

**SUBMISSION COVER SHEET**

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

**Registered Entity Identifier Code (optional):** 19-015

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

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

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

**Filing Date (mm/dd/yy):** 02/20/2019

**Filing Description:** Notification of Amendments to CME Rule 589. (Special Price Fluctuation Limits), the Special Price Fluctuation Limits and Daily Price Limits Table and Application of Dynamic Price Fluctuation Limits to Bitcoin Futures.

**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:** See filing.

**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 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.

February 20, 2019

**VIA ELECTRONIC PORTAL**

Mr. Christopher J. Kirkpatrick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

**Re: CFTC Regulation 40.6(a) Certification. Notification of Amendments to CME Rule 589. (Special Price Fluctuation Limits), the Special Price Fluctuation Limits and Daily Price Limits Table and Application of Dynamic Price Fluctuation Limits to Bitcoin Futures  
CME Submission No. 19-015**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6(a), Chicago Mercantile Exchange Inc. (“CME”) hereby notify the Commission that it is self-certifying amendments to will amend CME Rule 589. (“Special Price Fluctuation Limits and Daily Price Limits”), the related Rule 589. table (the “Table”), and Chapter 350 (“Bitcoin Futures”) (Commodity Code: BTC) (the “Contract”) (collectively, the “Rule Amendments”), effective Sunday, March 10, 2019 for trade date Monday, March 11, 2019.

The amendments to CME Rule 589. adopt new section - (“Dynamic Price Fluctuation Limits”) to introduce dynamic price fluctuation limit functionality as a type of special price fluctuation limit. Dynamic price limit functionality under the special price fluctuation limits mechanism will assign a price limit variant which will equal a percentage of the prior trading day’s settlement price or a price deemed appropriate by the Global Command Center, (“dynamic variant”). During the trading day, the dynamic variant will be utilized in continuously rolling 60-minute look-back periods to establish dynamic upper and lower price fluctuation limits. Trades, bids or offers on the CME Globex electronic trading platform at a price that exceeds the dynamic price fluctuation limits will trigger a two (2) minute trading halt. The adoption of the dynamic price fluctuation limit methodology allows for the trading engine to halt the market on a move at any point during the day, which will promote continuous price discovery with less market disruption.

Additionally, should a triggering event occur in a primary futures contract subject to dynamic price fluctuation limits during that primary futures contract’s settlement determination period or during the (2) two-minute period preceding the close of trading in the primary futures contract, then a (5) five second trading halt will occur in all contract months of the primary futures contract and in all contract months of associated products of the primary futures contract as provided in the Table. Should a triggering event during either timeframe occur in a non-lead contract month of the primary futures contract or associated futures contract, there will be a (5) five second trading halt for that non-lead contract month or associated futures contract of the primary contract.

Dynamic price fluctuation limits will be applied to the Contract as indicated in the Table. Existing special price fluctuation limit functionality will be eliminated upon the implementation of dynamic price fluctuation limits to such products currently subject to traditional special price fluctuation limits.

The daily hard price limit will remain in place and will be expanded from 20% to 30%.

The Exchange reviewed the designated contract market core principles (“DCM Core Principles”) as set  
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forth in the Commodity Exchange Act (“CEA” or “Act”) and identified that the Rule Amendments may have some bearing on the following Core Principles:

**Compliance with Rules:** Changes to special price fluctuation limits constitute a change to a term and condition pursuant to Part 40 of the Regulations under the CEA. CME 589. is being amended to adopt new special price fluctuation limit functionality, dynamic price fluctuation limits, which adds detail to the text of the Rule that codifies the manner in which special price fluctuation limits are applied. The Exchange is amending the price limits and special price fluctuation limit functionality attendant to Bitcoin Futures. As such, the Rule Amendments remain in compliance with this Core Principle.

**Prevention of Market Disruption:** CME Rule 589. is expressly intended to prevent unwarranted price movements in products subject to the Rule. The Rule Amendments codify the manner in which the limits are applied and remain in compliance with the Core Principle.

**Availability of General Information:** As required by this Core Principle, the Exchange will publicly issue a Special Executive Report (“SER”) prior to the Rule Amendments becoming effective, and the SER will also be available on the CME Group website.

**Protection of Market Participants:** CME Rule 589. is expressly intended to promote fair and equitable trading by ensuring that there are limits on the permissible price movements on any given trading day in the products subject to the Rule. As such, the Rule Amendments are in compliance with this Core Principle.

There were no substantive opposing views to this proposal.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchange certifies that the Rule Amendments comply with the Act and regulations thereunder.

The Exchange certifies that this submission has been concurrently posted on the website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

If you require any additional information regarding this submission, please contact the undersigned at 212.299.2200 or via email at [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A – Amendments to CME Rule 589. (“Special Price Fluctuation Limits”)  
Exhibit B – Amendments to CME Rule 589. Special Price Fluctuation Limits and Daily Limits Table  
Exhibit C – Amendments to CME Rulebook Chapter 350 (“Bitcoin Futures”)

## Exhibit A

### **CME Rulebook Chapter 5 ("Trading Qualifications and Practices")**

(additions are underscoring; deletions are ~~overstruck~~)

#### **589. SPECIAL PRICE FLUCTUATION LIMITS**

The special price fluctuation limits and dynamic price fluctuation limits applicable to those contracts with special price fluctuation limits are set forth in the Special Price Fluctuation Limits and Daily Price Limits Table ("Table") in the Interpretations Section at the end of Chapter 5.

##### **589.A. Initial Price Fluctuation Limits for All Contract Months**

At the commencement of each trading day, there shall be initial price fluctuation limits in effect for each futures contract month of the primary futures contract (as identified in the Table) above or below the previous day's settlement price for such contract month set at the first special price fluctuation limit level as provided in the Table.

##### **589.B. Triggering Events and Temporary Trading Halts**

###### **1. First Triggering Event and Temporary Trading Halt**

If the lead contract month (as identified by the Exchange) of the primary futures contract is bid or offered via Globex at the upper or lower price fluctuation limit at the first special price fluctuation limit level, as applicable, it will be considered a triggering event that will begin a two (2) minute monitoring period in the lead contract month. If, at the end of the two (2) minute monitoring period, the lead contract month of the primary futures contract is not bid or offered at the applicable special price fluctuation limit, the special price fluctuation limits shall be expanded an additional increment above and below the previous day's settlement price for all contract months of the primary futures contract and all contract months of associated products of the primary futures contract as provided in the Table. If, however, at the end of the two (2) minute monitoring period, the lead contract month of the primary futures contract is bid or offered at the applicable special price fluctuation limit, a two (2) minute temporary trading halt will commence in all contract months of the primary futures contract and in all contract months of associated products of the primary futures contract as provided in the Table. In addition, trading in any associated product that is an option related to the primary futures contract or in an option contract related to any other associated product of the primary futures contract that may be available for trading on Globex or on the trading floor shall be subject to a coordinated temporary trading halt.

###### **2. Expansion of Limits Following Temporary Trading Halt**

Following the end of a temporary trading halt, the affected markets shall re-open simultaneously in all contract months of the primary futures contract and in all contract months of associated products of the primary futures contract. When trading resumes, the special price fluctuation limits shall be expanded an additional increment above and below the previous day's settlement price for all contract months of the primary futures contract and all contract months of associated products of the primary futures contract as provided in the Table.

In each instance in which a triggering event occurs, a two (2) minute monitoring period will commence as provided in Section B.1. of this Rule. In each instance, the special price fluctuation limits shall be expanded by an additional increment above and below the previous day's settlement price for all contract months of the primary futures contract and all contract months of associated products of the primary futures contract as provided in the Table. Following the fourth triggering event on a trading day, there shall be no further special price fluctuation limits.

###### **3. Foreign Exchange Contracts**

The GCC shall designate a lead primary contract month for purposes of this Rule. Additionally, an expiring contract month of a primary futures contract shall have no special price fluctuation limits on its expiration day.

On each trading day, there shall be no temporary trading halts or expansion of special price fluctuation limits in the primary futures contract or in any associated products of the primary futures contract during the five (5) minutes preceding the end of the primary futures contract's settlement price determination period. If a triggering event occurs during this five (5) minute period, trading will continue with the current price limit in effect until the conclusion of the five (5) minute period, at which time a monitoring period, temporary trading halt or special price fluctuation limit expansion, as applicable, will occur.

On each trading day, there shall be no temporary trading halts or expansion of special price fluctuation limits in the primary futures contract or in any associated products of the primary futures contract during the five (5) minute period preceding the close of trading. If a triggering event occurs during this five (5) minute period, trading will continue with the current price limit in effect until the close of trading.

#### 4. Short Term Interest Rate Contracts

The GCC shall designate a lead primary contract month for purposes of this Rule. Additionally, there shall be no special price fluctuation limits two Business Days prior to the expiration of an expiring primary futures contract month.

On each trading day, there shall be no temporary trading halt or expansion of special price fluctuation limits in the primary futures contract or in any associated products of the primary futures contract during the five (5) minutes preceding the end of the primary futures contract's settlement price determination period. If a triggering event occurs during this five (5) minute period, trading will continue with the current price limit in effect until the conclusion of the five (5) minute period, at which time a monitoring period, temporary trading halt or special price fluctuation limit expansion, as applicable, will occur.

On each trading day, there shall be no temporary trading halts or expansion of special price fluctuation limits in the primary futures contract or in any associated products of the primary futures contract during the five (5) minute period preceding the close of trading. If a triggering event occurs during this five (5) minute period, trading will continue with the current price limit in effect until the close of trading.

#### **589.C. Price Fluctuation Limits on Trading Floor (Floor Trading)**

The special price fluctuation limits cited in Section A. of this Rule shall be applicable to all products in the Table that are traded via open outcry on the trading floor. Trades occurring via open outcry on the trading floor shall not constitute a triggering event for purposes of a temporary trading halt.

In all instances in which a temporary trading halt in the lead contract month of the primary futures contract occurs on Globex, floor trading in all contract months in any option related to the primary futures contract or in an option contract related to any associated product of the primary futures contract shall be subject to a coordinated temporary trading halt.

Whenever Globex markets are re-opened with expanded price limits pursuant to the provisions of Section B. of this Rule, the affected markets on the trading floor shall simultaneously re-open with expanded price limits.

#### **589.D. Dynamic Price Fluctuation Limits**

At the commencement of each trading day, the subject contracts, as designated in the Table, shall be assigned a price limit variant which shall equal a percentage of the prior trading day's settlement price as determined by the Exchange ("dynamic variant"). During the trading day, the dynamic variant shall be applied in rolling 60 minutes look-back periods to establish dynamic lower and upper price fluctuation limits as follows:

- (a) the dynamic variant shall be subtracted from the highest trade and/or bid price during a look-back period to establish the lower price fluctuation limit, i.e., trade and/or offer, and
- (b) the dynamic variant shall be added to the lowest trade and/or offer price during a look-back period to establish the upper price fluctuation limit, i.e., trade and/or bid.

##### 1. Triggering Events and Temporary Trading Halts

If the lead contract month (as identified by the Exchange) of the primary futures contract is traded, bid or offered via Globex through the lower or upper dynamic price fluctuation limits, it shall be considered a triggering event which shall begin a two (2) minute temporary trading halt in all contract months of the primary futures contract and in all contract months of associated products of the primary futures contract as provided in the Table. If a non-lead contract month of the primary futures contract is traded, bid or offered via Globex through the lower or upper dynamic price fluctuation limits, it shall be considered a triggering event which shall begin a two (2) minute temporary trading halt for that non-lead contract month of the primary contract.

##### 2. Limits Following Temporary Trading Halt

Following the end of a temporary trading halt triggered by the lead month, the affected markets shall re-open simultaneously at the indicative opening price as determined by the Exchange in all contract months of the primary futures contract and in all contract months of the associated contracts of the primary futures contract as provided in the Table. When trading resumes, the dynamic lower and upper price fluctuation limits shall be recalculated as described above. Likewise following the end of a temporary trading halt triggered by a non-lead month, the affected market shall re-open at the indicative opening price as determined by the Exchange and the dynamic lower and upper price fluctuation shall be recalculated as described above.

##### 3. Additional Characteristics

On each trading day, should there be a triggering event in the primary futures contract during the primary futures contracts settlement determination period, there shall be a (5) five second temporary trading halt in all contract months of the primary futures contract and in all contract months of associated products of the primary futures contract as provided in the Table. If a non-lead contract month of the primary futures contract or associated futures contract experiences a triggering event during the primary futures contracts settlement determination period, there shall be a (5) five second temporary trading halt for that non-lead contract month or associated futures contract of the primary contract.

On each trading day, should there be a triggering event in the primary futures contract during the (2) two-minute period preceding the close of trading, there shall be a (5) five second temporary trading halt in all contract months of the primary futures contract and in all contract months of associated products of the primary futures contract as provided in the Table. If a non-lead contract month of the primary futures contract or associated futures contract experiences a triggering event during the (2) two-minute period preceding the close of trading of the primary futures contract, there shall be a (5) five second temporary trading halt for that non-lead contract month or associated futures contract of the primary contract.

**Exhibit B**

**CME Rulebook  
Chapter 5  
("Trading Qualifications and Practices")**

**Special Price Fluctuation Limits and Daily Price Limits Table**  
(additions are underscored; deletions are ~~overstruck~~)

<b>Product</b>	<b>RULEBOOK CHAPTER</b>	<b>COMMODITY CODE</b>	<b>PRIMARY/ ASSOCIATED</b>	<b>ASSOCIATED WITH</b>	<b><u>Dynamically Calculated Variant</u></b>	<b>DAILY PRICE LIMIT</b>
Bitcoin Futures	350	BTC	Primary	Primary	<u>10% of Dynamically Calculated Reference Price</u>	<u>Daily Price Limit Table</u>

## Exhibit C

### **CME Rulebook Chapter 350 ("Bitcoin Futures")**

(additions are underscored; deletions are ~~overstruck~~)

#### **35000. SCOPE OF CHAPTER**

This chapter is limited in application to Bitcoin Futures. In addition to this chapter, futures shall be subject to the general rules and regulations of the Exchange as applicable.

#### **35001. CONTRACT SPECIFICATIONS**

Each futures contract shall be valued at 5 bitcoin as defined by the CME CF Bitcoin Reference Rate ("BRR").

#### **35002. TRADING SPECIFICATIONS**

##### **35002.A. Trading Schedule**

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

##### **35002.B. Trading Unit**

The unit of trading shall be 5 bitcoin.

##### **35002.C. Price Increments**

The minimum price increment shall be \$5.00, equal to \$25.00 per contract, except for intermonth spreads executed pursuant to Rule 542.A., for which the minimum price increment shall be \$1.00, equal to \$5.00 per intermonth spread.

##### **35002.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.

##### **35002.E. Daily Price Limits**

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

~~Futures trading shall be subject to Price Limits as set forth in this Rule.~~

~~For the purpose of this Rule the Exchange shall determine, in its sole discretion, the futures delivery month that represents the Primary Futures Contract Month and when such Primary Futures Contract Month is limit bid or limit offered.~~

~~For a given Business Day, Price Limits applicable to a futures contract for a given delivery month shall be calculated on the basis of a reference price, which generally is set at the settlement price of the previous Business Day, but may be adjusted at the sole discretion of the Exchange to account for BRR changes on non-trading days, as follows:~~

~~7% Price Limit = Prior Day's Reference Price plus and minus 7%~~

~~13% Price Limit = Prior Day's Reference Price plus and minus 13%~~

~~20% Price Limit = Prior Day's Reference Price plus and minus 20%~~

~~If the lead contract month (as identified by the Exchange) is bid or offered via Globex at the upper or lower price fluctuation limit at the first special price fluctuation limit level, as applicable, it will be considered a triggering event that will begin a two (2) minute monitoring period in the lead contract month. If, at the end of the two (2) minute monitoring period, the lead contract month of the primary futures contract is not bid or offered at the applicable special price fluctuation limit, the special price fluctuation limits shall be expanded an additional increment above and below the relevant reference price for all delivery months of the contract. If, however, at the end of the two (2) minute monitoring~~



~~period, the lead contract month is bid or offered at the applicable special price fluctuation limit, a two (2) minute temporary trading halt will commence in all contract delivery months of the contract. Following the end of a temporary trading halt, the affected markets shall re-open simultaneously in all contract delivery months of the contract. When trading resumes, the special price fluctuation limits shall be expanded an additional increment above and below the relevant reference price for all delivery months contract. In the instance in which a second triggering event occurs, the same two (2) minute monitoring period will commence and limits will expand to the daily price limit, followed by either a two (2) minute temporary trading halt or a return to trading as determined by the bid or offer being at limit.~~

~~Trading will not be permitted outside the 20% above or below the relevant reference price. In the event that the daily price limit of 20% is hit, trading will not be halted. Trading will continue to be permitted within the daily price limit of 20%.~~

~~On each trading day, there shall be no temporary trading halt or expansion of special price fluctuation limits in the primary futures contract or in any associated products of the primary futures contract during the five (5) minutes preceding the end of the primary futures contract's settlement price determination period. If a triggering event occurs during this five (5) minute period, trading will continue with the current price limit in effect until the conclusion of the five (5) minute period, at which time a monitoring period, temporary trading halt or special price fluctuation limit expansion, as applicable, will occur.~~

~~On each trading day, there shall be no temporary trading halts or expansion of special price fluctuation limits in the primary futures contract or in any associated products of the primary futures contract during the five (5) minute period preceding the close of trading. If a triggering event occurs during this five (5) minute period, trading will continue with the current price limit in effect until the close of trading.~~

~~Trading however will not be permitted outside 20% above and below the relevant reference price during the above five (5) minute periods. In the event that the daily price limit of 20% is hit, trading will not be halted. Trading will continue to be permitted within the daily price limit of 20%.~~

~~There will be no price limits on the last day of trading for an expiring futures contract, provided however, that the expiring contract will participate in trading halts until nine (9) minutes preceding final settlement. There will be no trading halts during the nine (9) minutes preceding final settlement on the last day of trading for an expiring futures contract.~~

#### **35002.F. Termination of Trading**

Trading in expiring futures shall terminate at 4pm London time on the last Friday of the contract month. If that day is not a business day in both the UK and the US, trading shall terminate on the preceding day that is a business day for both the UK and the US. Trading shall terminate at 4pm London time on the Last Trade Date.

### **35003. SETTLEMENT PROCEDURES**

Delivery shall be by cash settlement.

#### **35003.A. Final Settlement Price**

For a futures contract for a given delivery month, the Final Settlement Price shall be the BRR published at 4pm London time on the Last Trade Date (Rule 35002.F.).

In the event that the BRR is not publishable or published on the CME Bitcoin Futures Termination of Trading day, and therefore, CME cannot determine the CME Bitcoin Final Settlement Price, then final settlement of the CME Bitcoin futures contract is at the discretion of the Exchange and may be deferred or postponed for up to 14 consecutive calendar days.

#### **35003.B. Final Settlement**

Clearing members holding open positions in an expiring futures contract at its termination of trading (Rule 35002.F.) shall make payment to or receive payment from the Clearing House in accordance with normal variation margin procedures based on such expiring contract's Final Settlement Price (Rule 35003.A.).

### **35004. RESERVED**

### **35005. POLICY ON DIVISIONS OF BITCOIN ASSET**

In the event that a hard fork, user activated soft fork, or other process that results in a division or split of bitcoin into multiple non-fungible assets is expected, the Exchange shall have the discretion to take action in consultation with market participants to align Bitcoin Futures position holder exposures with cash market exposures as appropriate. Appropriate action could include providing cash adjustments or assigning newly listed futures or options contract positions to Bitcoin Futures position holders.

(End Chapter 350)