

24-467: Modifications to the Electronic Treasury Options Market Maker Program



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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 Electronic Treasury Options Market Maker Program
CBOT Submission No. 24-467**

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 Electronic Treasury Options Market Maker Program ("Program"). The modifications to the Program will become effective on February 1, 2025.

Exhibit 1 sets forth the terms of this Program. Modifications appear below, with additions underscored 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 all 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 or the proposed extension.

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.

Sincerely,

/s/ Timothy Elliott
Managing Director and Chief Regulatory Counsel

Attachment: Exhibit 1

EXHIBIT 1

Electronic Treasury Options Market Maker Program

Program Purpose

The purpose of this Program is to enhance liquidity in Treasury Options products during RTH and ETH in order to increase the percentage of Treasury Options executed electronically. A more liquid contract benefits all participants in the market.

Product Scope

All Options on CBOT Treasury futures, including 2, 5, and 10-Year U.S. Treasury Notes, 30-Year U.S. Treasury Bonds, Long Term U.S. Treasury Bonds, and Ultra 10-Year Notes ("Products").

Eligible Participants

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

Program Term

Start date is March 2008. End date is ~~January 31, 2025~~ January 31, 2027, or the date on which the Exchange determines to modify, extend, or terminate the Program. Participants will be given notice of any changes to the Program Term.

Hours

Extended and Regular Trading Hours ("ETH" and "RTH").

Obligations

Quoting Requirements: Participants are required to respond to Globex electronic Requests-for-Quotes ("RFQs") in strategies of all or a subset of the Products. Participants may only quote up to the max order quantity on a single price level and must set market maker protection values in line with quoted quantities. Additionally, participants must quote in accordance with the mass quote obligations and other associated market maker functionality parameters as determined by the Exchange and as published on the Exchange's website.

Incentives

Mass Quote Message: CBOT shall permit the market maker to submit quotes for the Product using the Mass Quote message under an assigned identification granted by CBOT staff.

Order Flow Allocation: The eight (8) most highly ranked participants in each Treasury option product shall receive order flow allocations in the applicable Treasury option product, per the schedule of "Evaluation and Incentive Allocation Periods." In order to receive the allocation, the top eight (8) participants must

respond to at least 60% of RFQs in a specific product or at least 50% of their Treasury options volume must be executed on Globex. The total order flow allocations shall not exceed 24% of total order flow in the applicable Treasury option product.

The Exchange shall evaluate and rank participants quarterly with assignments of attendant rank-related Program incentives to take effect per the following schedule:

Evaluation and Incentive Allocation Periods for 2, 5, and 10-Year U.S. Treasury Notes, 30 Year U.S. Treasury Bonds, Long Term U.S. Treasury Bonds, and Ultra 10-Year Notes

Evaluation Period	Incentive Allocation Period
9/16/2023—12/15/2023	1/1/2024—3/31/2024
12/16/2023—3/15/2024	4/1/2024—6/30/2024
3/16/2024—6/15/2024	7/1/2024—9/30/2024
6/16/2024—9/15/2024	10/1/2024—12/31/2024
9/16/2024—12/15/2024	1/1/2025—3/31/2025
<u>16th Day of the Calendar Quarter – 15th Day of the Next Calendar Quarter (e.g., March 16th – June 15th)</u>	<u>Next Subsequent Calendar Quarter (e.g., July 1 – September 30th)</u>

Participants shall be ranked on the basis of the speed of their responses, the width of their bid-offered price spreads, the sizes of their bids and offers, time persistence of their quoting in options, and their electronic volume within the weeklies, serial, and quarterly expiration months.

Notwithstanding the foregoing, the Exchange may vary the obligations as it deems necessary based on ongoing evaluations of the Program. Participants will be given notice of any adjustments to the obligations.

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 eligibility requirements or fails to meet the obligations of the Program.