  
Managing Director and Chief Regulatory Counsel  
Legal Department

January 16, 2020

**VIA ELECTRONIC PORTAL**

Christopher J. Kirkpatrick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

**RE: Modifications to the Eurodollar Options Market Maker Program  
CME Submission No. 20-031**

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange Inc. ("CME" or "Exchange") hereby notifies the Commodity Futures Trading Commission ("CFTC" or "Commission") of plans to modify the Eurodollar Options Market Maker Program ("Program"). The modifications to the Program will become effective on February 1, 2020.

Exhibit 1 sets forth the terms of this Program. Modifications appear below, with additions underlined and deletions ~~overstruck~~.

CME reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA"). During the review, CME staff identified the following Core Principles as potentially being impacted: Monitoring of Trading, Execution of Transactions, Protection of Market Participants, Compliance with Rules, and Recordkeeping.

The Program does not impact the Exchange's ability to perform its trade practice and market surveillance obligations under the CEA and the Exchange's market regulation staff will monitor trading under the Program's products to prevent manipulative trading and market abuse. Additionally, the Exchange has implemented systems to track Program participants' obligations to ensure proper distribution of earned incentives. The incentives in the Program do not impact the Exchange's order execution. Participants in the Program will be selected by Exchange staff using criteria as further stated in Exhibit 1. Chapter 4 of the CME rules includes prohibitions against fraudulent, non-competitive, unfair or abusive practices. All participants must execute a contractual agreement with the Exchange in which each participant will expressly agree to comply with and be subject to, applicable regulations and CME rules. The Program is subject to the Exchange's record retention policies which comply with the CEA.

CME certifies that the Program complies with the CEA and the regulations thereunder. There were no substantive opposing views to this Program.

The Exchange certifies that this submission has been concurrently posted on the Exchange's website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

If you require any additional information regarding this submission, please e-mail [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com) or contact Rachel Johnson at 312-466-4393 or via e-mail at [Rachel.Johnson@cmegroup.com](mailto:Rachel.Johnson@cmegroup.com). Please reference our CME Submission No. 20-031 in any related correspondence.

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachment: Exhibit 1

# EXHIBIT 1

## Eurodollar Options Market Maker Program

### Program Purpose

The purpose of the Program is to incentivize participants to enhance liquidity in the products listed below for our global client base. A more liquid contract benefits all participants in the market.

### Product Scope

All Eurodollar options traded on Globex®, and pit-traded Eurodollar options, including (without limitation to the foregoing) standard quarterly expiries, mid-curve options, and calendar spread options (“Products”).

### Eligible Participants

The Program is available to all CME members and non-members. There is no limit the ~~amount~~ number of participants that can be in the Program. All firms that have a relationship with a clearing member firm and can meet CME established quoting requirements, including the ability to stream quotes in outright options and straddles, may qualify for the Program.

### Program Term

Start date is First Quarter of 2004. End date is ~~January 31, 2020~~ January 31, 2021.

### Hours

Regular and Extended Trading Hours (“RTH & ETH”).

### Obligations

#### ~~Quoting Requirements:~~

~~Respond to Requests for Quotes (“RFQs”) on the Globex® electronic trading platform, both for outright purchases or sales of options and for option strategies during RTH and ETH.~~

Lead Market Maker (“LMM”) Allocation Obligations: The Exchange shall evaluate and rank the performance of ~~Program~~ participants quarterly as follows: ~~For any Program participant:~~

- 70% of ~~such~~ performance evaluation shall be on the basis of ~~said~~ participant’s speed of response to request-for-quotes (“RFQs”), width of bid-offered price spreads, size of bids and offers, and persistence of quoting during a two-minute period.
- The remaining 30% of ~~such~~ performance evaluation shall be on the basis of the ~~Program~~ participant’s electronic trading volume in the Products.

### **Current Participants**

Globex Obligations: In order to be eligible to receive the Globex Discounts set forth below, participants must respond to 15% of RFQs during RTH and ETH or earn 25,000 points in a quarter.

Pit Obligations: In order to be eligible to receive the Pit Discounts set forth below, participants must meet the following:

- (i) Be individual members or 106.J. equity member participants,
- (ii) Must have been enrolled in the Eurodollar Options Market Maker Program during 2019,
- (iii) Respond to Globex RFQs with Exchange software, and
- (iv) Have the ability to quote strategies and outrights

### **New Participants**

In order to be eligible to receive the Pit Discounts and Globex Discounts set forth below, participants must respond to 15% of RFQs during RTH and ETH or earn 25,000 points in a quarter.

### **Program Incentives**

~~Incentives Based on Ranking.~~ LMM Allocation Incentives: The following incentives will be awarded in accordance with quarterly evaluation and ranking of Program participants:

- (i) Program Participants with Ranks 1 through 6: Receive lead market maker LMM order flow allocations totaling 30%. All order flow allocations shall be at the sole discretion of the Exchange.

~~All Program Participants will receive: a discount of \$0.13 for each trade made in the Products on Globex® provided that such participant has, in a given quarter, responded to (i) at least 15% of all RFQs or (ii) earned 25,000 RFQ points.~~

### **Current Participants**

Globex Discounts: Upon meeting the Globex Obligations set forth above, participants will receive a discount of \$0.13 for each trade made in the Products on Globex.

Pit Discounts: Upon meeting the Pit Obligations set forth above, participants will receive ~~Additionally, Individual Members and 106.J Equity Member Participants will also receive:~~ a discount of ~~\$0.06~~ \$0.08 on all-in pit fees, ~~provided they satisfy at least one of the below additional criteria:~~

- ~~• Have been enrolled in the Eurodollar Options Market Maker Program prior to October 5<sup>th</sup>, 2017; or~~
- ~~• Firm employee trading a firm account and collectively has had at least one (1) person in the pit for at least one third (1/3) of trading days in the first three (3) quarters of 2017; or~~
- ~~• Self-executes in the pit through sequential trading cards and has been in the pit at least one third (1/3) of trading days in the first three (3) quarters of 2017.~~

### **New Participants**

Pit Discounts and Globex Discounts: New participants will receive the Pit Discounts and Globex Discounts from the date of enrollment to the end of the current ranking period. If that timeframe is less than one (1) month, new participants will continue to receive the discounts for the next calendar quarter provided the participant can respond to Globex RFQs with Exchange software and has the ability to quote strategies and outrights. Participants will continue to receive the discounts provided they respond to 15%

of RFQs during RTH and ETH or earn 25,000 points in each evaluation quarter after their enrollment period has ended.

**Monitoring and Termination of Status**

The Exchange shall monitor trading activity and participants' performance and shall retain the right to revoke Program participant status if it concludes from review that a Program participant no longer meets the eligibility requirements or fails to meet the obligations of the Program.