

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 20-013

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

Filing as a:  DCM  SEF  DCO  SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 03/02/2020 Filing Description: Increase of Position Limits for S&P 500 Annual Dividend Index Futures and S&P 500 Quarterly Dividend Index Futures Contracts

**SPECIFY FILING TYPE**

Please note only ONE choice allowed per Submission.

**Organization Rules and Rule Amendments**

- Certification § 40.6(a)
- Approval § 40.5(a)
- Notification § 40.6(d)
- Advance Notice of SIDCO Rule Change § 40.10(a)
- SIDCO Emergency Rule Change § 40.10(h)

**Rule Numbers:**

**New Product**

Please note only ONE product per Submission.

- Certification § 40.2(a)
- Certification Security Futures § 41.23(a)
- Certification Swap Class § 40.2(d)
- Approval § 40.3(a)
- Approval Security Futures § 41.23(b)
- Novel Derivative Product Notification § 40.12(a)
- Swap Submission § 39.5

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

- Certification § 40.6(a)
- Certification Made Available to Trade Determination § 40.6(a)
- Certification Security Futures § 41.24(a)
- Delisting (No Open Interest) § 40.6(a)
- Approval § 40.5(a)
- Approval Made Available to Trade Determination § 40.5(a)
- Approval Security Futures § 41.24(c)
- Approval Amendments to enumerated agricultural products § 40.4(a), § 40.5(a)
- "Non-Material Agricultural Rule Change" § 40.4(b)(5)
- Notification § 40.6(d)

**Official Name(s) of Product(s) Affected:** S&P 500 Annual Dividend Index Futures; S&P 500 Quarterly Dividend Index Futures

**Rule Numbers:** 365; 366

March 2, 2020

**VIA ELECTRONIC PORTAL**

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

**Re: CFTC Regulation 40.6(a). Certification. Notification Regarding Increase of Position Limits for the S&P 500<sup>®</sup> Annual Dividend Index Futures and S&P 500<sup>®</sup> Quarterly Dividend Index Futures Contracts.  
 CME Submission No. 20-013**

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange Inc. (“CME” or “Exchange”) hereby notifies the Commodity Futures Trading Commission (“CFTC” or “Commission”) that it is self-certifying amendments to increase the single month position limits of the S&P 500<sup>®</sup> Annual Dividend Index (“SDA”) Futures and S&P 500<sup>®</sup> Quarterly Dividend Index (“SDI”) Futures contracts (the “Contracts”) to align with all month position limits that apply to Standard and Poor’s 500 Stock Price Index™ (“SP”) futures contract effective on Sunday, March 22, 2020, for trade date Monday, March 23, 2020 and commencing with the June 2020 contract month and beyond as more specifically described in Exhibit 1. below.

Exhibit 1. – CME Chapter 5 (“Trading Qualifications and Practices”) Position Limit and Position Accountability and Reportable Level Table

(additions **underscored**; deletions ~~struck through~~)

| Futures Contract                 | Commodity Code | Rulebook Chapter | Reporting Level | Single Month Limit (net futures equivalents) |
|----------------------------------|----------------|------------------|-----------------|--|
| S&P 500 Annual Dividend Index    | SDA            | 365              | 1               | <del>28,000</del> <b>60,000</b>              |
| S&P 500 Quarterly Dividend Index | SDI            | 366              | 1               | 7,000 <b>15,000</b>                          |

The Position Limit, Position Accountability and Reportable Level Table (the “Table”) in the Interpretations Section of Chapter 5 (“Trading Qualifications and Practices”) of the CME Rulebook will be amended to reflect the increased single month position limits of the Contract as set forth in Appendix A of this correspondence with additions underscored and bolded and deletions overstruck (collectively, the “Rule Amendments”).

The Exchange initially listed SDA futures and SDI futures for trading on Sunday, November 15, 2015,<sup>1</sup> subject to single month position limits that were set harmonized with the all month position limit that applied to SP futures at that time.

The Exchange subsequently implemented amendments to liberalize position limits for SP futures and various adjacent equity price index futures and futures option products (“May 2016 Amendments”). Notable among these amendments was an increase in the all month position limit for SP futures and companion options from 28,000 net futures equivalents to 60,000 net futures equivalents.<sup>2</sup> Given that SDA futures and SDI futures had only recently been introduced, the Exchange determined that position limits applicable to these products should be excluded from the scope of the May 2016 Amendments.

At present, SDA futures and SDI futures are sufficiently established, and patterns of trade and other characteristics of the supporting liquidity pools are sufficiently familiar and well understood, to enable the Exchange to bring the associated position limits into alignment with the position limits for the adjacent S&P 500 Index futures that were introduced through the May 2016 Amendments.

The Exchange has reviewed the designated contract market core principles (“Core Principles”) set forth in the Commodity Exchange Act and has identified that the rule amendments certified herein may bear upon the following Core Principles:

#### **Core Principle 2 – Compliance with Rules**

Trading in SDA futures and SDI futures shall be subject to CME Rulebook Chapter 4, which includes prohibitions against fraudulent, noncompetitive, unfair, and abusive practices. Additionally, trading in these contracts shall be subject to the Exchange’s trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the Rulebook. Trading activity in such contracts shall be subject to monitoring and surveillance by the Exchange’s Market Regulation Department, which has the authority to exercise its investigatory and enforcement power where potential rule violations are identified.

#### **Core Principle 3 – Contracts Not Readily Subject to Manipulation**

For at least three reasons, neither SDA futures nor SDI futures are readily susceptible to manipulation:

- (1) There is no market in which to trade the dividend indexes that serve as underlying references for these futures products, nor does there exist a market in which the component dividend payment streams paid by S&P 500<sup>®</sup> index constituent corporations may be traded *per se*.
- (2) Although it is possible that a single actor could manipulate the dividend policy of a S&P 500<sup>®</sup> index constituent corporation, the possibility is remote because any such dividend policy is implemented as an action by the board of directors of such corporation, not as an action of such single actor.
- (3) Furthermore, of the 500 or so constituent companies that form the S&P 500<sup>®</sup> index, between 400-450 constituent corporations regularly issue dividends, hence, the impact of such affected dividend upon the underlying dividend indexes would likely not be material.

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<sup>1</sup> See CFTC Regulation 40.2(a) Notification Regarding the Initial Listing of S&P 500<sup>®</sup> Annual Dividend Index Futures and S&P 500<sup>®</sup> Quarterly Dividend Index Futures Contracts, CME Submission No. 15-449, October 29, 2015, which is available at: [http://www.cmegroup.com/market-regulation/files/15-449\\_1.pdf](http://www.cmegroup.com/market-regulation/files/15-449_1.pdf) and [http://www.cmegroup.com/market-regulation/files/15-449\\_2.pdf](http://www.cmegroup.com/market-regulation/files/15-449_2.pdf).

<sup>2</sup> See CFTC Regulation 40.6(a) Certification. Notification Regarding Amendments to Position Limits for Standard and Poor’s 500 Stock Price Index<sup>™</sup> Futures Contracts, E-mini Standard and Poor’s Select Sector<sup>™</sup> Stock Index Futures, S&P 500 Growth Value Futures and S&P 500 Index Value Futures Contracts, CME Submission No. 16-148, May 3, 2016, which is available at: <http://www.cmegroup.com/market-regulation/files/16-148.pdf>.

To reduce any susceptibility of SDA futures or SDI futures to price manipulation, the Exchange has implemented the following three prudential measures (in addition to imposing the single month position limits, for which amendments are certified herein):

- (a) Targeted trading prohibitions apply to “any person who is a director or officer...of a corporation that is a constituent of the S&P 500® index” and to “any person who is in possession of material non-public information relating to ordinary cash dividends of a constituent corporation of the S&P 500® index...” (See CME Rules 36502.J., 36502.K., 36602.J., and 36602.K.)
- (b) A large trader reporting threshold of one (1) contract applies to each of SDA futures and SDI futures.
- (c) The Exchange maintains a market surveillance program to identify potential illegal insider trading in either SDA futures or SDI futures.

**Core Principle 5 – Position Limits or Accountability**

The Exchange shall amend single month position limits applicable to S&P 500® Annual Dividend Index (“SDA”) futures from 28,000 to 60,000 net futures equivalents and the S&P 500® Quarterly Dividend Index (“SDI”) futures, from 7,000 to 15,000 net futures equivalents so as to align with all month position limits that apply to Standard and Poor's 500 Stock Price Index™.

**Core Principle 7 – Availability of General Information**

The Exchange shall disseminate a Market Surveillance Notice (“MSN”) that sets forth information in the Rule Amendments. The MSN will also be posted on the CME Group website.

**Core Principle 13 – Disciplinary Procedures**

CME Rulebook Chapter 4 provides for the Exchange to discipline, suspend, or expel members or market participants who violate the rules of the Exchange. Trading in SDA futures and in SDI futures are subject to these provisions. The Exchange’s Market Regulation Department has the authority to exercise its powers of enforcement, in the event that rule violations in these products are identified.

Pursuant to Section 5c(c) of the CEA and CFTC Regulation 40.6(a), the Exchange hereby certifies that the Rule Amendments comply with the Act, including regulations under the Act. There were no substantive opposing views to the Rule Amendments.

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>.

Should you have any questions concerning the above, please contact the undersigned at (212) 299-2200 or via e-mail at [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachment: Appendix A - Amendments to CME Rulebook Chapter 5 (“Trading Qualifications and Practices”) -- Interpretations Section, Position Limit, Position Accountability and Reportable Level Table (attached under separate cover)

**Appendix A**

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

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

(attached under separate cover)