

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 19-404 (1 of 4)

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

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 11/06/19 **Filing Description:** Amendments to the CME Globex Messaging Policy

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:

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:

November 6, 2019

VIA ELECTRONIC PORTAL

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. Amendments to the CME Globex Messaging Policy.
CME Submission No. 19-404 (1 of 4)**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6(a), Chicago Mercantile Exchange Inc. (“CME”), The Board of Trade of the City of Chicago, Inc. (“CBOT”), New York Mercantile Exchange, Inc. (“NYMEX”) and Commodity Exchange, Inc. (“COMEX”) (collectively, the “Exchanges”) hereby notify the Commission that they are self-certifying amendments to the CME Globex Messaging Policy (the “Policy”) for the CME Globex electronic trading platform (“Globex”), effective Friday, November 22, 2019.

Specifically, the Exchanges are making conforming changes to clarify the applicability of the Policy and to provide additional flexibility to the Exchanges in executing the Policy. The Policy as originally formulated applied at the Executing Firm level with the ability to apply at a more granular level. The revisions clarify that the Policy applies at a market participant level (as was previously permitted) as may be determined by the Exchange, including the Executing Firm, iLink or Tag 50 level. The amendments to the Policy also permit the Exchange to apply the Policy across all trading hours and clarify that the Exchange may take additional action in the event the limits in the Policy are exceeded.

The Policy is set forth below in Exhibit A attached with additions underscored and deletions ~~struck through~~.

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

- **Availability of General Information:** The amended Policy will be posted publicly on the CME Group website in satisfaction of this core principle. In addition, the Exchanges will issue a Globex Notice regarding the amendments to the Policy. The Globex Notice will also be posted on the CME Group website.
- **Protection of Market Participants:** The Exchanges designed the Policy to ensure that all market participants have the opportunity to trade on a fair and equitable contract market. If the Policy, and related standards, were not in place, high volume, poor quality messages by a small segment of the marketplace could negatively affect the performance of the Exchanges’ electronic central limit

order book. This, in turn, could impact the ability of other market participants to access the Exchanges which may negatively impact the compliance of the Exchanges with this Core Principle.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchanges certify that the amendments to the Policy comply with the Act and regulations thereunder.

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>.

If you require any additional information regarding this submission, please contact the undersigned at 212.299.2200 or via email at CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachment: Exhibit A: CME Globex Messaging Policy (blackline format)

EXHIBIT A



CME Globex Messaging Policy

(additions underscored; deletions ~~struck through~~)

Introduction

Application and Explanation of Policy

The CME Globex Messaging Policy ("Policy") is designed to support efficient market operations and foster high quality, liquid markets by encouraging responsible and reasonable messaging practices by market participants. ~~Generally, the~~ Policy will be administered at a market participant level that CME Group ~~executing firm~~ ("Executing Firms") level, but CME Group may, will determine in its reasonable discretion, ~~decide~~including but not limited to apply the Policy at a more granular level (i.e. executing firm, iLink session, account or Tag 50). Further, CME Group may aggregate executing firms and/or participants for purposes of determining whether a Product Group Benchmark has been exceeded in circumstances where a single entity is submitting messages via more than one executing firm number.

~~Application and Explanation of Policy~~

~~The Policy will apply to Executing Firms during Regular Trading Hours from 7:00 AM to 3:15 PM Central Time ("Regular Trading Hours" or "RTH") and measures the ratio between an Executing Firm's messaging score and the Executing Firm's traded volume in a particular product group during the Regular Trading Hours for that product.~~

Messaging Scores and Volume Ratio

Pursuant to this policy, CME Group will measure the ratio between a market participant's messaging score and its traded volume in a particular product group. Messaging scores are calculated by assigning pre-defined factors to different order types (new orders, order modifications etc.) and then multiplying each ~~Executing Firm's~~ market participant's raw messaging score by the pre-defined factors for the various messaging types submitted. For example, if order modifications were assigned a pre-defined factor of 1 and an Executing Firm had 4 order modifications their messaging score would be 4. Once the messaging score has been calculated it will be divided by the ~~Executing Firm's~~ market participant's traded volume in a product group to obtain the ~~Executing Firm's~~ market participant's volume ratio ("Volume Ratio"). The Volume Ratio will then be compared to the messaging benchmarks for each product ("Product Group Benchmarks") to determine whether the ~~Executing Firm's~~ market participant's is in compliance with the CME Globex Messaging Efficiency Program.

Product Group Benchmarks

Each quarter, CME Group will determine the Product Group Benchmark for a given product group based on observed performance over several time periods and the business needs of the market. These Product Group Benchmarks will generally be established and announced each quarter unless business

circumstances demand that they be changed more frequently. When making the Product Group Benchmark calculation, CME Group may also add a product group specific variation factor to accommodate the unique dynamics of each individual market and to support enhanced liquidity. Updated Product Group Benchmarks are included in the CME Group Messaging Efficiency Program Benchmarks document (“Messaging Efficiency Document”) which is posted on the CME Group website.

General Exceptions

CME Group may except certain market participants from the Volume Ratio standards due to, among other things, low daily messaging volume, extreme market conditions, monthly Volume Ratios below the applicable Product Group Benchmark and market maker or liquidity provider status. The types of exceptions available are included in the Messaging Efficiency Document on the CME Group website.

Reports and Technology Surcharges

Reports on messaging activity and trading volume will generally be provided by CME Group on a T+1 (trade date + plus one business day) basis. ~~Executing Firms~~ [for market participant activity](#). [Market Participants](#) with daily Volume Ratios ~~during RTH~~ in excess of the Product Group Benchmarks may be subject to reasonable, daily technology surcharges at a product group level, [or any other action as determined by CME Group in its reasonable discretion](#).

~~CME~~ [CME Group](#) has established a process whereby ~~Executing Firms~~ [market participants](#) may request reconsideration of [their](#) surcharges. During the reconsideration period, ~~CME~~ [CME Group](#) staff will review the cause of the violation [potential surcharge](#) and may waive surcharges for any of the following reasons:

- i) Significant change in product volatility attributed to changes to market dynamics or systemic events;
- ii) Multiple executing firm numbers held by one Executing Firm when combined result in non-violation (Executing Firm number aggregation)
- iii) ~~Executing Firms~~ [Market participants](#) are actively working with ~~CME~~ [CME Group](#) staff on ways to become more efficient and have taken appropriate corrective actions.

The foregoing reasons to grant a surcharge waiver are applied in a consistent manner across all ~~Executing Firms~~ [market participants](#).