SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested ☐

Registered Entity Identifier Code (optional): <u>20-018 (2 of 2)</u>

Organization: <u>The Board of Trade of the City of Chicago, Inc. ("CBOT")</u>

Filing as a: ☒**DCM**   ☐**SEF**   ☐**DCO**   ☐**SDR**

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): <u>09/22/2020</u>   Filing Description: <u>Amendments to the Daily Settlement Procedure Documents for Certain CME and CBOT Equity Products</u>

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: <u>350.</u>

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:

September 22, 2020

<u>**VIA ELECTRONIC PORTAL**</u>

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

> **Re:**   **CFTC Regulation 40.6(a) Certification. Notification Regarding Amendments to the Daily Settlement Procedure Documents for Certain CME and CBOT Equity Products CBOT Submission No. 20-018 (2 of 2)**

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange Inc. ("CME") and The Board of Trade of the City of Chicago, Inc. ("CBOT") (collectively, the "Exchanges") hereby certifies to the Commodity Futures Trading Commission ("CFTC" or "Commission") amendments to the Daily Settlement Procedure Documents relating to certain CME and CBOT futures and options on futures contracts (the "Contracts") described below, and in Exhibit A, effective Sunday, October 25, 2020 for trade date Monday, October 26, 2020.

Specifically, the Exchanges are implementing amendments to change the daily settlement price determination period of the Contracts from 3:15 p.m. Central Time (CT) to 3:00 p.m. CT. The amendments will synchronize settlement times of the Contracts with the related cash equity market. The Exchanges are also implementing additional administrative changes to the Daily Settlement Procedure Documents to conform to current practice (collectively, the "Rule Amendments").

The Rule Amendments shall apply to the following products:

- E-mini S&P 500, S&P 500 and Micro E-mini S&P 500 index futures and options on futures
- E-mini Nasdaq 100 and Micro E-mini Nasdaq 100 index futures and options on futures
- E-mini Dow Jones Industrial Average and Micro E-mini Dow Jones Industrial Average futures and options on futures
- E-mini Russell 2000 and Micro E-mini Russell 2000 index futures and options on futures
- Yen- and Dollar-denominated Nikkei 225 and E-mini Nikkei 225 index futures and options

As noted above, a full list of CME and CBOT products are noted in Exhibit A below.

The Rule Amendments to the Daily Settlement Procedure Documents of the Contracts are set forth in blackline format in Exhibit B below.

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

Compliance with Rules
The Exchanges 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 Exchanges have 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 Rule Amendments will further enable the Exchanges to continue their current practice of providing a competitive, open, and efficient market mechanism for executing transactions.

Availability of General Information
The Exchanges 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 Exchanges certify that the Rule Amendments comply with the Act, including regulations under the Act. There were no substantive opposing views to this proposal.

The Exchanges certify that this submission has been concurrently posted on the Exchanges' 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.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A - CME and CBOT Products
                      Exhibit B - CME and CBOT Equity Settlement Procedure Documents (blackline format)

Exhibit A

CME Products	CME Products
E-mini Nasdaq-100 End-of-Month Options	Nikkei/Yen Futures
E-mini Nasdaq-100 Futures	Options on Micro E-mini Nasdaq-100 Index Futures
E-mini Nasdaq-100 Options	Options on Micro E-mini Nasdaq-100 Index Futures - Week 1
E-mini Nasdaq-100 Weekly Options - Week 1	Options on Micro E-mini Nasdaq-100 Index Futures - Week 2
E-mini Nasdaq-100 Weekly Options - Week 2	Options on Micro E-mini Nasdaq-100 Index Futures - Week 3
E-mini Nasdaq-100 Weekly Options - Week 3	Options on Micro E-mini Nasdaq-100 Index Futures - Week 4
E-mini Nasdaq-100 Weekly Options - Week 4	Options on Micro E-mini Standard and Poors 500 Stock Price Index Futures
E-mini Nikkei 225 - Yen denominated Futures	Options on Micro E-mini Standard and Poors 500 Stock Price Index Futures - Week 1
E-mini Russell 2000 EOM Options	Options on Micro E-mini Standard and Poors 500 Stock Price Index Futures - Week 2
E-mini Russell 2000 Index Futures	Options on Micro E-mini Standard and Poors 500 Stock Price Index Futures - Week 3
E-mini Russell 2000 Options	Options on Micro E-mini Standard and Poors 500 Stock Price Index Futures - Week 4
E-mini S&P 500 EOM Options	S&P 500 EOM Options
E-mini S&P 500 Futures	S&P 500 Futures
E-mini S&P 500 Monday Weekly Options - Week 1	S&P 500 Monday Weekly Options - Week 1
E-mini S&P 500 Monday Weekly Options - Week 2	S&P 500 Monday Weekly Options - Week 2
E-mini S&P 500 Monday Weekly Options - Week 3	S&P 500 Monday Weekly Options - Week 3
E-mini S&P 500 Monday Weekly Options - Week 4	S&P 500 Monday Weekly Options - Week 4
E-mini S&P 500 Monday Weekly Options - Week 5	S&P 500 Monday Weekly Options - Week 5
E-mini S&P 500 Options	S&P 500 Options
E-mini S&P 500 Wednesday Weekly Options - Week 1	S&P 500 Wednesday Weekly Options - Week 1
E-mini S&P 500 Wednesday Weekly Options - Week 2	S&P 500 Wednesday Weekly Options - Week 2
E-mini S&P 500 Wednesday Weekly Options - Week 3	S&P 500 Wednesday Weekly Options - Week 3
E-mini S&P 500 Wednesday Weekly Options - Week 4	S&P 500 Wednesday Weekly Options - Week 4
E-mini S&P 500 Wednesday Weekly Options - Week 5	S&P 500 Wednesday Weekly Options - Week 5
E-mini S&P 500 Weekly Options - Week 1	S&P 500 Weekly Options - Week 1
E-mini S&P 500 Weekly Options - Week 2	S&P 500 Weekly Options - Week 2
E-mini S&P 500 Weekly Options - Week 3	S&P 500 Weekly Options - Week 3
E-mini S&P 500 Weekly Options - Week 4	S&P 500 Weekly Options - Week 4
E-miniRussell 2000 Weekly Options - Week 1	Yen Denominated Nikkei Stock Average Quarterly Options
E-miniRussell 2000 Weekly Options - Week 2	Yen Denominated Nikkei Stock Average Serial Options
E-miniRussell 2000 Weekly Options - Week 3	**CBOT Products**
E-miniRussell 2000 Weekly Options - Week 4	E-mini Dow ($5) End of Month Options
Micro E-mini Nasdaq-100 Index EOM Options	E-mini Dow ($5) Futures
Micro E-mini Nasdaq-100 Index Futures	E-mini Dow ($5) Options
Micro E-mini Russell 2000 Index Futures	E-mini Dow ($5) Weekly Options - Week 1
Micro E-mini S&P 500 Index Futures	E-mini Dow ($5) Weekly Options - Week 2
Micro E-mini Standard and Poors 500 Stock Price EOM Options	E-mini Dow ($5) Weekly Options - Week 3
Nikkei Options	E-mini Dow ($5) Weekly Options - Week 4
Nikkei/USD Futures	Micro E-mini Dow Jones Industrial Average Index Futures

Settlement Procedure Documents

(additions underlined; deletions struck through)

CME S&P 500, E-Mini S&P 500, Micro E-mini S&P 500 Futures Daily Settlement Procedure

Normal Daily Settlement Procedure

Daily settlement of the S&P 500 (SP) and E-Mini S&P 500 (ES) and Micro E-mini S&P 500 (MES) futures are settled according to the procedure below. Daily settlement of the E-Mini S&P 500 futures (ES) and Micro E-mini S&P futures (MES) are equal to the daily settlement price of the S&P 500 futures (SP), rounded to the nearest tradable tick.

Lead month

The lead month is the anchor leg for settlements and is the contract expected to be the most active.

Tier 1: The volume-weighted average price ("VWAP") of all trades ~~executed in the full-sized futures contract on the trading floor and~~ in the E-mini futures contract executed on CME Globex will be calculated for the designated lead month contract from ~~15:14:30 – 15:15:00~~ 14:59:30 to 15:00:00 Central Time ("CT"), the settlement period. ~~A multiplier of 5 will be applied to the quantities traded in the full-sized contract to reflect the 5 to 1 relationship between the full-sized and the E-mini contracts.~~ The ~~combined~~ VWAP for the designated lead month will be rounded to the nearest .10 index point.

Tier 2: If no trades in the lead month occur between ~~15:14:30 and 15:15:00~~ 14:59:30 and 15:00:00 CT, then the contract month settles to the midpoint of the Bid/Ask between ~~15:14:30 and 15:15:00~~ 14:59:30 to 15:00:00 CT, the settlement period.

Tier 3: If a two-sided market is not available during the settlement period, then the cash index will be used in the following Carry calculation to derive a settlement price.

Index price + [(Days to expiration/ 365) x Interest rate x Index price)]

Second Month

When the lead month is the expiry month, then the second month is defined as the calendar month immediately following the lead month. When the lead month is not the expiry month, then the second month is defined as the first expiring non-lead month.

Tier 1: The second contract month will settle to the ~~combined~~ VWAP~~s~~ of the lead month-second month spread trades between ~~15:14:30 and 15:15:00~~ 14:59:30 to 15:00:00 CT, using the same methodology as described above.

Tier 2: If there are no spread trades between ~~15:14:30 and 15:15:00~~ 14:59:30 to 15:00:00 CT, then the last spread trade price is applied to the lead month settle to derive the second month settle.

If the last spread trade is outside of the spread's Bid/ Ask, then the bid or ask price that is closer to the last spread trade is applied to the lead month settle to derive the second month settle.

Tier 3: If there is no spread market information available then the cash index will be used in the following Carry calculation to derive a settlement price

Index price + [(Days to expiration/ 365) x Interest rate x Index price)]

Back Months

To derive settlements for all remaining months, the following Carry calculation will be used to derive ~~a~~ settlement prices provided that this value does not violate the bid or ask between ~~15:14:30 and 15:15:00~~ 14:59:30 to 15:00:00 CT for the respective outrights.

Index price + [(Days to expiration/ 365) x Interest rate x Index price)]

Note

The Index Price used in the Carry calculation in this methodology, ~~for futures that settle at a different time than their underlying Cash Equity Index,~~ will be the ~~a 'Synthetic'~~ Cash Equity Index price. ~~This 'Synthetic' price will be derived by taking the Lead month futures contract minus the Cash Index at the cash close to calculate a Basis. At the futures settlement time, the Lead Month settlement minus the Basis will equal the 'Synthetic' Index price.~~ The Interest Rate component used in the Carry calculation in this methodology is derived by subtracting expected dividends from a normalized interest rate curve.

If you have any questions, please call the CME Global Command Center at 800.438.8616, in Europe at 44.800.898.013, or in Asia at 65.6532.5010.

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

CME and CBOT Equity Index Daily Settlement Procedure

Normal Daily Settlement Procedure

Daily settlements of the CME Equity Index futures E-mini Nasdaq 100 (NQ), Micro E-mini Nasdaq (MNQ), E-mini Dow (YM), Micro E-mini Dow (MYM), E-mini Russell 2000 (RTY), Micro E-mini Russell 2000 (M2K), Nikkei Yen (NIY), Nikkei Dollar (NKD) are determined by CME Group staff based on trading and market activity on CME Globex.

Lead Month

The lead month is the anchor leg for settlements and is the contract expected to be the most active.

Tier 1: If the lead month contract trades on Globex between ~~15:14:30 and 15:15:00 Central Time (CT)~~ 14:59:30 and 15:00:00 Central Time (CT), the settlement period, then the lead month settles to the volume-weighted average price (VWAP) of the trade(s) during this period.

Tier 2: If no trades in the lead month occur on Globex between ~~15:14:30 and 15:15:00 Central Time (CT)~~ 14:59:30 and 15:00:00 CT, then the contract month settles to the midpoint of the Bid/Ask between ~~15:14:30 and 15:15:00 Central Time (CT)~~ 14:59:30 and 15:00:00 CT, the settlement period.

Tier 3: If a two sided market is not available on Globex during the closing period, then the cash index will be used in the following Carry calculation to derive a settlement price.

Index price + [(Days to expiration/ 365) x Interest rate x Index price)]

Second Month

When the lead month is the expiry month, then the second month is defined as the calendar month immediately following the lead month. When the lead month is not the expiry month, then the second month is defined as the first expiring non-lead month.

Tier 1: If the lead month-second month spread trades on Globex between ~~15:14:30 and 15:15:00 Central Time (CT)~~ 14:59:30 and 15:00:00 CT, then the spread VWAP is calculated, rounded to the spread's nearest tradable tick and then applied to the lead month settle to derive the second month settle.

Tier 2: If there are no spread trades on Globex between ~~15:14:30 and 15:15:00 Central Time (CT)~~ 14:59:30 and 15:00:00 CT, then the last spread trade price is applied to the lead month settle to derive the second month settle.

Tier 3: If the last spread trade is outside of the spread's Bid/ Ask, then the bid or ask price that is closer to the last spread trade is applied to the lead month settle to derive the second month settle.

Tier 4: If there is no spread market information available on Globex, then the cash index will be used in the following Carry calculation to derive a settlement price

Index price + [(Days to expiration/ 365) x Interest rate x Index price)]

Back Months

To derive settlements for all remaining months, the following Carry calculation will be used to derive ~~a~~ settlement prices provided that this value does not violate the bid or ask between ~~15:14:30 and 15:15:00 Central Time (CT)~~ <u>14:59:30 and 15:00:00 CT</u> for the respective outrights.

Index price + [(Days to expiration/ 365) x Interest rate x Index price)]

If you have any questions, please call the CME Global Command Center at 800.438.8616, in Europe at 44.800.898.013, or in Asia at 65.6532.5010.

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