

**SUBMISSION COVER SHEET**

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

**Registered Entity Identifier Code (optional):** 24-271 (3 of 3)

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

**Filing as a:**     **DCM**         **SEF**         **DCO**         **SDR**

**Please note - only ONE choice allowed.**

**Filing Date (mm/dd/yy):** 09/19/24 **Filing Description:** Conversion of the Three-Month Bloomberg Short-Term Bank Yield Index (BSBY) Futures Contract to the Three-Month SOFR Futures Contract and the Subsequent Delisting of the Three-Month Bloomberg Short-Term Bank Yield Index (BSBY) Futures Contract

**SPECIFY FILING TYPE**

**Please note only ONE choice allowed per Submission.**

**Organization Rules and Rule Amendments**

- |                          |                                     |            |
|--------------------------|-------------------------------------|------------|
| <input 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:**

**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     |

**Product Terms and Conditions (product related Rules and Rule Amendments)**

- |                                     |   |                      |
|-------------------------------------|---|----------------------|
| <input checked="" 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:** See filing.

**Rule Numbers:** See filing.



Timothy Elliott  
Managing Director and Chief Regulatory Counsel  
Legal Department

September 19, 2024

**VIA ELECTRONIC PORTAL**

Mr. Christopher J. Kirkpatrick  
Office of the Secretariat  
Commodity Futures Trading Commission  
3 Lafayette Center  
1155 21<sup>st</sup> Street NW  
Washington, DC 20581

**Re: CFTC Regulation 40.6(a) Certification. Termination of Trading, Conversion of the Three-Month Bloomberg Short-Term Bank Yield Index (BSBY) Futures Contract to the Three-Month SOFR Futures Contract and the Subsequent Delisting of the Three-Month Bloomberg Short-Term Bank Yield Index (BSBY) Futures Contract.  
CME Submission No. 24-271 (3 of 3)**

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange Inc. (“CME” or “Exchange”), a registered designated contract market (“DCM”) and derivatives clearing organization (“DCO”) certifies to the Commodity Futures Trading Commission (“CFTC” or “Commission”) amendments to the relevant contract rules providing for the mandatory conversion of unexpired open positions in the Three-Month Bloomberg Short-Term Bank Yield Index (BSBY) Futures contract to notionally-equivalent positions in the Three-Month SOFR Futures contract, such amendments effective on Friday, October 4, 2024, and such conversion to take place following close of trading on Friday, October 11, 2024, as more specifically described below (the “Conversion Process”). Following completion of the Conversion Process there will be zero (0) open interest in the Three-Month Bloomberg Short-Term Bank Yield Index (BSBY) Futures contract, and it will be immediately delisted.

| Contract Title   | CME Rulebook Chapter | CME Globex and CME ClearPort Code | Date Conversion Process Begins               | Corresponding Position   | Corresponding Position Assignment Price Calculation   |
|--|----------------------|-----------------------------------|--|--------------------------|---|
| Three-Month Bloomberg Short-Term Bank Yield Index (BSBY) Futures | 454                  | BSB                               | Close of trading on Friday, October 11, 2024 | Three-Month SOFR Futures | Three-Month BSBY Futures settlement price as of Friday, October 11, 2024 + 12.878 basis points, rounded to the nearest 0.0001 |

In order to facilitate the Conversion Process and delisting of the Three-Month Bloomberg Short-Term Bank Yield Index (BSBY) Futures contract, CME will:

1. Amend the contract rules within the CME Rulebook Chapter 454 relating to the Three-Month Bloomberg Short-Term Bank Yield Index (BSBY) Futures contract to provide the legal mechanism for the Conversion Process, as set out in Exhibit A (effective on October 4, 2024);
2. Terminate trading and trade submissions in the Three-Month Bloomberg Short-Term Bank Yield Index (BSBY) Futures contract at close of business on trade date October 11, 2024 (the "Conversion Date");
3. Implement the Conversion Process following close of business on the Conversion Date as further described below and in Exhibit B (Advisory Notice dated July 16, 2024);
4. Delist the Three-Month Bloomberg Short-Term Bank Yield Index (BSBY) Futures contract and make all necessary revisions to the CME Rulebook and website to delist the contract, as further described below and in Exhibit C (effective immediately upon completion of the Conversion Process on Monday, October 14, 2024); and
5. Amend the Position Limit, Position Accountability and Reportable Level Table in Chapter 5 of the CME Rulebook as a result of number 4 above as provided in Exhibit D (collectively, the "Rule Amendments").

The Three-Month Bloomberg Short-Term Bank Yield Index (BSBY) Futures contract references the three - month tenor of the Bloomberg Short-Term Bank Yield Index ("BSBY"), administered and published by Bloomberg Index Services Limited ("BISL") and the Rule Amendments are required ahead of the scheduled cessation of publication of the rate by BISL on November 15, 2024 (the "Final BSBY Publication Date").

The Rule Amendments shall be binding on all position holders in such contracts from the effective date of the Rule Amendments.

### **Background and Conversion Details**

On November 15, 2023, BISL announced the cessation of publication of all tenors of the BSBY rate, to take effect following final publication of the rates on the Final BSBY Publication Date. BISL determined not to nominate or recommend a successor or fallback replacement rate for BSBY.<sup>1</sup> As a result, it is necessary for the Exchange to amend the contract terms for the Three-Month Bloomberg Short-Term Bank Yield Index (BSBY) Futures ahead of the Final BSBY Publication Date in order to transition positions in the contract to reference a suitable alternative reference rate.

BSBY was originally developed by BISL in response to demand from cash market participants for an interest rate with a credit-sensitive spread with a forward-looking term structure to track the US wholesale unsecured funding market and supplement SOFR. BSBY is a credit sensitive index that measures the average yields at which large, global banks access USD senior unsecured marginal wholesale funding. In July 2024, CME converted cleared BSBY swap positions into corresponding SOFR OIS cleared swaps, on the basis that SOFR was the most appropriate successor reference rate for BSBY exposures.<sup>2</sup> On this same basis, CME has determined that Three-Month Bloomberg Short-Term Bank Yield Index (BSBY) Futures should be converted into corresponding positions in Three-Month SOFR Futures, which form a key part of CME's highly liquid interest rate futures offering.<sup>3</sup> CME believes that conversion of positions in the contracts into corresponding positions in CME Three-Month SOFR Futures is considered by market participants to be the optimal solution to the issue of contractual fallbacks for the contracts ahead of the cessation of BSBY.

Under the Conversion Process set out in the Rule Amendments and explained in this submission, all open interest holders of the Three-Month Bloomberg Short-Term Bank Yield Index (BSBY) Futures contract at close of business on the Conversion Date will receive a corresponding Three-Month SOFR Futures

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<sup>1</sup> See BISL [announcement](#), November 12, 2023.

<sup>2</sup> See CME Submission [24-276 for further details](#).

<sup>3</sup> The SOFR rate is a reference rate administered by the Federal Reserve Bank of New York and SOFR provides a broad measure of the cost of borrowing USD cash overnight collateralized by US Treasury securities, calculated based on overnight observable transactions in the active and liquid USD Treasury repo market.

contract, equal in trading unit size and direction and with the same contract month and at an assignment price based on the settlement price of the Three-Month Bloomberg Short-Term Bank Yield Index (BSBY) Futures contract as of Friday, October 11, 2024, plus a fixed spread of 12.878 basis points (the “Spread Adjustment”). The final assignment price will then be rounded to the nearest 0.0001, to reflect the fact that the Exchange calculates the settlement price for Three-Month Bloomberg Short-Term Bank Yield Index (BSBY) Futures to four (4) decimal places. The Spread Adjustment of 12.878 represents the five-year median difference between the three-month BSBY rate and the three-month compounded Secured Overnight Financing Rate (“SOFR”) rate, which was determined by CME using a methodology that is consistent with the ISDA fallback methodology used for industry interbank offered rate (“IBOR”) fallback processes<sup>4</sup> and as utilized by CME for its recent conversion process for CME cleared OTC BSBY swaps into corresponding CME cleared SOFR overnight index swaps.<sup>5</sup>

In addition to being assigned a corresponding Three-Month SOFR Futures contract according to this methodology, each open interest holder in the contract will also be debited or credited a cash adjustment to compensate for the rounding of onset Three-Month SOFR Futures prices to the nearest 0.0001 (each, a “Cash Residual Amount”). The Cash Residual Amount represents the residual component of the Spread Adjustment not reflected in the Assignment Price for the replacement Three-Month SOFR Futures position.

The Cash Residual Amount in respect of each replacement futures position shall be equal to:  $0.00002 \times$  contract quantity  $\times$  \$2,500 contract unit multiplier.<sup>6</sup>

The Cash Residual Amount provides the balancing cash adjustment between long and short position holders of the replacement futures positions and will be applied and accounted for as a fee on the resulting replacement CME Three-Month SOFR Futures position, which amount shall be applied by the Clearing House at the first settlement cycle following the Conversion Date, during which cycle settlement variation for positions in the resulting contracts will be determined and outstanding exposures and payments netted and settled in accordance with CME Rule 814. (“Settlements, Settlement Variation Payment, and Option Value”). Given that the positive Cash Residual Amount in respect of any single position is exactly offset by the negative Cash Residual Amount on the other side of the position, the net cash flow in respect of the Cash Residual Amount is zero on an overall basis for the Clearing House.

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<sup>4</sup> Reference “[ISDA Guidance Interaction between RFR publications, IBOR Fallback publications and the ISDA Definition](#)” published September 8, 2022.

<sup>5</sup> A “spread adjustment” is necessary to reflect the structural differences between a reference rate (in this case, BSBY) and the corresponding rate used as the fallback rate (in this case, SOFR), in order to establish the necessary level of economic equivalency between the two rates. In the absence of an industry nominated successor rate for BSBY or corresponding spread adjustment for BSBY contractual fallbacks, in contrast to the prior and recent CME IBOR conversions, CME has been required to develop its own methodology for the purposes of determining the relevant Spread Adjustment, which was subject to a period of consultation with market participants. CME’s methodology is closely based on that used by ISDA/BISL for the calculation of certain IBOR fallback rates and spread adjustments, including USD LIBOR. CME’s calculation for the BSBY Spread Adjustment is based on the median spread between Three-Month BSBY and Three-Month adjusted SOFR over the preceding five year period from the date of the announcement of the scheduled cessation of BSBY by BISL. Further details on the determination of the fixed Spread Adjustment by CME are available in CME Submission [24-276](#) relating to the conversion of CME cleared OTC BSBY swaps into corresponding SOFR overnight index swaps. CME has permission from ISDA and Bloomberg Index Services Limited (BISL) to utilize the relevant methodology for the purposes of the conversion of CME contracts. BISL and ISDA, as applicable, are the owners of the intellectual property rights with respect to the ISDA fallback methodology and the BISL IBOR Fallback Rate Adjustments Rule Book. CME is solely responsible for the determination and application of the relevant CME methodology and the calculation and publication of the fixed spread, and for use in any conversion process implemented by CME. Neither ISDA nor BISL endorses the CME calculated fixed spread or CME’s proposed methodology and neither ISDA nor BISL has any responsibility or liability for CME’s utilization of the methodology, calculation or publication of the fixed spread or use of the spreads in any fallback or conversion process conducted by CME, or use of the spread by any other person. CME reserves the right to adjust the methodology or recalculate the spread contained in this document at any time without prior notice and such spread value should not be used by any other person as a reference rate within a financial instrument or financial contract.

<sup>6</sup> Depending on the direction of the position, the value will be positive or negative.

In operational and certain other terms, the methodology for the Conversion Process is substantially similar to the process utilized for the conversion of open positions in CME Three-Month Eurodollar Futures into corresponding positions in Three-Month SOFR Futures that took place in April 2023, required as a result of the scheduled “non-representativeness” of U.S. Dollar LIBOR (“USD LIBOR”) (the “Eurodollar Conversion”).<sup>7</sup> In addition, utilization of the Spread Adjustment in the Conversion Process ensures consistency with CME’s approach to conversion of OTC BSBY cleared swaps into SOFR OIS in July 2024<sup>8</sup>. Operational level information on the Conversion Process for the Three-Month Bloomberg Short-Term Bank Yield Index (BSBY) Futures, explaining the conversion methodology and calculation of the Spread Adjustment, was made available for review and feedback by market participants in the first half of 2024 on the CME website.<sup>9</sup> As a result, the Exchange believes that market participants and Clearing Members understand the relevant operational processes and mechanics of the Conversion Process.

CME proposes that the Rule Amendments to implement the Conversion Process into the contract terms for the contracts will be implemented via a change to the CME Rulebook Chapter 454 (Three-Month Bloomberg Short-Term Bank Yield Index (BSBY) Futures). The Rule Amendments are summarized below and set out in Exhibit A (with additions underscored and deletions struck through) and will be binding on all position holders and Clearing Members from the effective date, subject to regulatory approval. The Rule Amendments will be published in a market notice / Special Executive Report (“SER”) which will be made available to Clearing Members, market participants and the general public via the CME Group website.

In an effort to further facilitate the Conversion Process, it should be noted that effective July 8, 2024, CME has implemented the “BSBY Futures Conversion Incentive Program”.<sup>10</sup>

Additional operational details on the Conversion Process of the Three-Month Bloomberg Short-Term Bank Yield Index (BSBY) Futures contract can be found on the CME Group website.<sup>11</sup>

## **DCM and DCO Core Principles**

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:

### **DCM Core Principles**

- **Compliance with Rules:** CME Globex trading and trade submissions in the Three-Month Bloomberg Short-Term Bank Yield Index (BSBY) Futures contract will terminate at the normal close of business time on October 11, 2024. All contract positions that are unexpired at that time will be converted into notionally-equivalent Three-Month SOFR Futures contract positions during the conversion period. Neither voluntary offset or closure of Three-Month Bloomberg Short-Term Bank Yield Index (BSBY) Futures contract positions prior to the conversion period nor mandatory conversion during the conversion period will impact the Exchange’s ability to monitor or enforce compliance with its Rules.
- **Prevention of Market Disruption:** The Conversion Process supports CME’s ability to prevent market disruption or price distortion, which could otherwise occur where liquidity in the Three-Month Bloomberg Short-Term Bank Yield Index (BSBY) Futures contract gradually diminishes as positions in the contract expire and roll off, or where they are listed for trading on CME

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<sup>7</sup> In April 2023, CME successfully converted 7.5 million contracts of Eurodollar futures and options open interest to corresponding SOFR derivatives. See CME Press Release [23 April 2023](#) and CME Submission [No. 22-567](#) for further details.

<sup>8</sup> See CME Submission [24-276](#).

<sup>9</sup> See [“BSBY Futures Fallbacks Implementation”](#)

<sup>10</sup> See CME Submission [No. 24-267](#) for the Incentive Program details

<sup>11</sup> See [“BSBY Futures Fallbacks Implementation”](#)

Globex to trade side-by-side with the Three-Month SOFR Futures contract, which would unnecessarily bifurcate liquidity across two screen-based products that serve the same risk management needs. Further, at the time of delisting there will be no open interest in the Three-Month Bloomberg Short-Term Bank Yield Index (BSBY) Futures contract and therefore there will be no market disruption related to their delisting.

- **Position Limitations or Accountability:** Position limits for the Three-Month SOFR Futures contract resulting from the conversion will be maintained at current levels, which are equivalent to those for the Three-Month Bloomberg Short-Term Bank Yield Index (BSBY) Futures contract.
- **Execution of Transactions:** The Rule Amendments introduce the Conversion Process into the contract terms which provides for a mechanism by which positions in the contracts will be terminated and replaced with positions in the corresponding CME Three-Month SOFR Futures, without trade execution on the Exchange. Core Principle 9 requires a DCM to provide “a competitive, open and efficient market and mechanism for executing transactions that protects the price discovery process of trading in the centralized market of the board of trade.” Core Principle 9 also permits a board of trade to authorize, under its rules, certain noncompetitive trades for bona fide business purposes. Fallback provisions that are introduced to address the cessation of a reference rate are not inconsistent with the responsibility of a DCM to provide for meaningful price discovery. The assignment price for a resulting position in CME Three-Month SOFR Futures will be determined based on the most recent settlement price for the contract, plus the Spread Adjustment, both of which are publicly available. The Rule Amendments will serve a bona fide business purpose, and furthers the important policy objective of implementing robust contractual fallbacks for contracts referencing BSBY. The Rule Amendments ensure that all existing and new positions in the contracts will incorporate robust contractual fallbacks that will take effect prior to the Final BSBY Publication Date. This will ensure that market participants will not be required to take further action in respect of open positions in the contracts as part of their BSBY cessation planning. The Exchange will continue its current practice of providing a competitive, open, and efficient market mechanism for executing transactions in the Three-Month SOFR Futures contract.
- **Trade Information:** The Exchange will convert the Three-Month Bloomberg Short-Term Bank Yield Index (BSBY) Futures contract positions into notionally-equivalent Three-Month SOFR Futures contract positions. The mechanism for conversion supports electronic confirmations to Clearing Members, regulatory reporting and accurate audit trail data. Positions resulting from the conversion will be reflected on Clearing Member trade registers and CME Group’s Daily Bulletin, which shows volume and open interest for all products.
- **Recordkeeping:** Records pertaining to the Conversion Process will remain subject to recordkeeping requirements established in accordance with this Core Principle.
- **Antitrust Considerations:** Termination of trading in the Three-Month Bloomberg Short-Term Bank Yield Index (BSBY) Futures contract and conversion of open interest into corresponding Three-Month SOFR Futures will enhance price discovery by transitioning exposures to a deeper pool of liquidity and efficient execution on CME Globex. CME has engaged with industry bodies, regulatory authorities and market participants in relation to its approach to contractual fallbacks for interest rate benchmarks, such as USD LIBOR, on which the Conversion Process is based. Furthermore, CME has engaged with market participants specifically on the proposed Conversion Process for the contracts. During these discussions, CME has not received any comments regarding any antitrust/fair competition concerns in respect of its transition processes or the Conversion Process.

- **Availability of General Information:** The Rule Amendments will be binding on all position holders and Clearing Members and applicable to new positions and open positions in the affected contracts from the effective date, subject to regulatory review. The implementation of the Rule Amendments will take place through changes to Chapter 454 within the CME Rulebook, which will be made publicly available and will also be distributed to Clearing Members and market participants through publication in a market notice / Special Executive Report (“SER”), available to recipients of CME advisory notices, and also publicly available on the CME Group website. The methodology for the Conversion Process has been made publicly available, including the value of the Spread Adjustment and the process for its determination by CME. Market participants will be reminded in the relevant notices that position holders that do not wish to be subject to the conversion processes set out in the Rule Amendments must close out any open position in the contract prior to the Conversion Date. CME has taken appropriate steps to provide market participants with sufficient information to enable those market participants to identify and evaluate the changes to the CME Rulebook and the effect of the implementation of the Rule Amendments in respect of affected contracts. The Rule Amendments will be made available on the CME Group website on the effective date of this submission. The Advisory Notice has been published on the CME Group website. The SER will also be posted on the CME Group website.
- **Daily Publication of Trading Information:** The Exchange will continue to publish daily trading volumes, open interest levels, and price information for the Three-Month SOFR Futures contract on the CME Group website and through quote vendors

#### DCO Core Principles

- **Risk Management:** The Conversion Process will not impact the Clearing House’s ability to manage risk. On a notionally-adjusted basis the performance bond requirements for the Three-Month Bloomberg Short-Term Bank Yield Index (BSBY) Futures contract and the Three-Month SOFR Futures contract are the same.
- **Settlement Procedures:** The Conversion Process will not impact the Clearing House’s ability to effect settlement with its Clearing Members. All Three-Month Bloomberg Short-Term Bank Yield Index (BSBY) Futures contracts will go through the EOD settlement cycle for October 11, 2024, with contracts expiring that day following the normal process for final settlement. All positions resulting from the Conversion Process will be subject to daily and final settlement processes for the Three-Month SOFR Futures contract.
- **Reporting:** Positions subject to or resulting from the Conversion Process will be reflected on reports to the Commission in accordance with this Core Principle.
- **Recordkeeping:** Records pertaining to the Conversion Process will remain subject to recordkeeping requirements established in accordance with this Core Principle.
- **Public Information:** The SER setting out the Rule Amendments will be and the Advisory Notice has been published on the CME Group website. CME will remove all references to the Three-Month Bloomberg Short-Term Bank Yield Index (BSBY) Futures contract in the product rule chapters and from the CME Rulebook and website following the Conversion Date.

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

The Exchange certifies that this submission has been concurrently posted on CME Group’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](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Timothy Elliott  
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A Amendments to CME Chapter 454 (blackline format) [Effective October 4, 2024]  
Exhibit B Form of Advisory Notice Dated July 16, 2024  
Exhibit C Amendments to CME Rulebook Chapter 454 (blackline format) [Effective October 14, 2024]  
Exhibit D Amendments to the Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the CME Rulebook (attached under separate cover) [Effective October 14, 2024]



**Exhibit A**  
**CME Rulebook**

(additions underscoring, deletions ~~struck through~~)

[Effective October 4, 2024]

**Three-Month Bloomberg Short-Term Bank Yield (BSBY) Futures**

**45400. SCOPE OF CHAPTER**

This chapter is limited in application to Three-Month Bloomberg Short-Term Bank Yield Index (“BSBY”) futures (“futures” or “contract”). In addition to this chapter, futures shall be subject to the general rules and regulations of the Exchange insofar as applicable.

Unless otherwise specified, times referenced herein shall indicate Chicago time.

**45401. CONTRACT SPECIFICATIONS**

Each contract is valued at \$2,500 times the contract-grade IMM Index (Rule 45402.C.).

**45402. TRADING SPECIFICATIONS**

**45402.A. Trading Schedule**

Contracts shall be scheduled for trading during such hours and for delivery in such months as may be determined by the Exchange.

**45402.B. Trading Unit**

For a contract for a given delivery month, the unit of trading shall be interest based on the U.S. dollar, three-month tenor, Bloomberg Short-Term Bank Yield Index, for spot settlement on the third Wednesday of such delivery month, expressed as an interest rate per annum such that each basis point per annum of interest shall be worth \$25 per futures contract.

**45402.C. Price Increments**

Contract prices shall be quoted in terms of the IMM Index (“Index”), 100.0000 minus the interest rate per annum corresponding to the three-month unsecured U.S. dollar-denominated wholesale bank funding transaction specified in Rule 45402.B. (For example, an interest rate of 2.055 percent per annum shall be quoted as an Index value of 97.9450.)

1. The Nearest Expiring Contract Month

The minimum price fluctuation shall be 0.0025 Index points, equal to \$6.25 per contract.

2. All Contract Months Excluding the Nearest Expiring Contract Month

The minimum price fluctuation shall be 0.005 Index points, equal to \$12.50 per contract.

**45402.D. Position Limits, Exemptions, Position Accountability and Reportable Levels**

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

**45402.E. Special Price Fluctuation Limits**

At the commencement of each trading day, the contract shall be subject to special price fluctuation limits as set forth in Rule 589. and in the Special Price Fluctuation Limits and Daily Price Limits Table in the Interpretations & Special Notices Section of Chapter 5.

**45402.F. [Reserved]**

**45402.G. Termination of Trading**

Trading in an expiring contract shall terminate at 8:00 a.m. New York time on the second New York business day immediately preceding the third Wednesday of the contract’s named month of delivery.

**45402.H. [Reserved]**

**45403. SETTLEMENT PROCEDURES**

Delivery shall be by cash settlement.

**45403.A. Final Settlement Price**

The final settlement price of an expiring contract shall be 100.00000 minus the U.S. dollar, three-month BSBY Index for the second New York business day immediately preceding the third Wednesday of the contract's named month of delivery. For the purposes of this rule, business days shall mean all weekdays excluding any dates identified by the Securities Industry and Financial Markets Association in its U.S. Holiday Recommendations. Such rate shall be as determined, and as first published, by Bloomberg Index Services Limited. The value of such rate, so published, shall be to the nearest 0.00001 percentage points per annum.

*Example:* A rate of 2.14155 percent per annum would be subtracted from 100.00000 to determine a contract final settlement price of 97.85845

**45403.B. Final Settlement**

Clearing members holding open positions in a contract at the time of termination of trading in that contract shall make payment to or receive payment from the Clearing House in accordance with normal variation performance bond procedures based on a settlement price equal to the final settlement price.

**45404.-35. [RESERVED]**

**45436. REFERENCE RATE FALLBACK EVENT PROCEDURE**

**45436.A. Cessation of Publication of Bloomberg Short-Term Bank Yield Index**

With respect to the rate in Rule 45403.A, on November 15, 2023, Bloomberg Index Services Limited announced that it would cease publication of the rate following final publication on Friday, November 15, 2024 (the "Final Publication Date").

**45436.B. Conversion Procedure**

Ahead of the scheduled final publication of the rate in Rule 45403.A on the Final Publication Date, following close of business on Friday, October 11, 2024 (the "Conversion Date"), the Exchange shall convert all open positions in the contract that expire after the Conversion Date (each a "Conversion Position") as follows:

- (i) each open position in the contract that is a Conversion Position shall be terminated at the most recent daily settlement price for the contract on the Conversion Date; and
- (ii) such position shall be replaced with a corresponding open position in CME Three-Month SOFR Futures (Chapter 460) (a "Replacement Position").

The Replacement Position shall be assigned to a position holder by the Exchange in accordance with the following procedure:

- (i) the Replacement Position in CME Three-Month SOFR Futures shall be equal in trading unit size and direction to the position in the contract and with the same delivery month;
- (ii) the price at which the Replacement Position is assigned to the position holder (the "Assignment Price") shall be determined by the Exchange and shall be equal to:
  - (A) the most recent daily settlement price for the contract on the Conversion Date,  
plus
  - (B) a value adjustment amount which shall be equal to 12.878 basis points,  
rounded to four (4) decimal places;
- (iii) to account for the rounding of the Assignment Price to four (4) decimal places, the Exchange shall apply to each Replacement Position a cash adjustment amount which shall be due from or payable to the position holder at the next end of day settlement cycle following close of business on the Conversion Date according to the direction of the position and shall be equal to:

[0.00002] x the contract quantity x \$2,500 contract unit multiplier,

as determined by the Exchange utilizing the methodology published by the Exchange.

**45436.C. Clearing of the Replacement Position**

Clearing of the Replacement Position shall be subject to the Rules for CME Three-Month SOFR Futures (Chapter 460), including for the avoidance of doubt the determination of daily and final settlement prices in respect of each Replacement Position.

**45436.D. Termination of Trading**

Following close of business on the Conversion Date trading in the contracts shall be terminated and such contracts shall no longer be available for trading on the Exchange with immediate effect.

**INTERPRETATIONS AND SPECIAL NOTICES  
RELATING TO CHAPTER 454**

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**Exhibit B**  
**Form of Advisory Notice**

TO: Clearing Member Firms; Back Office Managers

FROM: CME Clearing

ADVISORY #: 24-201

DATE: July 16, 2024

SUBJECT: **Conversion of Open Interest from the Three-Month Bloomberg Short Term Bank Yield Index Futures to Three-Month SOFR Futures.**

On November 15th, 2023 Bloomberg Index Series announced that it will cease publishing the BSBY rate as a benchmark on November 15th 2024. Subject to regulatory approval, CME Group will convert Three-Month Bloomberg Short-Term Bank Yield Index (BSBY) Futures (contract code BSB) into equivalent positions in Three-Month SOFR Futures (contract code SR3) after close of trading at 4.00 p.m. CT on Friday October 11, 2024. After this, BSBY futures will no longer be available for trading on Globex.

In order to support clearing firms with open interest in BSB contracts after trading ceases at 4.00 p.m. CT on Friday October 11, 2024, CME Clearing will convert those positions into an equivalent expiry in the SR3 contract. CME Clearing will be in touch with clearing member firms prior to the conversion weekend, however the conversion process will look as follows:

1. On Friday October 11, 2024, trading in the BSB contract will terminate at 4.00 p.m. CT. For Friday's end of day clearing cycle, it is important that clearing firms have completed all allocations and submit an accurate PCS given that Friday's EOD positions will be used in the conversion process to establish the SR3 positions.
2. On Sunday October 13, 2024, prior to the trading open at 5.00 p.m. CT, CME Clearing will process transfers to convert the BSB positions from EOD Friday into SR3 positions. CME Clearing will book the transfers using CME firm 995 as the opposite firm. For each 1 lot position a clearing firm holds in the BSB contract the firm will receive corresponding 1 lot position in SR3. CME Clearing will process 2 transfers. One transfer offsetting the BSB position at the BSB settlement price for Friday October 11, 2024. And a second onsetting transfer in SR3. The price used for the onsetting transfer will be the 3-month BSBY Future Settlement Price on Friday October 11, 2024 plus the Fallback Spread Adjustment which has been calculated to be 12.878 bps using the ISDA IBOR fallback methodology. Clearing firms will receive clearing confirmation messages for these transfers. Due to the rounding of the transfer bookings, cash adjustments will also be booked to true-up any outstanding balances from the conversion. CME Clearing will provide a file to Clearing firms showing the respective transfers and cash adjustments booked in the conversion process.
3. On Monday October 14, 2024 should clearing firms need to make any morning PCS adjustments in the BSB contract as a result of an inaccurate PCS value from Friday, the open interest adjustments should be performed on the converted SR3 positions prior to the normal 8.15 a.m. CT deadline. For the end of day clearing cycle on Monday, clearing firms should submit a PCS value of 0 for their BSB positions or refrain from submitting a value for BSB positions altogether.

Should clearing firms have any questions please call 312-207-2525 or email [ccs@cmegroup.com](mailto:ccs@cmegroup.com).

Regards,

CME Clearing

**Exhibit C**  
**CME Rulebook**  
(deletions struck through)

[Effective October 14, 2024]

**Chapter 454**  
**Three-Month Bloomberg Short-Term Bank Yield (BSBY) Futures**

**45400. SCOPE OF CHAPTER**

This chapter is limited in application to Three-Month Bloomberg Short-Term Bank Yield Index (“BSBY”) futures (“futures” or “contract”). In addition to this chapter, futures shall be subject to the general rules and regulations of the Exchange insofar as applicable.  
Unless otherwise specified, times referenced herein shall indicate Chicago time.

**45401. CONTRACT SPECIFICATIONS**

Each contract is valued at \$2,500 times the contract grade IMM Index (Rule 45402.C.).

**45402. TRADING SPECIFICATIONS**

**45402.A. Trading Schedule**

Contracts shall be scheduled for trading during such hours and for delivery in such months as may be determined by the Exchange.

**45402.B. Trading Unit**

For a contract for a given delivery month, the unit of trading shall be interest based on the U.S. dollar, three-month tenor, Bloomberg Short-Term Bank Yield Index, for spot settlement on the third Wednesday of such delivery month, expressed as an interest rate per annum such that each basis point per annum of interest shall be worth \$25 per futures contract.

**45402.C. Price Increments**

Contract prices shall be quoted in terms of the IMM Index (“Index”), 100.0000 minus the interest rate per annum corresponding to the three-month unsecured U.S. dollar-denominated wholesale bank funding transaction specified in Rule 45402.B. (For example, an interest rate of 2.055 percent per annum shall be quoted as an Index value of 97.9450.)

**1. The Nearest Expiring Contract Month**

The minimum price fluctuation shall be 0.0025 Index points, equal to \$6.25 per contract.

**2. All Contract Months Excluding the Nearest Expiring Contract Month**

The minimum price fluctuation shall be 0.005 Index points, equal to \$12.50 per contract.

**45402.D. Position Limits, Exemptions, Position Accountability and Reportable Levels**

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

**45402.E. Special Price Fluctuation Limits**

At the commencement of each trading day, the contract shall be subject to special price fluctuation limits as set forth in Rule 589, and in the Special Price Fluctuation Limits and Daily Price Limits Table in the Interpretations & Special Notices Section of Chapter 5.

**45402.F. [Reserved]**

**45402.G. Termination of Trading**

Trading in an expiring contract shall terminate at 8:00 a.m. New York time on the second New York business day immediately preceding the third Wednesday of the contract’s named month of delivery.

**45402.H. [Reserved]**

**45403. SETTLEMENT PROCEDURES**

Delivery shall be by cash settlement.

**45403.A. Final Settlement Price**

The final settlement price of an expiring contract shall be 100.00000 minus the U.S. dollar, three-month BSBY Index for the second New York business day immediately preceding the third Wednesday of the contract's named month of delivery. For the purposes of this rule, business days shall mean all weekdays excluding any dates identified by the Securities Industry and Financial Markets Association in its U.S. Holiday Recommendations. Such rate shall be as determined, and as first published, by Bloomberg Index Services Limited. The value of such rate, so published, shall be to the nearest 0.00001 percentage points per annum.

*Example:* A rate of 2.14155 percent per annum would be subtracted from 100.00000 to determine a contract final settlement price of 97.85845

**45403.B. Final Settlement**

Clearing members holding open positions in a contract at the time of termination of trading in that contract shall make payment to or receive payment from the Clearing House in accordance with normal variation performance bond procedures based on a settlement price equal to the final settlement price.

**45404-35. [RESERVED]**

**45436. REFERENCE RATE FALLBACK EVENT PROCEDURE**

**45436.A. Cessation of Publication of Bloomberg Short Term Bank Yield Index**

With respect to the rate in Rule 45403.A, on November 15, 2023, Bloomberg Index Services Limited announced that it would cease publication of the rate following final publication on Friday, November 15, 2024 (the "Final Publication Date").

**45436.B. Conversion Procedure**

Ahead of the scheduled final publication of the rate in Rule 45403.A on the Final Publication Date, following close of business on Friday, October 11, 2024 (the "Conversion Date"), the Exchange shall convert all open positions in the contract that expire after the Conversion Date (each, a "Conversion Position") as follows:

- (iii) each open position in the contract that is a Conversion Position shall be terminated at the most recent daily settlement price for the contract on the Conversion Date; and
- (iv) such position shall be replaced with a corresponding open position in CME Three-Month SOFR Futures (Chapter 460) (a "Replacement Position").

The Replacement Position shall be assigned to a position holder by the Exchange in accordance with the following procedure:

- (iv) the Replacement Position in CME Three-Month SOFR Futures shall be equal in trading unit size and direction to the position in the contract and with the same delivery month;
- (v) the price at which the Replacement Position is assigned to the position holder (the "Assignment Price") shall be determined by the Exchange and shall be equal to:

(C) the most recent daily settlement price for the contract on the Conversion Date, plus

(D) a value adjustment amount which shall be equal to 12.878 basis points, rounded to four (4) decimal places;

- (vi) to account for the rounding of the Assignment Price to four (4) decimal places, the Exchange shall apply to each Replacement Position a cash adjustment amount which shall be due from or payable to the position holder at the next end of day settlement cycle following close of business on the Conversion Date according to the direction of the position and shall be equal to:

$[0.00002] \times \text{the contract quantity} \times \$2,500 \text{ contract unit multiplier,}$

as determined by the Exchange utilizing the methodology published by the Exchange.

**45436.C. — Clearing of the Replacement Position**

Clearing of the Replacement Position shall be subject to the Rules for CME Three-Month SOFR Futures (Chapter 460), including for the avoidance of doubt the determination of daily and final settlement prices in respect of each Replacement Position.

**45436.D. — Termination of Trading**

Following close of business on the Conversion Date trading in the contracts shall be terminated and such contracts shall no longer be available for trading on the Exchange with immediate effect.

**INTERPRETATIONS AND SPECIAL NOTICES  
RELATING TO CHAPTER 454**

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**Exhibit D**  
**CME Rulebook**  
**Chapter 5**  
**(“Trading Qualifications and Practices”)**

**Position Limits, Position Accountability and Reportable Level Table**

(attached under separate cover)

(deletions ~~struck through~~)

[Effective October 14, 2024]