

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 17-397

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

Filing as a:  DCM  SEF  DCO  SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): October 10, 2017 Filing Description: Modifications to the Eurodollar Options Market Maker 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

October 10, 2017

**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 Eurodollar Options Market Maker Program  
CME Submission No. 17-397**

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange Inc. ("CME" or "Exchange") hereby notifies the Commodity Futures Trading Commission ("CFTC" or "Commission") of modifications to an existing market making program for certain Eurodollar Options contracts that are traded on Globex® ("Program"). The proposed modifications to the Program will become effective on December 1, 2017.

Exhibit 1 sets forth the terms of this 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; Prevention of Market Disruption, Execution of Transactions, Protection of Market Participants, Compliance with Rules, and Recordkeeping.

The Program and proposed modifications will 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 under 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 and the modifications to the Program comply with the CEA and the regulations thereunder. There were no substantive opposing views to this Program or the proposed modifications.

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. 17-397 in any related correspondence.

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachment: Exhibit 1

# EXHIBIT 1

## Eurodollar Options Market Maker Program

### **Program Purpose**

The purpose of the Program is to incentivize participants to enhance liquidity in the products listed below for our global client base. A more liquid contract benefits all participants in the market.

### **Product Scope**

All Eurodollar options traded on Globex®, and pit-traded Eurodollar Options, including (without limitation to the foregoing) standard quarterly expiries, Mid-Curve Options, and Calendar Spread Options (“Products”).

### **Eligible Participants**

The Program is available to all CME members and non-members. There is no limit the amount of participants that can be in the Program. All firms that have a relationship with a clearing member firm and can meet CME established quoting requirements, including the ability to stream quotes in outright options and straddles, may qualify for the Program.

### **Program Term**

Start date is First Quarter of 2004. End date is ~~December 31, 2017~~ December 31, 2018.

### **Hours**

Regular and Extended Trading Hours (“RTH & ETH”).

### **Obligations**

#### Quoting Requirements:

Respond to Requests-for-Quotes (“RFQs”) on the Globex® electronic trading platform, both for outright purchases or sales of options and for option strategies during RTH and ETH.

The Exchange shall evaluate and rank the performance of Program participants quarterly. For any Program participant:

70% of such performance evaluation shall be on the basis of said Participant’s speed of response to RFQs, width of bid-offered price spreads, size of bids and offers, and persistence of quoting during a two minute period.

The remaining 30% of such performance evaluation shall be on the basis of the Program participant’s electronic trading volume in the Products.

## **Program Incentives**

Incentives Based on Ranking. The following incentives will be awarded in accordance with quarterly evaluation and ranking of Program participants:

### Program Participants with Ranks 1 Through 6:

~~Receive order flow allocation, plus a discount of \$0.15 for each trade made in the Products on Globex. All order flow allocations shall be at the sole discretion of the Exchange. To receive allocations, a Participant must respond to at least 15% of all RFQ's or at least 10% of their total volume must be on Globex.~~

### Program Participants with Ranks 7 and Above:

~~Participants will be eligible to receive a discount of \$0.15 for each trade made in the Products upon meeting one (1) of the following criteria:~~

- ~~—— (1) Respond to at least 15% of RFQs in a given quarter, or~~
- ~~—— (2) Earn an average of 25,000 RFQ points in a given quarter.~~

### Program Participants with Ranks 1 through 6:

Receive lead market maker order flow allocations totaling 30%. All order flow allocations shall be at the sole discretion of the Exchange.

### All Program Participants will receive:

A discount of \$0.13 for each trade made in the Products on Globex® provided that such participant has, in a given quarter, responded to (i) at least 15% of all RFQs or (ii) earned 25,000 RFQ points.

### Additionally, Individual Members and 106.J Equity Member Participants will also receive:

A discount of \$0.06 on all-in pit fees provided they satisfy at least one of the below additional criteria:

- Have been enrolled in the Eurodollar Options Market Maker Program prior to October 5th 2017; or
- Firm employee trading a firm account and collectively has had at least one (1) person in the pit for at least one third (1/3) of trading days in the first three (3) quarters of 2017; or
- Self-executes in the pit through sequential trading cards and has been in the pit at least one third (1/3) of trading days in the first three (3) quarters of 2017.

## **Monitoring and Termination of Status**

The Exchange shall monitor trading activity 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.