SUBMISSION COVER SHEET

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

Registered Entity Identifier Code (optional): <u>15-348</u>

Organization: <u>Chicago Mercantile Exchange Inc. ("CME")</u>

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

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): <u>08/13/15</u> Filing Description: <u>Reduction in Minimum Price Increments for Calendar Spreads and Amendment to Spread Type for Two-Year Bundle Futures, Three-Year Bundle Futures, and Five-Year Bundle Futures Contracts</u>

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: <u>See filing.</u>

Rule Numbers: <u>Chapters 454, 455, and 456</u>

CME Group

Christopher Bowen
Managing Director and Chief Regulatory Counsel
Legal Department

August 13, 2015

VIA ELECTRONIC PORTAL

Mr. Christopher J. Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission
3 Lafayette Center
1155 21st Street NW
Washington, DC 20581

Re: CFTC Regulation 40.6(a) Certification. Reduction in Minimum Price Increments for Calendar Spreads and Amendment to Spread Type for Two-Year Bundle Futures, Three-Year Bundle Futures, and Five-Year Bundle Futures Contracts.
CME Submission No. 15-348

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 terms and conditions for Two-Year Bundle futures (Rulebook Chapter 454), Three-Year Bundle futures (Rulebook Chapter 455), and Five-Year Bundle futures (Rulebook Chapter 456) contracts (collectively, "Bundle futures"), effective on Sunday, August 30, 2015, for trade date Monday, August 31, 2015, as summarized in Exhibit 1. For each futures product the rule amendments certified herein will change the minimum price increment for an intramarket calendar spread from 0.0025 contract price points per calendar spread to 0.0005 contract price points per calendar spread, as set forth in Appendix A, which is attached. At the same time, the Exchange will change the Spread Type for all such calendar spreads from SP (Standard Calendar Spread) to RT (Reduced Tick Spread).

Exhibit 1 – Current and Amended Minimum Price Increments for CME Bundle Futures
(Dollars per contract outright or per calendar spread)

Bundle Futures	*Current for Outrights and Calendar Spreads: 0.0025 Contract Price Points*	*Amended for Calendar Spreads Only as of 31 August 2015: 0.0005 Contract Price Points**
Two-Year (BU2)	50	10
Three-Year (BU3)	75	15
Five-Year (BU5)	125	25

*Minimum price increments for outright transactions shall remain at current levels as of August 31, 2015.

Calendar spreads in Bundle futures: Best bid-offer spread = $50, $75, or $125

The minimum price increment for an intramarket calendar spread transaction in any Bundle futures product is currently 0.0025 contract price points, equal to the minimum price increment for an outright transaction.

Given the contract notional sizes of Bundle futures, dollar values of minimum price increments per calendar spread are $50 for Two-Year Bundle futures, $75 for Three-Year Bundle futures, and $125 for Five-Year Bundle futures (Exhibit 1). Where the minimum price increment defines the minimum spread between best bid and best offered resting market prices, moreover, each of these dollar amounts signifies the minimum cost of crossing the bid-offer spread in the respective calendar spread.

Calendar spreads in Eurodollar bundle combinations: $6.25 ≤ Best bid-offer spread ≤ $12.50
Each Bundle future expires by physical assignment of a specified contract grade bundle combination of CME Three-Month Eurodollar ("ED") futures. Each bundle combination comprises one each of a contract grade number of consecutive ED futures delivery months in the March-June-September-December ("March Quarterly") cycle: eight consecutive March Quarterly months for a Two-Year Bundle future, 12 for a Three-Year Bundle future, and 20 for a Five-Year Bundle future.

The holder of a long (short) nearby bundle combination of ED futures may trade a calendar spread versus a similar deferred bundle combination *via* a calendar spread transaction that consists of the sale (purchase) of one nearby ED contract and the purchase (sale) of one ED contract for delivery in the most remote delivery month in the deferred bundle combination.

> *Example*: To transform a long June 2016 2-year bundle exposure (ie, long positions in one each of ED futures for the eight delivery months from June 2016 through March 2018, inclusive) into a long September 2016 bundle exposure, the position holder would sell the June 2016-June 2018 (EDM6:EDM8) 2-year calendar spread.

Irrespective of the tenor of the ED futures bundle combination – whether 2-year, 3-year, or 5-year -- the minimum spread between best bid and offered resting prices for the corresponding calendar spread is effectively the minimum price increment of the nearby ED futures contract within the bundle exposure --

> If the bundle's nearby ED futures contract is the nearest expiring contract month within the ED futures complex, ie, if the nearby ED future is within approximately one month of its termination of trading, then the minimum price increment for the calendar spread is 0.0025 contract price points, equal to $6.25 per ED calendar spread.
>
> Otherwise, the minimum price increment for the calendar spread is 0.005 contract price points, the minimum price increment for ED futures contracts other than the nearest expiring contract month, equal to $12.50 per spread.

Amended calendar spreads in Bundle futures: Best bid-offer spread = $10, $15, or $25
The rule amendments certified herein will permit Bundle futures calendar spreads to trade in minimum price increments of 0.0005 contract price points. (Minimum price increments for outright transactions in Bundle futures shall remain at 0.0025 futures contract price points.) The resultant dollar value per minimum price increment per calendar spread will be $10 for Two-Year Bundle futures, $15 for Three-Year Bundle futures, and $25 for Five-Year Bundle futures (Exhibit 1).

In all instances, the amended minimum price increment permits a Bundle futures calendar spread to be transacted at price resolution of the same order of magnitude as a calendar spread in the corresponding ED bundle combination.

The Exchange has reviewed the Core Principles for Designated Contract Markets, as set forth in the Commodity Exchange Act, as amended ("CEA" or "Act"), and has determined that the amendments to contract terms and conditions certified herein bear upon on the following Core Principles:

> ***Core Principle 2 – Compliance with Rules***
> Trading in Bundle futures is subject to CME Rulebook Chapter 4, which includes prohibitions against fraudulent, noncompetitive, unfair, and abusive practices. Additionally, trading in these contracts is subject to the Exchange's trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the Rulebook. As with all products listed for trading on any of CME Group's designated contract markets, trading activity in these contracts is subject to monitoring and surveillance by CME Group's Market Regulation Department, which has the authority to exercise its investigatory and enforcement power where potential rule violations are identified.

Core Principle 4 – Prevention of Market Disruption

Trading in Bundle futures is subject to CME Rulebook Chapters 4 and 7, which include prohibitions on manipulation, price distortion, and disruption to the physical delivery process. As with any product recently listed for trading on a CME Group designated contract market, trading activity in Bundle futures shall be subject to monitoring and surveillance by CME Group's Market Regulation Department.

Core Principle 7 – Availability of General Information

The Exchange shall publish on its website information in regard to futures contract specifications, terms, and conditions, as well as daily trading volume, open interest, and price information.

Core Principle 9 – Execution of Transactions

CME Bundle futures and intramarket calendar spreads of such futures, as amended herein, shall be listed for trading on the CME Globex electronic trading platform. CME Globex provides for competitive and open execution of transactions, and affords the benefits of reliability and global connectivity.

The Appendix displays amendments to CME Rulebook Chapters 454, 455, and 456 in blackline format.

The Exchange certifies that these amendments to contract terms and conditions comply with the Act and rules thereunder. There were no substantive opposing views to this proposal.

The Exchange certifies that this submission has been concurrently posted on the CME Group 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.

Sincerely,

/s/Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachment: Appendix A – Amendments to CME Rulebook Chapters (blackline format)

Appendix A

Amendments to CME Rulebook Chapters

(Additions are **bold and underlined**)

Chapter 454 -- Two-Year Bundle Futures

45402.C. Price Increments

Contract price shall be quoted in terms of the IMM Index (Rule 45202.C.), as the arithmetic average of the prices of the eight (8) ED futures comprised within the Contract Grade (Rule 45401.A.). For example, a Bundle futures price of 95.670 would signify that the market consensus expectation of such average ED futures price is 95.6700, implying an arithmetic average ED contract rate of 4.33 percent per year (equal to 100.0000 minus 95.6700).

The minimum price increment shall be one quarter of one hundredth (0.0025) of one IMM Index point, equal to $50 per contract**, except for intermonth spreads for which the minimum price increment shall be one twentieth of one hundredth (0.0005) of one IMM Index point, equal to $10.00 per intermonth spread**. Contracts shall not be made on any other price basis.

For the purpose of Rule 812 for Final Settlement Price and Rule 813 for Daily Settlement Price, the minimum price increment shall be 0.0001 IMM Index points, equal to $2 per contract.

Chapter 455 -- Three-Year Bundle Futures

45502.C. Price Increments

Contract price shall be quoted in terms of the IMM Index (Rule 45202.C.), as the arithmetic average of the prices of the 12 ED futures comprised within the Contract Grade (Rule 45501.A.). For example, a Bundle futures price of 95.670 would signify that the market consensus expectation of such average ED futures price is 95.6700, implying an arithmetic average ED contract rate of 4.33 percent per year (equal to 100.0000 minus 95.6700).

The minimum price increment shall be one quarter of one hundredth (0.0025) of one IMM Index point, equal to $75 per contract**, except for intermonth spreads for which the minimum price increment shall be one twentieth of one hundredth (0.0005) of one IMM Index point, equal to $15.00 per intermonth spread**. Contracts shall not be made on any other price basis.

For the purpose of Rule 812 for Final Settlement Price and Rule 813 for Daily Settlement Price, the minimum price increment shall be 0.0001 IMM Index points, equal to $3 per contract.

Chapter 456 -- Five-Year Bundle Futures

45602.C. Price Increments

Contract price shall be quoted in terms of the IMM Index (Rule 45202.C.), as the arithmetic average of the prices of the 20 CME ED futures comprised within the Contract Grade (Rule 45601.A.). For example, a Bundle futures price of 95.670 would signify that the market consensus expectation of such average ED futures price is 95.6700, implying an arithmetic average ED contract rate of 4.33 percent per year (equal to 100.0000 minus 95.6700).

The minimum price increment shall be one quarter of one hundredth (0.0025) of one IMM Index point, equal to $125 per contract**, except for intermonth spreads for which the minimum price increment shall be one twentieth of one hundredth (0.0005) of one IMM Index point, equal to $25.00 per intermonth spread**. Contracts shall not be made on any other price basis.

For the purpose of Rule 812 for Final Settlement Price and Rule 813 for Daily Settlement Price, the minimum price increment shall be 0.0001 IMM Index points, equal to $5 per contract.