

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 22-256

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

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): June 15, 2022 Filing Description: Modifications to the SOFR 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:

June 15, 2022

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 SOFR Options Market Maker Program
CME Submission No. 22-256**

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange Inc. (“CME” or “Exchange”) hereby notifies the Commodity Futures Trading Commission (“CFTC” or “Commission”) that it plans to modify the SOFR Options Market Maker Program (“Program”). The modifications to the Program will become effective on July 1, 2022.

Exhibit 1 sets forth the terms of the 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, Availability of General Information, 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 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 or contact Rachel Johnson at 312-466-4393 or via e-mail at Rachel.Johnson@cmegroup.com. Please reference our CME Submission No. 22-256 in any related correspondence.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachment: Exhibit 1

EXHIBIT 1

SOFR Options Market Maker Program

Program Purpose

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

Product Scope

All Options on One-Month and Three-Month SOFR Futures traded on the CME Globex Platform, traded via Open Outcry, or cleared through CME ClearPort (“Products”).

Eligible Participants

The Exchange may designate up to fifteen (15) participants in the Program. Participants may be members or non-members. Participants must have been enrolled in a CME interest rate ~~options~~ market maker program within the six (6) months prior to enrolling in this Program. Participants may not be concurrently enrolled in the SOFR Options Pit Liquidity Provider Program. Potential participants are required to submit an application/bid sheet to the Exchange as part of a competitive application process which is used to determine eligibility. In determining whether or not a prospective participant is selected to participate in the Program, Exchange staff may take into account a variety of factors including the strength of the quoting obligations the prospective participant is willing to commit to provide, whether Exchange staff believes that the prospective participant can maintain such obligations, and historical volume trading the Products and similar contracts. The Exchange may, from time to time, add or subtract from the aforementioned requirements as it deems necessary.

Program Term

Start date is January 6, 2020. End date is August 31, 2022.

Hours

RTH, ETH, ATH.

Obligations

Minimum Quoting Obligations: In order to be eligible to receive incentives, participants must stream quotes in accordance with the baseline quoting obligations listed in the table below. Notwithstanding the foregoing, the Exchange may vary the baseline quoting obligations as it deems necessary based on ongoing evaluations of the Program.

Product	Ticker	Instruments for Quoting	Relative Volatility Width*	Width (USD)	Size (Contracts)	Time-in-Market**	Time Period
Options on One-Month and Three-Month SOFR Futures	SR1, SR3	Any strike within the first 4 SR1 and first 10 SR3 expiration dates (4 serial, 6 quarterlies)	20%	.02	50	4000%	7:20AM – 2:00PM (CT) (“RTH”)

One-Year Mid-Curve Options on Three-Month SOFR Futures	S0	Any strike within the first 6 expiration dates (4 serial, 2 quarterlies)	20%	.02	25	600%	
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*Relative volatility width is defined as implied volatility of the bid divided by implied volatility of the ask minus one.

**Time-in-market is calculated and totaled for each instrument participants are quoting within the width, depth, and time set forth above. To meet the width obligation, participants can either meet the maximum relative volatility width or the maximum price width set forth above.

Holiday Quoting Schedule: There will be no quoting obligations on the dates listed below. The Holiday Quoting Schedule may be adjusted by the Exchange. Participants will be given notice of any adjustments to the Holiday Quoting Schedule.

Date	Name of Holiday
5/30/2022	Memorial Day
6/20/2022	Juneteenth (Observed)
7/4/2022	Independence Day

Incentives

Quoting Fee Waivers: Upon meeting the Minimum Quoting Obligations, as determined by the Exchange, participants will receive fee waivers in the Products traded on the CME Globex Platform, traded via Open Outcry, or cleared through CME ClearPort. Fee waivers will be capped at an average daily volume (“ADV”) of 30,000 sides per month, per participant.

Non-Quoting Fee Waivers: Participants that do **not** meet the Minimum Quoting Obligations will receive fee waivers in the Products traded on the CME Globex Platform, traded via Open Outcry, or cleared through CME ClearPort. Fee waivers will be capped at an ADV of 25,000 sides per month, per participant.

Quoting Fee Discounts: Upon meeting the Minimum Quoting Obligations, as determined by the Exchange, participants having an ADV greater than 30,000 sides per month will receive fee discounts on transactions exceeding the 30,000 sides ADV threshold as follows:

Venue	Fee Discounts
CME Globex Platform	\$0.13
Open Outcry	\$0.08

Non-Quoting Fee Discounts: Participants that do **not** meet the Minimum Quoting Obligations will receive non-quoting fee discounts. Eligible participants having an ADV greater than 25,000 sides per month will receive fee discounts on transactions exceeding the 25,000 sides ADV threshold as follows:

Venue	Fee Discounts
CME Globex Platform	\$0.13
Open Outcry	\$0.08

Quoting Monthly Stipend: Upon meeting the Minimum Quoting Obligations, as determined by the Exchange, participants responding to at least 15% of request for quotes (“RFQs”) in the applicable Instruments for Quoting will receive a stipend of \$10,000 per month.

Quoting Fee Credits: Upon meeting the Minimum Quoting Obligations, as determined by the Exchange, participants will receive a \$1.00 fee credit for each transaction in the Products on the CME Globex

Platform, Open Outcry, or CME ClearPort. Fee credits will be capped at \$40,000 per month, per participant.

Non-Quoting Fee Credits: Participants that do **not** meet the Minimum Quoting Obligations will receive a \$0.25 fee credit (per side) for transactions in the Products on the CME Globex Platform, Open Outcry, or CME ClearPort. Fee credits will be capped at \$30,000 per month, per participant.

ETH/ATH Fee Credits: Participants that respond to at least 50% of RFQs during ETH and ATH (5:00PM – 7:00AM CT) with a maximum width of 1.5 bps and a minimum size of at least 250 contracts submitted within one (1) minute of the RFQ will receive a \$1.00 fee credit (per side) on all ETH/ATH volume in the Products. ETH/ATH fee credits will be capped at \$10,000 per month, per participant. Participants may receive the ETH/ATH Fee Credits in addition to either the Quoting or Non-Quoting Fee Credits.

ETH/ATH Incentive Pool: Participants that **(i)** have an ADV of at least 1,000 (sides) in ETH/ATH volume in the Products (including blocks, block spreads, Globex trades, and Globex spreads), and **(ii)** respond to at least 50% of RFQs during ETH and ATH (5:00PM – 7:00AM CT) with a maximum width of 1.5 bps and a minimum size of at least 250 contracts submitted within one (1) minute of the RFQ will receive a portion of \$100,000 per month. Each participant will receive a pro-rata distribution of the ETH/ATH incentive pool based on ETH/ATH volume in the Products.

Monitoring and Termination of Status

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

If the Exchange determines that a participant has not met its quoting obligations during one (1) calendar month 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 that 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 the incentives for that applicable month, with the exception of the Monthly Stipend. Participants must meet quoting obligations for all subsequent months in order to continue to receive the incentives.

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