

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 19-071 (1 of 4)

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, 2019 **Filing Description:** Modifications to the Retail Broker Incentive 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, 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 Retail Broker Incentive Program
CME Submission No. 19-071 (1 of 4)**

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange Inc. ("CME"), The Board of Trade of the City of Chicago, Inc. ("CBOT"), New York Mercantile Exchange, Inc. ("NYMEX"), and Commodity Exchange, Inc. ("COMEX") (collectively, the "Exchanges") hereby notify the Commodity Futures Trading Commission ("CFTC" or "Commission") of plans to modify the Retail Broker Incentive 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 underscored and deletions ~~overstruck~~.

The Exchanges reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA"). During the review, Exchange 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 Exchanges' ability to perform their trade practice and market surveillance obligations under the CEA. The Exchanges' market regulation staff will monitor activity in the Program's products to prevent manipulative trading and market abuse. Additionally, the Exchanges have implemented systems to track Program participants' volume to ensure proper distribution of earned incentives. The Program does not affect the Exchanges' order execution. Participants in the Program will be selected by Exchanges' staff using criteria as set forth in Exhibit 1. Each of the Exchanges' respective rules includes prohibitions against fraudulent, non-competitive, unfair or abusive practices. All participants must execute a contractual agreement with the Exchanges' in which each participant expressly agrees to comply with, and be subject to, applicable regulations and applicable rules. The Program is subject to the Exchanges' record retention policies which comply with the CEA.

The Exchanges certify that the Program complies with the CEA and the regulations thereunder. There were no substantive opposing views to this Program.

The Exchanges certify that this submission has been concurrently posted on the Exchanges' 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 or contact Rachel Johnson at 312-466-4393 or via e-mail at Rachel.Johnson@cmegroup.com. Please reference our CME Submission No. 19-071 in any related correspondence.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachment: Exhibit 1

EXHIBIT 1

Retail Broker Incentive Program

Program Purpose

The purpose of the Program is to incentivize participants to educate their clients about the benefits of trading the Exchanges' products and centralized clearing, ultimately providing additional liquidity to the marketplace. A more liquid contract benefits all participants in the market.

Product Scope

All CME, CBOT, NYMEX, and COMEX products that are traded on the Globex Platform ("Products").

Eligible Participants

There is no limit to the number of firms that can participate in the Program. Retail firms with 10,000 or more active direct retail trading users may apply for participation in the Program. Participants must register with the Exchange to qualify for the Program. ~~Online retail based brokerage firms with at least 10,000 active direct retail trading accounts or retail business at CME Clearing Firms may apply for participation in the Program. Participants must have at least one (1) full calendar year of trading activity in order to be eligible for the Program. Notwithstanding the forgoing, the Exchanges may add or subtract from the aforementioned criteria as they deem necessary.~~

Program Term

Start date is June 17, 2013. End date is ~~January 31, 2019~~ January 31, 2020.

Hours

N/A

Obligations

Participants must participate in at least two (2) marketing-planning sessions with the Exchange on an annual basis. Participants must, at minimum, have one (1) Futures-specific educational/marketing initiative per month that focuses on a specific Exchange product. Initiatives may include, but not limited to, educational events, advertising, and written product content such as whitepapers/articles. To receive the Program incentives, participants must supply the Exchange with invoices showing expenses of the pre-approved marketing, sales, and commercial initiatives targeting Exchange products. CME will rebate the lesser of the cost of the initiative or the amount of rebate credited to the participant. It will be the responsibility of each participant to provide Exchange defined detailed metrics on all initiatives on a monthly basis.

Program Incentives*

Upon satisfying all Program obligations, as determined by the Exchange, each calendar month participants may be eligible to ~~receive~~ earn fee credits. For each month in a six (6) month period, if a participant's retail month-over-month volume has increased at a higher rate compared to the Exchanges' total Globex volume, excluding CME Interest Rate futures and options products, the participant will receive a fee credit of \$0.50 for each incremental side grown versus the Exchanges'. Fee credits will accumulate over the six (6) month

period and will be capped at \$750,000 per participant, per six (6) month period. Participants will receive the accumulated fee credits at the end of each six (6) month period as follows:

(i) Period 1 – February 1, 2019 through July 31, 2019: Fee credits available on August 1, 2019

(ii) Period 2 – August 1, 2019 through January 31, 2020: Fee credits available on February 1, 2020

All fee credits expire twelve (12) months after the end of each six (6) month period accrual.

*Participants may only join the Program on the first day of a month. Participants not joining the Program at the beginning of a six (6) month period will still be subject to the same accumulation and Period 1/Period 2 dates.

~~rebates in accordance with the following:~~

~~*Monthly Baseline:* Once accepted into the Program, the Exchanges will calculate the average monthly revenue attributable to the applicable participant that was generated from direct end-user non-member customer trading activity (“Customer Revenue”) during the previous full twelve (12) months (“Monthly Baseline”). Each calendar year, the Monthly Baseline will be recalculated for all existing participants and will be based off of the previous full calendar year. The Monthly Baseline for 2018 will be the greater of the 2017 Monthly Baseline or 2017 revenue. At the beginning of every month, the Exchanges will calculate each participant’s revenue growth for the prior month versus the Monthly Baseline.~~

~~*Qualifications:* For each calendar month of participation in the Program that a participant’s revenue;~~

~~U.S. Firms~~

- ~~(i) — exceeds the Monthly Baseline by ten percent (10%) or more, the participant will receive a rebate of fifty percent (50%) off the additional growth for that month’s revenue.~~

~~EMEA Firms~~

- ~~(i) — exceeds the Monthly Baseline by ten percent (10%) or more, the participant will receive a rebate of fifty percent (50%) off the additional growth for that month’s revenue.~~

Monitoring and Termination of Status

The Exchanges’ shall monitor activity ~~in the Products~~ 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.