

24-518: Modifications to the Yield Futures Market Maker Program



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Legal Department

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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 Yield Futures Market Maker Program
CBOT Submission No. 24-518**

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 Yield Futures 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 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 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

Yield Futures Market Maker Program

Program Purpose

The purpose of the Program is to support the development of the products listed below. A more liquid contract on the central limit order book benefits all participants in the market.

Product Scope

Micro 2-Year Yield Futures (“2YY”), Micro 5-Year Yield Futures (“5YY”), Micro 10-Year Yield Futures (“10Y”), and Micro 30-Year Yield Futures (“30Y”) traded on Globex (“Products”).

Eligible Participants

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

Program Term

Start date is August 16, 2021. End date is ~~January 31, 2025~~ July 31, 2025, 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

RTH (7:00AM – 4:00PM Chicago Time) and ETH (5:00PM – 7:00AM).

Obligations

Minimum Quoting Obligations: In order to be eligible to receive incentives, participants must quote two-sided markets in the Products in accordance with the following table. Notwithstanding the foregoing, the Exchange may vary the baseline quoting obligations as it deems necessary based on ongoing evaluations of the Program. Participants may choose to quote any or all Tiers set forth below.

Tier	Tenor	Product Code	Width (Minimum Price Increment)	Width (Display Width)	Minimum Size (Contracts)	Time-in-Market
1	10-Year	10Y - RTH	9 6	0.009 0.006	40 50	65% of RTH
2	10-Year	10Y	6	0.006	150	65% of RTH
3	10-Year	10Y	5	0.005	150	65% of RTH
ETH	10-Year	10Y - ETH	9	0.009	5 10	75% 65% of ETH

Extreme Events Clause: If 10-Year 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 width by 1.5X.

If 10-Year CVOL is 230 or greater on any day in a given calendar month, the Exchange may reduce the time-in-market ~~across all Tiers~~. 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.~~ There will be no quoting obligations on certain dates designated by the Exchange. Participants will be given notice of the Holiday Quoting Schedule.

Date	Holiday
9/2/2024	Labor Day
10/14/2024	Columbus Day
11/11/2024	Veterans Day
11/28/2024	Thanksgiving
11/29/2024	Post-Thanksgiving
12/24/2024	Christmas Eve
12/25/2024	Christmas
01/01/2025	New Year's
01/20/2025	Birthday of Dr. Martin Luther King, Jr.

Incentives

Fee Waivers: Upon meeting the Tier 1 obligations Minimum Quoting Obligations, as determined by the Exchange, participants will receive fee waivers for Globex volume in the Products.

Fee Credits: Upon meeting the Tier 2 obligations, as determined by the Exchange, participants will receive a fee credit per side traded in the Products. Participants also meeting the Tier ETH obligations, as determined by the Exchange, will receive an additional fee credit per side traded in the Products. Fee credits will be subject to the monthly caps, as set forth in the table below.

Tier	Credit Per Side for 10Y	Credit Per Side for 2YY, 5YY, & 30Y
Tier 2	\$0.20	\$0.40
Tier 2 & Tier ETH	\$0.30	\$0.60
Fee Cap	\$15,000	\$5,000

Tier 3 Monthly Stipend: Upon meeting the Tier 3 obligations, as determined by the Exchange, participants will receive a stipend of \$2,000.

Monthly Incentive Pool: Upon meeting the Minimum Quoting Obligations, as determined by the Exchange, participants will receive a pro-rata portion of \$10,000. The monthly incentive pool will be allocated pro-rata to eligible participants based on aggregate Globex outright, Globex calendar spread

(Spread Type = SP and CAL), and Globex inter-commodity spread (Spread Type = IS) volume across the Products.

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 any one (1) calendar month over the ~~course~~ proposed duration 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.

Excluding the aforementioned relaxed time-in-market leniency, if the Exchange determines that a participant has not met its quoting obligations during any one (1) ~~additional~~ calendar month, the participant will be eligible to receive 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~~ leniencies set forth above, participants that fail to meet quoting obligations in any additional month may be removed from the Program.