

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 24-403

Organization: The Board of Trade of the City of Chicago, Inc. ("CBOT")

Filing as a:  DCM  SEF  DCO  SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): September 12, 2024 Filing Description: Modifications to the TBA Futures 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:



Timothy Elliott  
Managing Director and Chief Regulatory Counsel  
Legal Department

September 12, 2024

**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 TBA Futures Market Maker Program  
CBOT Submission No. 24-403**

Dear Mr. Kirkpatrick:

The Board of Trade of the City of Chicago, Inc. ("CBOT" or "Exchange") hereby notifies the Commodity Futures Trading Commission ("CFTC" or "Commission") of plans to modify the TBA Futures Market Maker Program ("Program"). The modifications to the Program will become effective on October 1, 2024.

Exhibit 1 sets forth the terms of this Program. Modifications appear below, with additions underlined and deletions ~~overstruck~~.

CBOT reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA"). During the review, CBOT staff identified the following Core Principles as potentially being impacted: Monitoring of Trading, Execution of Transactions, Protection of Market Participants, Compliance with Rules, Availability of General Information, 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 CBOT 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 CBOT rules. The Program is subject to the Exchange's record retention policies which comply with the CEA.

CBOT 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 CBOT Submission No. 24-403 in any related correspondence.

Sincerely,

/s/ Timothy Elliott  
Managing Director and Chief Regulatory Counsel

Attachment: Exhibit 1

# EXHIBIT 1

## TBA Futures Market Maker Program

### **Program Purpose**

The purpose of this Program is to encourage participants to support the development of the products listed below. More liquid contracts on the central limit order book benefits all participants in the marketplace.

### **Product Scope**

All TBA Futures (collectively, the “Products”).

### **Eligible Participants**

The Exchange may designate up to seven (7) participants for the Program. Participants must be CBOT members. Prospective participants are required to submit an application/bid sheet to the Exchange as part of a competitive application process which is used to determine eligibility. In determining whether a prospective participant is selected to participate in the Program, Exchange staff may take into account a variety of factors including the strength of the quoting obligations the prospective participant is willing to commit to provide, whether Exchange staff believes that the prospective participant can maintain such obligations, and historical volume trading similar contracts. The Exchange may, from time to time, add or subtract from the aforementioned requirements as it deems necessary.

### **Program Term**

Start date is November 7, 2022. End date is ~~September 30, 2024~~ March 31, 2025.

### **Hours**

RTH (7:00AM – 4:00PM CT).

### **Obligations**

*Minimum Quoting Obligations:* In order to be eligible to receive incentives, each calendar month participants must quote continuous two-sided markets in the Products at maximum bid/ask spreads and minimum quote sizes in accordance with the baseline quoting obligations set forth in the tables below. Participants must quote both Modules. Participants may choose to quote any instrument(s) from each Module. Notwithstanding the foregoing, the Exchange may vary the quoting obligations as it deems necessary based on ongoing evaluations of the Program.

Module 1

Product	Width (Minimum Price Increment "MPI")	Width (Index Points)	Width (USD)	Size (Contracts)	Time-in-Market ("TIM")	Time Period
All TBA Futures - Month 1	16	0.125	\$125	50	Each month, participants need to achieve a TIM percentage equivalent to at least 47.25 hours times days with active obligations divided by the instrument-hours available to quote for the Module (rounded down to the nearest percentage point)	7:00AM – 4:00PM CT
All TBA Futures - Month 2	16	0.125	\$125	50		
All TBA Futures - TBA-Treasury ICS	14 13	0.109375	\$109.375	50		

Module 2

Product	Width (MPI)	Width (Index Points)	Width (USD)	Size (Contracts)	TIM	Time Period
All TBA Futures - Calendar Spreads	6 8	0.046875	\$46.875	50	Each month, <u>Over the ten (10) trading days prior to the last trade date of the expiring contract,</u> participants need to achieve a TIM percentage equivalent to at least 40.5 hours times days with active obligations divided by the instrument-hours available to quote for the Module (rounded down to the nearest percentage point)	7:00AM – 4:00PM CT
Coupon Spreads	16	0.125	\$125	40	Each month, participants need to achieve a TIM percentage equivalent to at least 40.5 hours times days with active obligations divided by the instrument-hours available to quote for the Module	7:00AM – 4:00PM CT

					(rounded down to the nearest percentage point)	
--	--	--	--	--	--	--

**RFQ Obligations:** In order to be eligible to receive certain incentives, participants must respond to at least 50% of Globex electronic requests-for-quotes (“RFQs”) for the Products during RTH. A response is defined as a two-sided quote that meets the size and width requirements specified below and is provided within the specified response time of the RFQ being sent, as follows:

<u>Product</u>	<u>Transaction Type</u>	<u>Width (MPI)</u>	<u>Size (Contracts)</u>	<u>Response Time</u>	<u>Response Rate</u>	<u>Time Period</u>
<u>All TBA Futures</u>	<u>Outrights</u>	<u>16</u>	<u>50</u>	<u>1 minute</u>	<u>50%</u>	<u>7:00AM</u>
	<u>Calendar Spreads</u>	<u>8</u>	<u>50</u>			<u>=</u>
	<u>Coupon Swaps</u>	<u>16</u>	<u>50</u>			<u>4:00PM</u> <u>CT</u>

**Extreme Events Clause:** If 10-Year Treasury CME Group Volatility Index (CVOL) is 170 or greater for at least three (3) days in a given calendar month, the Exchange may increase the bid/ask spreads by 1.5X (rounded to the nearest valid tick increment).

If 10-Year Treasury CVOL is 230 or greater on any day in a given calendar month, the Exchange may reduce the time-in-market across all Modules. The time-in-market reduction is subject to a floor of 20%.

Notwithstanding the foregoing, the Exchange may further reduce the bid/ask spreads, sizes, or time-in-market obligations based on ongoing evaluations of market conditions and volatility. Participants will be given notice that the Extreme Events Clause has taken effect.

**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.

<u>Date</u>	<u>Holiday</u>
<u>5/27/2024</u>	<u>Memorial Day</u>
<u>6/19/2024</u>	<u>Juneteenth</u>
<u>7/4/2024</u>	<u>Independence Day</u>
<u>9/2/2024</u>	<u>Labor Day</u>
<u>10/14/2024</u>	<u>Columbus Day</u>
<u>11/11/2024</u>	<u>Veterans Day</u>
<u>11/28/2024</u>	<u>Thanksgiving</u>
<u>11/29/2024</u>	<u>Post-Thanksgiving</u>
<u>12/24/2024</u>	<u>Christmas Eve</u>
<u>12/25/2024</u>	<u>Christmas</u>
<u>1/1/2025</u>	<u>New Year's</u>
<u>1/20/2025</u>	<u>Birthday of Dr. Martin Luther King, Jr.</u>
<u>2/17/2025</u>	<u>Presidents' Day</u>

## **Incentives**

**Fee Waivers:** Upon meeting the Minimum Quoting Obligations for both Modules Module 1 and Module 2, as determined by the Exchange, participants will receive fee waivers for all volume traded in the Products.

**Monthly Quoting Stipend:** Upon meeting the Minimum Quoting Obligations for both Modules Module 1 and Module 2, as determined by the Exchange, participants will receive an equal share of a \$100,000 \$80,000 monthly stipend, as set forth in the table below.

<b>Number of Qualifying Participants</b>	<b>Participant Payment</b>
1	<u>\$100,000 \$80,000</u>
2	<u>\$50,000 \$40,000</u>
3	<u>\$33,333 \$26,667</u>
4	<u>\$25,000 \$20,000</u>
5	<u>\$20,000 \$16,000</u>
6	<u>\$16,667 \$13,333</u>
7	<u>\$14,286 \$11,429</u>

**Fee Credits:** Upon meeting the Minimum Quoting Obligations for both Modules, as determined by the Exchange, participants will receive a fee credit of \$6.00 per side for Globex outright trades and \$3.00 per side for Globex spread trades in the Products, capped at \$30,000 per month, per participant.

**Outright/ICS Volume Pool:** Upon meeting the Minimum Quoting Obligations for Module 1 and Module 2, as determined by the Exchange, participants will receive a pro-rata portion of a \$30,000 monthly pool. The pool will be allocated based on each participant's aggregate outright and inter-commodity spread volume in the Products, inclusive of Globex outrights, Globex (RI) spreads, Globex (IV) spreads, block outrights, block (GN) spreads, EFP, and EFR volume. Spread volume will receive a 1X volume multiplier. All other volume will receive a 2X multiplier.

**Calendar Spread Volume Pool:** Upon meeting the Minimum Quoting Obligations for Module 1 and Module 2, as determined by the Exchange, participants will receive a pro-rata portion of a \$10,000 monthly pool. The pool will be allocated based on each participant's aggregate calendar spread volume in the Products, inclusive of Globex (RT) spread volume and block (SP) spread volume.

**Monthly RFQ Stipend:** Upon meeting the Minimum Quoting Obligations for Module 1 and Module 2, meeting the RFQ Obligations, and responding to at least one (1) RFQ in a given month, as determined by the Exchange, participants will receive a \$3,000 monthly stipend.

## **Monitoring and Termination of Status**

The Exchange shall retain the right to revoke participant status if it concludes from review that a participant no longer meets the eligibility requirements or fails to meet the obligations 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 incentives for that applicable month, with the exception of the Monthly Stipend(s). 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.