

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 20-125

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

Filing as a:  DCM  SEF  DCO  SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 03/20/2020 Filing Description: Amendments to the Daily Settlement Procedure Document for the Bitcoin Futures Contract

**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: 350

**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

**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:

March 20, 2020

**VIA ELECTRONIC PORTAL**

Mr. Christopher J. Kirkpatrick  
Office of the Secretariat  
Commodity Futures Trading Commission  
3 Lafayette Centre  
1155 21<sup>st</sup> Street, N.W.  
Washington, D.C. 20581

**Re: CFTC Regulation 40.6(a) Certification. Notification Regarding Amendments to the Daily Settlement Procedure Document for the Bitcoin Futures Contract. CME Submission No. 20-125**

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange Inc. (“CME” or “Exchange”) hereby notifies the Commodity Futures Trading Commission (“CFTC” or “Commission”) that it is self-certifying amendments to the Daily Settlement Procedure Document relating to the Bitcoin Futures contract (CME Rulebook Chapter: 350; CME Globex/CME ClearPort/Clearing Code: BTC) (the “Contract”), effective Tuesday, April 7, 2020 for trade date Wednesday, April 8, 2020.

Specifically, the amendments to the Daily Settlement Procedure Document of the Contract shall amend the Tier 2 settlement criterion such that if no trades occur on CME Globex between 14:59:00 and 15:00:00 Central Time (CT), the settlement period, then the last trade (or the Contract’s settlement price from the previous day in the absence of a last trade price) is used to determine whether to settle to the bid or the ask during this period. Further,

- a. If the last trade price is outside of the bid/ask spread, then the contract month settles to the nearest bid or ask price.
- b. If the last trade price is within the bid/ask spread, or if a bid/ask spread is not available, then the contract month settles to the last trade price.

The Exchange is implementing the amendments as the enhanced settlement methodology shall produce more consistent settlements particularly during periods of reduced liquidity. As a result of the amendments, the Exchange believes daily settlements to mid-market prices in wide markets will be mitigated.

The amended Daily Settlement Procedure Documents for the Contract is provided in Appendix A below in blackline format.

The Exchange reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA” or “Act”) and identified that the amendments may have some bearing on the following Core Principles:

**Compliance with Rules**

The Exchange shall continue their normal practice to establish, monitor, and enforce compliance with the rules for the Contract, including the amendments for the contract.

**Prevention of Market Disruption**

The Exchange has the capacity to detect abnormal price movements and unusual trading volumes, including such abnormal price movements or trading volumes as may be associated with bilaterally negotiated trades, and they hold the authority to take remedial action as appropriate.

**Execution of Transactions**

The amendments will further enable the Exchange to continue their current practice of providing a competitive, open, and efficient market mechanism for executing transactions.

**Availability of General Information**

The Exchange shall disseminate a Special Executive Report (“SER”) regarding the amendments. The SER will also be posted on the CME Group website.

**Daily Publication of Trading Information**

Trading volume, open interest and price information will be published daily on the Exchange’s website and via quote vendors.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchange certifies that the amendments comply with the Act, including regulations under the Act. There were no substantive opposing views to this proposal.

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>.

Should you have any questions concerning the above, please contact the undersigned at (212) 299-2200 or via e-mail at [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachment: Appendix A - Amendments to the Daily Settlement Procedure Document of the Bitcoin Futures Contract (blackline format)

## Appendix A

### **Settlement Procedure Document** (additions underlined; deletions ~~struck through~~)

#### **Bitcoin Futures (BTC)**

##### Normal Daily Settlement Procedure

CME Group staff determines the daily settlements for Bitcoin Futures (BTC) based on trading activity on CME Globex between 14:59:00 and 15:00:00 Central Time (CT), the settlement period.

##### **~~Tier 1: Trades on CME Globex~~**

~~All contract months settle to the volume-weighted average price (VWAP) of outright trades between 14:59:00 and 15:00:00 Central Time, the settlement period, rounded to the nearest tradable tick. If the VWAP is equidistant between two ticks it will be rounded towards the prior day settlement price.~~

##### **~~Tier 2: CME Globex Market Data~~**

~~In the absence of trades during the settlement period, the contract month settles to the midpoint of the Bid/Ask between 14:59:00 and 15:00:00 Central Time, the settlement period.~~

##### **~~Tier 3: Absence of Two Sided Markets~~**

~~If there are no two-sided markets available during the settlement period in the Lead\* month, then the settlement price will be the last trade price (or prior settle in the absence of a last trade price) adjusted to the Bid/Ask if one side is present. Deferred months will settle to the net change of the previous month, adjusted to the Bid/Ask if one side is present.~~

~~\*The Lead month is the contract expected to be the most active.~~

**Tier 1:** Each contract month settles to its volume-weighted average price (VWAP) of all trades that occur between 14:59:00 and 15:00:00 CT, the settlement period, rounded to the nearest tradable tick. If the VWAP is exactly in the middle of two tradable ticks, then the settlement will be the tradable price that is closer to the contract's prior day's settlement price.

**Tier 2:** If no trades occur on CME Globex between 14:59:00 and 15:00:00 CT, the settlement period, then the last trade (or the contract's settlement price from the previous day in the absence of a last trade price) is used to determine whether to settle to the bid or the ask during this period.

- a. If the last trade price is outside of the bid/ask spread, then the contract month settles to the nearest bid or ask price.
- b. If the last trade price is within the bid/ask spread, or if a bid/ask spread is not available, then the contract month settles to the last trade price.

**Tier 3:** In the absence of any trade activity or bid/ask in a given contract month during the current trading day, the daily settlement price will be determined by applying the net change from the preceding contract month to the given contract month's prior daily settlement price.

##### Final Settlement Procedure

Delivery is by cash settlement by reference to the Final Settlement Price, equal to the CME CF Bitcoin Reference Rate (BRR) on the Last Day of Trading.

**Note:** In the event the aforementioned calculations described in this advisory cannot be made or if CME Group staff, in its sole discretion, determines that anomalous activity ~~produces~~ yields results that are not representative of the fair value of the contract, staff may determine an alternative settlement price.