

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 19-480

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

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): December 18, 2019 Filing Description: Implementation of the SOFR 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

December 18, 2019

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 SOFR Options Market Maker Program
CME Submission No. 19-480**

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange Inc. ("CME" or "Exchange") hereby notifies the Commodity Futures Trading Commission ("CFTC" or "Commission") that it plans to implement the SOFR Options Market Maker Program ("Program"). The proposed Program will become effective on January 6, 2020.

Exhibit 1 sets forth the terms of the Program.

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, 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. 19-480 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 launch and development of the products listed below. The resulting increase in liquidity benefits all participant segments of the market.

Product Scope

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

Eligible Participants

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

Program Term

Start date is January 6, 2020. End date is June 30, 2020.

Hours

7:20AM – 2:00PM (CT).

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. Participants must quote using day limit orders. 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 Three-Month SOFR Futures	SR3	Any strike within the first 10 expiration dates (4 serial, 6 quarterlies)	20%	.02	50	4000%	7:20AM – 2:00PM (CT)
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%	

*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
1/20/2020	Birthday of Martin Luther King, Jr.
2/17/2020	Presidents' Day
4/10/2020	Good Friday
5/25/2020	Memorial Day

Incentives

Fee Waivers: All participants will receive fee waivers in the Products traded on the CME Globex Platform, traded via Open Outcry, or cleared through CME ClearPort.

Monthly Stipend: Participants that meet the Minimum Quoting Obligations and respond to at least 15% of RFQs in the applicable Instruments for Quoting will receive a stipend of \$10,000 per month.

LMM Allocation: Participants that meet the Minimum Quoting Obligations and respond to at least 15% of RFQs in the applicable Instruments for Quoting will be eligible to receive a share of 30% total allocation. Each month, all eligible participants will be ranked by volume in the Products. The top 5 participants will receive a pro-rata share of allocation. Each participant is capped at receiving 10% of allocation.

Fee Credits: Participants that either: (i) meet the SR3 Minimum Quoting Obligations, (ii) meet the S0 Minimum Quoting Obligations, or (iii) participated in an Interest Rate Options market maker program during 2019 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 \$30,000 per month, per participant.

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.