

24-484: Modifications to the 3-Month €STR Options Market Maker Program



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December 3, 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 3-Month €STR Options Market Maker Program
CME Submission No. 24-484**

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange Inc. ("CME" or "Exchange") hereby notifies the Commodity Futures Trading Commission ("CFTC" or "Commission") of plans to modify the 3-Month €STR 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~~.

CME reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA"). During the review, Exchange 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. Exchange staff will monitor trading in the Program's products in order to prevent manipulative trading and market abuse. Additionally, the Exchange has implemented systems to track Program participants' volume to ensure proper distribution of earned incentives. The Program does not impact the Exchange's order execution. Participants in the Program will be selected by CME staff using criteria as set forth in Exhibit 1. Chapter 4 of the Exchange rules includes prohibitions against fraudulent, non-competitive, unfair or abusive practices. All participants must execute a contractual agreement with CME in which each participant will expressly agree to comply with, and be subject to, applicable regulations and Exchange rules. Additionally, the Program is subject to the Exchange's record retention policies, which comply with the CEA.

The Exchange certifies that the Program complies with the CEA and the regulations thereunder. There were no substantive opposing views to this Program.

CME certifies that this submission has been concurrently posted on the CME 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

3-Month €STR Options Market Maker Program

Program Purpose

The purpose of this Program is to incentivize participants to support the product listed below. A more liquid contract benefits all participants in the marketplace.

Product Scope

ESTR Options (“ESR” or “Product”).

Eligible Participants

CME may designate up to seven (7) participants in the Program. Participants may be CME members or non-members. Potential 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 or not 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 staff believes that the prospective participant can maintain such obligations, and historical volume trading the Product and similar interest rate contracts. The Exchange may, from time to time, add or subtract from the aforementioned requirements as it deems necessary.

Program Term

Start date is May 20, 2024. End date is ~~January 31, 2025~~ January 31, 2026, 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

7:30AM – 4:30PM UK Time.

Obligations

Minimum Quoting Obligations: In order to be eligible to receive the incentives, participants must quote continuous two-sided markets in the Product at maximum bid/ask spreads during a specified percentage of time-in-market, in accordance with the baseline quoting obligations listed in the table below. Notwithstanding the foregoing, the Exchange may vary the baseline quoting obligations as it deems necessary based on ongoing evaluations of the Program.

Product	Ticker	Instruments for Quoting	Width (Minimum Price Increment “MPI”)	Relative Volatility Width	Size (Contracts)	Time-in-Market (“TIM”)*	Time Period (UK Time)
ESTR Options	ESR	Any strike within the first 8 expiration dates (includes serials and quarterlies)	8	20%	50	4,000%	7:30AM – 4:30PM

*TIM is equal to the sum of the TIM across the offered strikes, puts/calls, and expirations.

~~Holiday Quoting Schedule: There will be no quoting obligations on the dates listed below. The Holiday Quoting Schedule dule. 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
5/27/2024	Memorial Day / Spring Bank Holiday (UK)
6/19/2024	Juneteenth
7/4/2024	Independence Day
8/26/2024	Summer Bank Holiday (UK)
9/2/2024	Labor Day
11/28/2024	Thanksgiving
12/25/2024	Christmas
12/26/2024	Boxing Day (UK)
1/1/2025	New Year's
1/20/2025	Birthday of Dr. Martin Luther King, Jr.

Incentives*

Fee Waivers: Upon meeting the Minimum Quoting Obligations, as determined by the Exchange, participants will receive fee waivers for all transactions in the Product.

Monthly Stipend: Upon meeting the Minimum Quoting Obligations, as determined by the Exchange, participants will receive a stipend of \$10,000 per month.

Fee Credits: Upon meeting the Minimum Quoting Obligations, as determined by the Exchange, participants will receive a \$1.00 per side fee credit for all transactions in the Product, capped at \$30,000 per participant, per month.

Lead Market Maker ("LMM") Allocation: Participants responding to at least 15% of Requests for Quotes ("RFQs") per month will be eligible for LMM allocation. Each month, all eligible participants will be ranked by volume in the Product. The top five (5) participants will receive a share of up to 30% of LMM allocation, capped at 6% per participant.

~~*Incentives for May 2024 will not be prorated.~~

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 has failed to meet the requirements of the Program.

If the Exchange determines that a participant has not met its quoting obligations during any one (1) two (2) calendar months 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~~ each 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 the 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.