

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 20-451

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 16, 2020 Filing Description: Implementation of the Pork Cutout 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:

October 16, 2020

**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: Implementation of the Pork Cutout Market Maker Program  
CME Submission No. 20-451**

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange Inc. ("CME" or "Exchange") hereby notifies the Commodity Futures Trading Commission ("CFTC" or "Commission") of plans to implement the Pork Cutout Market Maker Program ("Program"). The proposed Program will become effective on November 9, 2020.

Exhibit 1 sets forth the terms of this Program.

The Exchange reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA" or "Act"). 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, and Recordkeeping.

The Program 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 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](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. 20-451 in any related correspondence.

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachment: Exhibit 1

# EXHIBIT 1

## Pork Cutout Market Maker Program

### Program Purpose

The purpose of this Program is to support the development of the product listed below. The resulting increase in liquidity on the central limit order book benefits all participant segments in the market.

### Product Scope

Pork Cutout Futures (“PRK”) that are traded on the CME Globex Platform or cleared through CME ClearPort (the “Product”).

### Eligible Participants

There is no limit to the number of participants that may participate in the Program. Participants may be CME members or non-members. Participants must be proprietary trading firms.

### Program Term

Start date is November 9, 2020. End date is April 30, 2021.

### Hours

8:30AM – 1:05PM CST.

### Obligations

*Minimum Quoting Obligations\**: In order to be eligible to receive the incentives, participants must quote continuous two-sided markets in the Product at maximum bid/ask spreads and minimum quote sizes in accordance with the baseline quoting obligations listed below. Notwithstanding the foregoing, the Exchange may vary the baseline quoting obligations as it deems necessary based on ongoing evaluations of the Program.

Program Months	Product	Ticker	Width (Ticks)	Width (Index Pts)	Width (USD)	Size (Contracts)	Time-In-Market	Time Period (CST)
November 9 – 30, 2020 & December 2020	Months 1-3	PRK	15	.00375/lb	\$0.00375	3	70%	8:30AM – 12:49:59PM
	Months 4-6	PRK	20	.005/lb	\$0.00625	1	70%	8:30AM – 1:05PM
	Open/Close	PRK	10	.0025/lb	\$0.0025	2	50%	12:50PM – 1:05PM
	Month 1 Fee Waiver	PRK	15	.00375/lb	\$0.00375	3	20%	8:30AM – 12:49:59PM
January 2021 –	Months 1-3	PRK	10	.0025/lb	\$0.0025	6	70%	8:30AM – 12:49:59PM
	Months 4-6	PRK	15	.00375/lb	\$0.00375	2	70%	8:30AM – 1:05PM

April 2021	Open/Close	PRK	8	.002/lb	\$0.002	4	50%	12:50PM – 1:05PM
	Month 1 Fee Waiver	PRK	10	.0025/lb	\$0.0025	6	20%	8:30AM – 12:49:59PM

**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	Holiday
11/26/2020	Thanksgiving
11/27/2020	Day After Thanksgiving
12/24/2020	Christmas Eve
12/25/2020	Christmas
1/1/2021	New Year's Day
1/18/2021	Birthday of Martin Luther King, Jr.
2/15/2021	Presidents' Day
4/2/2021	Good Friday

### **Incentives**

**Fee Waivers:** Upon meeting the Minimum Quoting Obligations for Fee Waivers, as determined by the Exchange, participants will receive fee waivers for Globex and CME ClearPort transactions in the Product.

**Monthly Stipend (November 2020 – February 2021):** Upon meeting the Minimum Quoting Obligations, as determined by the Exchange, participants will receive a Monthly Stipend in accordance with the table below:

Program Month	Stipend Amount
November 2020	\$5,000
December 2020	\$2,000
January 2021	\$1,000
February 2021	\$1,000

**Monthly Incentive Pool:** Each month, all participants meeting the Minimum Quoting Obligations will be eligible to receive a pro-rata portion of the Monthly Incentive Pool. Each month, all eligible participants will be ranked by volume in the Product. For purposes of volume calculation, the following weightings will be applied:

- (i) Globex aggressor volume = 1X
- (ii) Globex passive volume for outrights = 1.5X
- (iii) ClearPort volume = 2X
- (iv) Each leg of a Globex spread = 0.5X

The top three (3) participants will receive a pro-rata distribution of the Monthly Incentive Pool in accordance with the table below. The Monthly Incentive Pool will be funded based on market average daily volume ("ADV") in accordance with the following:

Pool Amount	Tier 1	Tier 2	Tier 3	Stipend Amount
	\$15,000	\$25,000	\$45,000	Per Participant
November 2020 ADV	1 – 25	26 – 50	51+	\$5,000
December 2020 ADV	20 – 40	41 – 75	76+	\$2,000
January 2021 ADV	30 – 80	81 – 150	151+	\$1,000
February 2021 ADV	50 – 100	101 – 200	201+	\$1,000
March 2021 ADV	50 – 125	126 – 250	251+	\$0

April 2021 ADV	50 – 175	176 – 325	326+	\$0
----------------	----------	-----------	------	-----

### **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 all incentives for that applicable month, with the exception of the Monthly Stipend. Excluding the aforementioned time-in-market leniency, 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.