

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 19-051

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 14, 2019 Filing Description: Modifications to the Agricultural Options Market Maker Program

**SPECIFY FILING TYPE**

Please note only ONE choice allowed per Submission.

**Organization Rules and Rule Amendments**

- Certification § 40.6(a)
- Approval § 40.5(a)
- Notification § 40.6(d)
- Advance Notice of SIDCO Rule Change § 40.10(a)
- SIDCO Emergency Rule Change § 40.10(h)

Rule Numbers: Not Applicable

**New Product**

Please note only ONE product per Submission.

- Certification § 40.2(a)
- Certification Security Futures § 41.23(a)
- Certification Swap Class § 40.2(d)
- Approval § 40.3(a)
- Approval Security Futures § 41.23(b)
- Novel Derivative Product Notification § 40.12(a)
- Swap Submission § 39.5

**Official Product Name:**

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

- Certification § 40.6(a)
- Certification Made Available to Trade Determination § 40.6(a)
- Certification Security Futures § 41.24(a)
- Delisting (No Open Interest) § 40.6(a)
- Approval § 40.5(a)
- Approval Made Available to Trade Determination § 40.5(a)
- Approval Security Futures § 41.24(c)
- Approval Amendments to enumerated agricultural products § 40.4(a), § 40.5(a)
- "Non-Material Agricultural Rule Change" § 40.4(b)(5)
- Notification § 40.6(d)

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

Rule Numbers:



Christopher Bowen  
Managing Director and Chief Regulatory Counsel  
Legal Department

January 14, 2019

**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 Agricultural Options Market Maker Program  
CME Submission No. 19-051**

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 Agricultural Options Market Maker Program ("Program"). The modifications to the Program will become effective on February 1, 2019.

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

The Exchange reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA"). During the review, the Exchange's 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 in the Program's products to prevent manipulative trading and market abuse. Additionally, the Exchange has implemented systems to track Program participants' obligations under the Program 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's staff using criteria as further stated in Exhibit 1. Chapter 4 of the Exchange's 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 rules. The Program is subject to the Exchange's record retention policies which comply with the CEA.

The Exchange 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. 19-051 in any related correspondence.

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachment: Exhibit 1

# EXHIBIT 1

## Agricultural Options Market Maker Program

### Program Purpose

The purpose of this Program is to incentivize market participants to trade the products listed below. The resulting increase in liquidity benefits all participant segments in the market.

### Product Scope

Options on the following Agricultural products that are traded on Globex:

Class III Milk, Cash-Settled Cheese, Non-fat Dry Milk, Cash-Settled Butter, Class IV Milk, and Dry Whey ("Products").

### Eligible Participants

There is no limit to the number of participants that may participate in the Program. To be eligible for participation, a participant must be a CME Member Firm or individual member within division and hold a 106 R., H., S., or J. membership.

*Minimum Volume Requirements.* Potential participants must meet the following Minimum Volume Requirements during the month immediately preceding entrance into the Program:

Product	Average Daily Volume ("ADV")*	% of Product ADV*
Dairy	10	.5%

\*Potential participants must meet whichever metric is lower.

### Program Term

Start date is January 2, 2014. End date is ~~January 31, 2019~~ January 31, 2020.

### Hours

RTH and/or ETH

### Obligations

*Quoting Requirements.* All participants will be required to quote on outright options for the first three (3) contracts (nearby and 2+ back months) months at any given time with seven (7) strikes over the ATM strike and 7 strikes below the ATM strike.

Participants must additionally be able to respond to Request-for-Quotes ("RFQ") orders and execute spread options between 8:30 A.M. and 1:15 P.M.

PRODUCTS	QUOTING REQUIREMENTS
Dairy Complex	(1) Quote on outright options for the first three (3) contracts months with seven (7) strikes over the

	ATM strike and 7 strikes below the ATM strike, and (2) Respond to RFQ orders
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**Incentives**

Fee Discounts. Upon satisfying all Program obligations, as determined by the Exchange, each Program participant shall be eligible to receive a percentage discount on all-in fees in accordance with the following table.

Product	Rank		
	#1	#2	#3
Dairy Options	75%	50%	50%

Qualification for the fee discounts are based on ranking methodology as determined by the Exchange, in accordance with the following table:

Product	Sub-Product	Product Weighting
Dairy		
	Class III	5%
	Cash Settled Cheese	25%
	Nonfat Dry Milk	25%
	Cash Settled Butter	25%
	Class IV Milk	10%
	Dry Whey	10%

**Monitoring and Termination of Status**

~~The Exchanges shall monitor participants' activity and performance in the Products 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 obligations of the Program.~~

~~If the Exchange determines that a participant has not met its quoting obligations during two (2) calendar months over the course of the Program, but is within twenty percent (20%) of the time-in-market obligations, the participant will be eligible to receive the incentives for each applicable month.~~

~~If the Exchange determines that a participant has not met its quoting obligations during one (1) additional calendar month, the participant will be eligible to receive all incentives for that applicable month. Excluding the aforementioned time-in-market leniency, participants must meet quoting obligations for all subsequent months in order to continue to receive the incentives.~~

~~If the Exchange determines that a participant has met all quoting obligations except for one (1), and misses the time-in-market requirement of that one (1) quoting obligation by less than two (2) percentage points, the participant shall be deemed to have met all quoting obligations for that month.~~

~~Upon utilizing the exceptions set forth above, participants that fail to meet quoting obligations in any additional month may be removed from the Program.~~