

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 24-225

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

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 06/04/24 Filing Description: Amendments to Spot Month Position Limits for the Bitcoin Futures, Options on Bitcoin Futures, Micro Bitcoin Futures, Options on Micro Bitcoin Futures, Bitcoin Euro Futures, and Micro Bitcoin Euro Futures Contracts.

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

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: See filing.

Rule Numbers: See filing.

June 4, 2024

VIA ELECTRONIC PORTAL

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

**Re: CFTC Regulation 40.6(a) Certification. Amendments to Spot Month Position Limits for the Bitcoin Futures, Options on Bitcoin Futures, Micro Bitcoin Futures, Options on Micro Bitcoin Futures, Bitcoin Euro Futures, and Micro Bitcoin Euro Futures Contracts.
CME Submission No. 24-225**

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange Inc. (“CME” or “Exchange”) certifies to the Commodity Futures Trading Commission (“CFTC” or “Commission”) amendments to the spot month position limits for the Bitcoin Futures, Options on Bitcoin Futures, Micro Bitcoin Futures Contracts, Options on Micro Bitcoin Futures, Bitcoin Euro Futures, and Micro Bitcoin Euro Futures contracts (the “Contracts”) effective on June 20, 2024 and commencing with the July 2024 contract month and beyond as more specifically described in the table below.

Contract Title	CME Globex / CME ClearPort Code	CME Rulebook Chapter	Current Spot Month Position Limits	Amended Spot Month Position Limits Commencing with the July 2024 Contract Month and Beyond
Bitcoin Futures	BTC	350	Spot-Month Position Limit: 4,000 Bitcoin Futures (BTC) contracts effective on the first trading day of the expiring contract month, reducing to 2,000 BTC contracts at the close of business three (3) business days (T-3) prior to expiration Single Month and All Month Accountability Levels: Aggregated 5,000 BTC contracts.	Spot Month Position Limit: Aggregated 2,000 Bitcoin Futures (BTC) contracts effective close of trading three (3) business days prior to expiration. Single Month and All Month Accountability Levels: Aggregated 5,000 BTC contracts.
Options on Bitcoin Futures	BTC P1A -P5A P1B -P5B P1C -P5C P1D -P5D P1E -P4E	350A		
Micro Bitcoin Futures	MBT	348		
Options on Micro Bitcoin Futures	WM W1A -W5A W1B -W5B W1C -W5C W1D -W5D W1E -W4E	348A		

Bitcoin Euro Futures	BTE	450		
Micro Bitcoin Euro Futures	EBM	448		

The Position Limit, Position Accountability and Reportable Level Table and Header Notes located in the Interpretations and Special Notices Section of Chapter 5 of the CME Rulebook (the “Table”) will be amended to reflect the amended spot month position limits of the Contracts. Exhibit A provides amendments to the Table on June 20, 2024, the effective date of this submission. Exhibit B provides amendments to the Table effective on July 1, 2024, the date July 2024 shall become the spot contract month (collectively, the “Rule Amendments”). Exhibits A and B are provided in blackline format under separate cover. Exhibit C provides the Deliverable Supply Analysis.

By way of background, the Bitcoin Futures contract was subject to a spot month position limit of 1,000 contracts upon launch (see CME Submission No. [17-417](#) dated December 1, 2017), increased the spot month limit to 2,000 contracts in 2019 (see CME Submission No. [19-334](#) dated September 12, 2019), and subsequently increased the spot month limit to 4,000 contracts in 2021 (see CME Submission No. [21-436](#) dated September 30, 2021).

The Exchange 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:

Core Principle 2 – Compliance with Rules

Trading in the Contracts shall be subject to CME Rulebook Chapter 4, which includes prohibitions against fraudulent, noncompetitive, unfair, and abusive practices. Additionally, trading in these Contracts shall be subject to the Exchange’s trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the Rulebook. Trading activity in these Contracts shall be subject to monitoring and surveillance by CME Group’s Market Regulation Department, which has the authority to exercise its investigatory and enforcement power where potential rule violations are identified.

Core Principle 3 – Contracts Not Readily Subject to Manipulation

The amended position limits remain conservative as demonstrated in Exhibit C and accommodate the continued entry of institutional market participants while promoting the timely roll of positions out of the expiring month. Additional market entrants and trading activity should foster liquidity and price discovery in the Contracts’ spot month of trading and thereby further the Contracts’ non-susceptibility to manipulation.

Core Principle 4 – Prevention of Market Disruption

Trading in the Contracts will be subject to CME Rulebook Chapters 4 and 7, which include prohibitions on manipulation, price distortion, and disruption to the expiration and assignment process. As with any new product listed for trading on a CME Group designated contract market, trading activity in the contracts certified herein will be subject to monitoring and surveillance by CME Group’s Market Regulation Department. The Exchange will initially and may on an ongoing basis supplement the monitoring process by providing expiration surveillance reports to the Commission’s Division of Market Oversight staff.

Core Principle 5 – Position Limits or Accountability

Positions across the Exchange’s Bitcoin Futures contract and Options, Micro Bitcoin Futures and Options, Bitcoin Euro Futures, and Micro Bitcoin Euro Futures contracts will continue to be aggregated into the Bitcoin Futures contract at the applicable ratio given the differing notional values.

Spot Month Position Limit: Aggregated 2,000 Bitcoin Futures contracts effective close of trading three (3) business days prior to expiration. The Rule Amendments are consistent with the Commission’s guidance

and sufficiently conservative in relation to the scale of the corresponding underlying market in bitcoin to deter attempted crowding or manipulation of the BRR and BTCEUR_RR benchmark in connection with final settlement of expiring contracts.

The Single Month and All Month Accountability Levels for the Contracts will remain at 5,000 contracts on an aggregated basis. The reportable level shall remain one (1) contract.

Core Principle 7 – Availability of General Information

CME will update the Table in Chapter 5 upon the effective dates. In addition, the Exchange will disseminate a Market Surveillance Notice (“MSN”) that sets forth information with regard to the Rule Amendments. The MSN will also be available on the CME Group website.

Core Principle 13 – Disciplinary Procedures

Chapter 4 of the CME Rulebook provide for the Exchange to discipline, suspend, or expel members or market participants who violate the rules of the Exchange. Trading in the Contracts shall be subject to these provisions. The Exchange’s Market Regulation Department has the authority to exercise its powers of enforcement, in the event that rule violations in the Contracts are identified.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchange certifies that the Rule Amendments comply with the Act including all regulations thereunder. There were no substantive opposing views to this proposal.

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>.

Should you have any questions concerning the above, please contact the undersigned at (312) 466-7478 or via e-mail at CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/ Timothy Elliott
Managing Director and Chief Regulatory Counsel

- Attachments: Exhibit A – Amendments to CME Chapter 5 – Position Limits, Position Accountability and Reportable Level Table (attached under separate cover) [Effective on June 20, 2024]
Exhibit B – Amendments to CME Chapter 5 – Position Limits, Position Accountability and Reportable Level Table (attached under separate cover) [Effective on July 1, 2024]
Exhibit C – Deliverable Supply Analysis

Exhibit A

CME Rulebook

Chapter 5

(“Trading Qualifications and Practices”)

Position Limit, Position Accountability and Reportable Level Table

(attached under separate cover)

[Effective on June 20, 2024]

Exhibit B

CME Rulebook

Chapter 5

(“Trading Qualifications and Practices”)

Position Limit, Position Accountability and Reportable Level Table

(attached under separate cover)

[Effective on July 1, 2024]

Exhibit C

Deliverable Supply Analysis

Bitcoin Cash Market Analysis

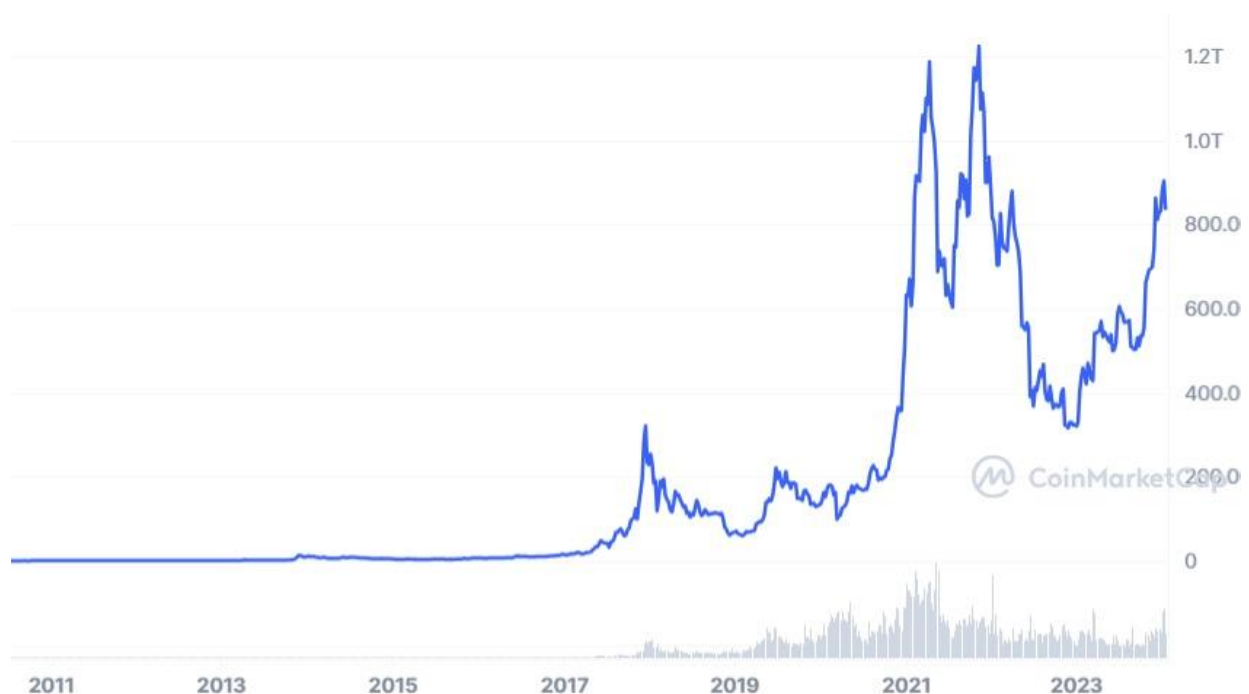
Bitcoin is a decentralized open source blockchain and digital currency that allows for secure peer-to-peer transactions on the internet.

Bitcoin was created by Satoshi Nakamoto, a pseudonymous person or team who outlined the technology in a 2008 white paper. The bitcoin network went live in 2009. Every transaction involving Bitcoin is tracked on the Bitcoin blockchain ledger which is public and permissionless. Unlike a bank's ledger, the Bitcoin blockchain is distributed across the entire network. No company, country, or third party is in control of it; and anyone can become part of that network.

The network's native cryptocurrency token is bitcoin (BTC). According to Coinmarketcap.com (<https://coinmarketcap.com/>), the market cap for all digital assets is over \$1.68 TN. Bitcoin is the largest cryptocurrency by market capitalization, estimated to be \$835 BN¹ as of January 17, 2024. BTC can be traded for other cryptocurrencies or other sovereign currencies.

The 24-hour trading volume in bitcoin is \$22 BN as of January 17, 2024. Bitcoin is actively traded across approximately 400 spot exchanges and other execution platforms that offer leveraged exposure. The value of a single bitcoin has steadily climbed to an all-time high of \$68,789.63 on November 10, 2021, the current price of January 17, 2024, is approximately \$42,700.

Bitcoin Market Capitalization



Source: CoinMarketCap.com

¹ Source: <https://coinmarketcap.com/currencies/bitcoin/>

Bitcoin Price History



Source: CoinMarketCap.com

In terms of market dominance, bitcoin is consistently the dominant cryptocurrency, as demonstrated below.

Bitcoin's Percentage of Total Market Capitalization (Dominance)

● BTC ● ETH ● USDT ● BNB ● SOL ● Others



Source: CoinMarketCap.com

Total Supply

The bitcoin protocol defines, in advance, how the currency will be created and at what rate. Upon release of bitcoin in 2009, Satoshi Nakamoto coded the theoretical maximum number of coins that will ever be minted for bitcoin, as 21 million. The supply of new bitcoins is designed to grow toward a ceiling of 21 million units. However, not all 21 million coins are currently in circulation.

Bitcoin Mining and Blocks

Bitcoin mining is the process by which new bitcoin enter circulation. Miners are individuals or groups who work to secure the network by verifying transactions and adding them to a public ledger; the bitcoin blockchain, in what is called blocks. A block contains details of all the transactions that have been transacted within a given timeframe. Blocks form a chain by referring to the hash (or fingerprint) of the previous block.

Mining requires specialist equipment and great power. The miners are an important part of preserving the blockchain ledgers. The miner that first finds the newest block is rewarded with new bitcoin for their work. Miners also take transaction fees paid by parties sending bitcoin.

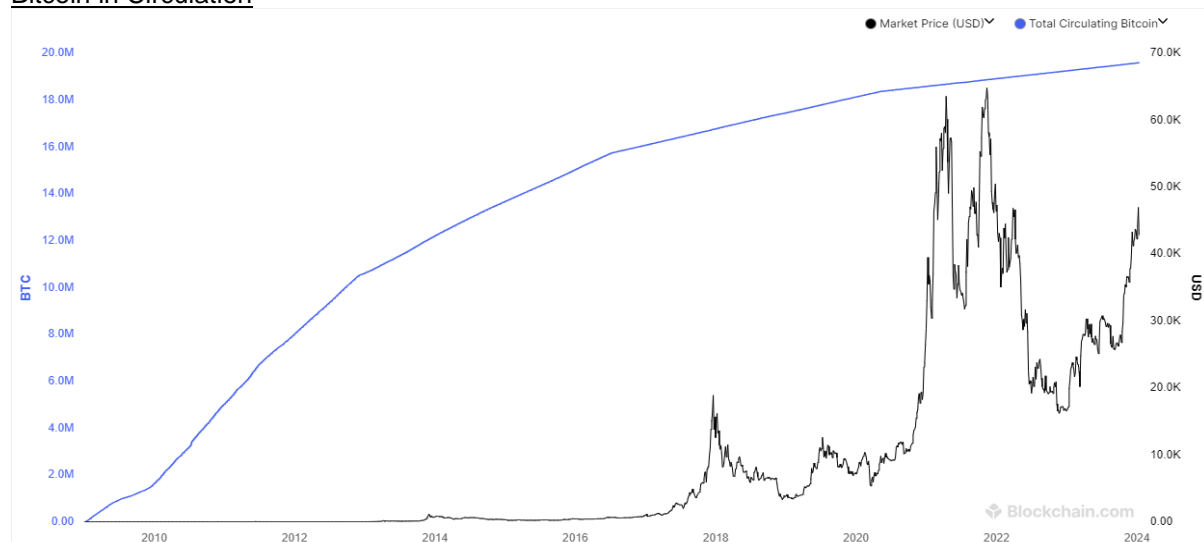
The bitcoin code is designed to create a new block every ten minutes. As such the number of bitcoin in existence increases about every ten (10) minutes when new blocks are mined and added to the bitcoin blockchain. The bitcoin protocol defines how many bitcoin are released each time a miner discovers a new block. At the current mining rate each new block adds 6.25 bitcoin into circulation, which is approximately 900 bitcoin per day.

Initially, the block reward was set to 50 bitcoin per solved block. The protocol states that the number of bitcoin created per block, i.e., the mining reward, will decrease geometrically. This system is in place to systematically reduce the rate at which new bitcoin are issued into circulation. This gradual systematic process will see a 50% reduction every 210,000 blocks, or approximately every four years, until all the 21 million units of bitcoin have been created, which will happen in 2140.

Bitcoin in Circulation

As of January 16, 2024, 19,600,090 (19.6 million) bitcoin have been mined. This represents circa 93%² of all the bitcoin total supply originally set.

Bitcoin in Circulation



Source: www.blockchain.com/en/charts/total-bitcoins

² <https://www.blockchain.com/en/charts/total-bitcoins>

As designed, the percent growth of mined bitcoin in circulation has slowed since inception and will eventually end when all 21 million bitcoin have been mined.

Estimated Bitcoin in Circulation at the end of each calendar year

Year	Total Bitcoin in Circulation	Total percentage increase
31-Dec-09	1,620,475	
30-Dec-10	5,003,425	209%
29-Dec-11	7,986,433	60%
30-Dec-12	10,606,004	33%
30-Dec-13	12,192,506	15%
28-Dec-14	13,657,946	12%
28-Dec-15	15,015,763	10%
29-Dec-16	16,070,956	7%
29-Dec-17	16,769,794	4%
30-Dec-18	17,453,566	4%
30-Dec-19	18,130,731	4%
30-Dec-20	18,584,959	3%
31-Dec-21	18,915,978	2%
30-Dec-22	19,246,866	2%
30-Dec-23	19,584,728	2%

Source: www.blockchain.com/en/charts/total-bitcoins, as of January 16, 2024.

The theoretical total supply of bitcoin, however, is not the total circulating supply. The total circulating supply is lower than the total supply due to accidental loss, willful destruction, and technical peculiarities.

From the total supply of 19.6 million bitcoin, one must discount for unrecoverable bitcoin that are burned (bitcoin that will never be spent - for example, if the bitcoin were sent to a public address without any party knowing or having a way to compute the private key, the bitcoin associated with that key are considered “burned.”); permanently withdrawn from circulation or lost. There is no consensus on the number to be deducted, but best estimates indicate there to be about a 20% total loss. This would produce an estimate of 15.68 million bitcoin as circulating supply (equal to 19.6 million x 0.80).

Deliverable Supply

In theory, all 15.68 million units extant may be considered as notional deliverable supply of contract-grade commodity. A prudentially conservative estimate, however, would acknowledge that bitcoin is traded in multiple currency denominations, including USD and EUR.

For illustration, consider that during the six months ending Jan 16, 2024, around 89.19% of fiat bitcoin transaction volume was in the BTC:USD currency pair, and 8.24% of fiat bitcoin transaction volume was in the BTC:EUR currency pair³. Using 90%, as a conservative combined USD and EUR market share as a proxy for the share of outstanding bitcoin that stands as notional contract-grade supply for Bitcoin Futures, it would produce an estimate of 14.11 million bitcoin (equal to 15.68 million x 0.90) as the ‘money stock’ notionally eligible for delivery in fulfillment of expiring contracts. The following analysis uses this estimate.

For the discussion of position limits that follows, contract size is for the BTC contract, with a 5 bitcoin multiplier.

3 Source: <http://data.bitcoinity.org/markets/volume/6m?c=e&t=b>

By the standards applicable to agricultural or other commodity futures for physical delivery (i.e., 17 CFR 150.5(b)(1)), the position limit would be set at or below 25 percent of estimated spot month deliverable supply. Under current bitcoin market conditions, the resultant maximum position limit would be 3,528,000 bitcoin, or 705,600 contracts ((equal to 14.11 million bitcoin x 0.25) / (5 bitcoin per contract)).

An alternative approach is based on the standard that the Exchange has typically applied to foreign exchange futures products, according to which the position limit is set at or below one percent of the money stock in the contract-grade currency denomination. Applied to the estimated bitcoin 'money stock', the result would be a position limit of 141,120 bitcoin, or 28,224 contracts ((equal to (14.11 million bitcoin x 0.01) / (5 bitcoin per contract)) or less.

Position Limits

The limit will be applicable in aggregate to Bitcoin Futures, Options on Bitcoin Futures, Micro Bitcoin Futures, Options on Micro Bitcoin Futures, Bitcoin Euro Futures and Micro Bitcoin Euro Futures.

Viewed in the context of the preceding cash market overview and to align with the Bitcoin Futures contract, the limits recommended are: Aggregated Single Month Accountability Level and All Month Accountability Level of 5,000 Bitcoin Futures (BTC) contracts, and a Spot Month Position Limit of 2,000 BTC contracts effective on the close of trading three (3) business days prior to expiration.

The recommended quantity is sufficiently stringent that it would be highly unlikely to motivate attempted manipulation of the benchmark in connection with Contract final settlement and is significantly below the standard 25% 'money stock' analysis of deliverable supply test.

Additionally, to allow for increased transparency and more effective market surveillance, a reportable position level across the suite, shall be set at one (1) contract.