SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested ☐

Registered Entity Identifier Code (optional): <u>18-347 (1 of 2)</u>

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

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

Please note - only ONE choice allowed.

Filing Date: <u>09/13/2018</u>   Filing Description: <u>Initial Listing of Quarterly IMM SONIA Futures and the MPC SONIA 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:

Rule Numbers:

CME Group

Christopher Bowen
Managing Director and Chief Regulatory Counsel
Legal Department

September 13, 2018

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 40.2(a) Notification Regarding the Initial Listing of the Quarterly IMM SONIA Futures and the MPC SONIA Futures Contracts.**
> **CME Submission No. 18-347 (1 of 2)**

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange Inc. ("CME" or "Exchange") hereby notifies the Commodity Futures Trading Commission ("CFTC") that it is self-certifying the initial listing of the Quarterly IMM SONIA Futures contract and the MPC SONIA Futures contract (the "Contracts") for trading on the CME Globex electronic trading platform ("CME Globex") and for submission for clearing on CME ClearPort effective on Sunday, September 30, 2018, for first trade date Monday, October 1, 2018.

The Contracts will share two common features:

(1) Both will deliver by cash settlement. In each case the final settlement price of an expiring contract shall be based upon the Sterling Overnight Index Average ("SONIA") interest rate benchmark.

(2) In each case, the contract price basis will be the IMM Index, or "100 minus contract interest rate", familiar to users of established short-term interest rate futures products such as the Exchange's Three-Month Eurodollar futures.

In what follows, Section 1 summarizes the background and workings of the SONIA benchmark. Sections 2 and 3, respectively, discuss the terms and conditions of the contracts. Section 4 addresses compliance of contract terms and conditions with the applicable core principles for designated contract markets ("Core Principles") set forth in the Commodity Exchange Act ("CEA" or "Act").

Terms and conditions for Quarterly IMM SONIA Futures and MPC SONIA Futures shall be set forth in CME Rulebook Chapters 470 and 471, respectively, the texts of which appear in Appendixes A and B, respectively. Appendix C addresses the applicable position limits and reportable position levels pursuant to CME Rules 560 and 561. Appendix D presents the relevant CME Globex non-reviewable trading ranges pursuant to CME Rule 588.H., and Appendix E gives the pertinent special price fluctuation limits pursuant to CME Rule 589. Appendix F sets forth the Exchange fees applicable to trading and clearing the Contracts.

Section 1 – The Sterling Overnight Index Average

In 2015 the Bank of England ("BOE") convened the Working Group on Sterling Risk-Free Reference Rates ("Working Group") "to identify and implement a near-risk free reference rate … as an alternative to sterling LIBOR."[1] In April 2017, the Working Group endorsed SONIA as the interest rate benchmark that, in its consensus view, would represent best practice for use as the underlying reference in new sterling interest rate derivatives and other sterling-denominated financial contracts.[2]

SONIA has been administered by the BOE since April 2016, prior to which its administrator was the Wholesale Market Brokers' Association ("WMBA"). WMBA continued to serve as calculation agent and publication agent for SONIA from April 2016 through April 20, 2018, at which time the BOE assumed responsibility for calculation and publication in addition to administration.

SONIA is a measure of the rate per annum at which interest is paid on sterling short-term wholesale funds in circumstances where credit, liquidity and other risks are minimal.[3] For any weekday that is not a UK bank holiday ("UK banking day"),[4] SONIA is computed as the transaction-volume-weighted interquartile average of interest rates paid on eligible sterling-denominated deposit transactions. That is, for any UK banking day, the BOE:

(i)   ranks that day's eligible transactions by their corresponding interest rates, from lowest to highest, then

(ii)   removes 25 percent of trading volume corresponding to the lowest interest rate levels and 25 percent of trading volume corresponding to the highest interest rate levels, then

(iii)   computes a transaction-weighted arithmetic average interest rate level on the basis of the remaining interest-rate/trade-size data pairs (which represent the central 50 percent of probability mass for that day's transaction-volume-weighted distribution of interest rates).

On any given UK banking day, the criteria for any sterling-denominated deposit transaction to be eligible for inclusion in this calculation are that it must be:

- reported to the BOE Sterling Money Market daily data collection, in accordance with the 'Reporting Instructions for Form SMMD' in effect on such UK banking day,[5]
- unsecured,
- executed between 12:00am and 6:00pm London time on such UK banking day,
- for same-day settlement,
- for term to maturity of one UK banking day, and
- for principal amount equal to £25 million or more.

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[1] See Working Group on Sterling Risk-Free Reference Rates, *Design Criteria for a Sterling Secured Overnight Money Market Benchmark*, December 16, 2015, available at: https://www.bankofengland.co.uk/-/media/boe/files/markets/benchmarks/design-criteria-for-a-sterling-secured-overnight-money-market-benchmark.pdf?la=en&hash=5A5455F471C04C5713B67214EE58534A3C2E995C

[2] See Bank of England, *SONIA recommended as the sterling near risk-free interest rate benchmark*, April 28, 2017, available at: https://www.bankofengland.co.uk/-/media/boe/files/news/2017/april/sonia-recommended-as-the-sterling-near-risk-free-interest-rate-benchmark.pdf?la=en&hash=4AF00716EA43928FEBA30FA3523CDA9437ABE0B0

[3] See Bank of England, *SONIA – Key features and polices*, May 2018, available at: https://www.bankofengland.co.uk/-/media/boe/files/markets/benchmarks/sonia-key-features-and-policies.pdf?la=en&hash=A11D3AE9E5A070702AE4F777A70C258E871E49B7

[4] For information on UK bank holidays, see: https://www.gov.uk/bank-holidays

[5] See Bank of England, *Sterling Money Market Data Collection – Reporting Instructions for Form SMMD, Version 4.1*, June 2018, available at: https://www.bankofengland.co.uk/-/media/boe/files/statistics/data-collection/smm/instructions_smm.pdf

The BOE publishes the resultant SONIA value at 9:00am London time on the next following UK banking day.[6] The BOE also has published estimates of historical daily SONIA values and corresponding daily transaction volumes for the interval from February 1, 2016, through April 20, 2018.[7]

Exhibit 1 displays daily SONIA values and eligible transaction volumes for February 2016 through July 2018. During this 2-½ year spell, the median daily transaction volume is considerable, nearly £44 bln. Important from the standpoint of benchmark reliability and robustness is that minimum daily transaction volume is £17.2 bln. With eligible transaction volumes having trended higher during this period, moreover, it is worth scrutinizing a recent subset of these data. For the 12 months spanning August 2017 through July 2018, for instance, median daily transaction volume is nearly £49.4 bln, with minimum daily volume of £30.5 bln.

The BOE's published set of estimates of historical daily values also includes eligible transaction counts. These data evidence that daily incidence of eligible transactions is as robust as aggregate daily transaction volumes. Between February 1, 2016, and April 20, 2018, for example, the median daily number of eligible trades is around 350, and the minimum is 208.

Exhibit 1 --
Daily SONIA and Eligible Transaction Volumes, February 1, 2016, to July 31, 2018
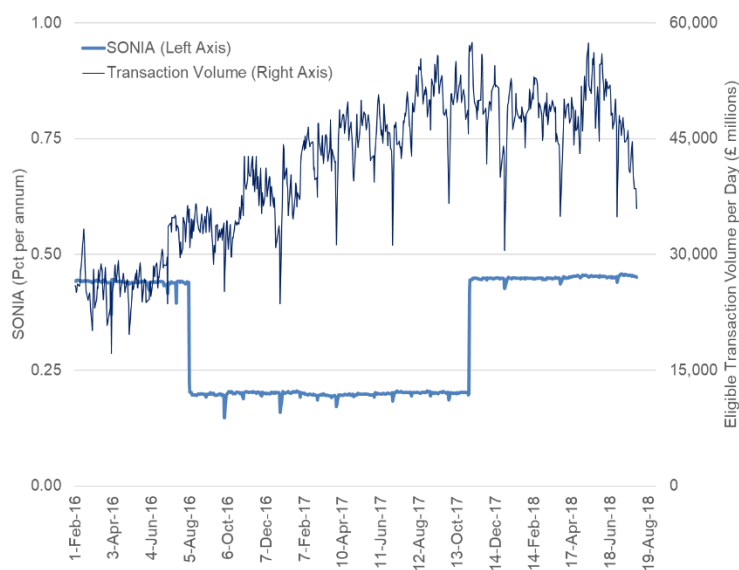
Source: BOE

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[6] Each daily publication includes, in addition to the SONIA value for the preceding UK banking day, other descriptive statistics for the trade-volume-weighted distribution of interest rates on eligible transactions for the preceding UK banking day. The SONIA value for any UK banking day is made freely available *via* the BOE Interactive Statistical Database (http://www.bankofengland.co.uk/boeapps/database/) no later than 10:00am London time on the UK banking day following the first day on which such SONIA value was initially published. See Bank of England, *SONIA – Key features and polices*, May 2018, *op cit*.

[7] See Bank of England, *Data presented in the SONIA key features and policies document*, available at: https://www.bankofengland.co.uk/-/media/boe/files/markets/benchmarks/soniareform0518.xlsx?la=en&hash=AB5931770339EBFBA2220F22D58E9B14667C4E3F

Section 2 – Contract Specifications for Quarterly IMM SONIA Futures

The price of a Quarterly IMM SONIA Futures contract for a given delivery month is based on market expectations of compounded daily SONIA interest during the approximate three-month interval that concludes at such contract's final settlement. Exhibit 2 summarizes contract specifications.

Price Basis and Unit of Trade

Prices shall be quoted and made in terms of the IMM Index, *ie*, 100 minus the contract interest rate. For a contract for a given Delivery Month, the contract rate shall be compounded daily SONIA interest during the corresponding Reference Quarter, expressed as an interest rate per annum. For instance, a price of 98.76 Index points would signify a contract rate of 1.24 percent per annum

The contract shall be sized at £2,500 times the corresponding IMM Index. Accordingly, each basis point per annum of the contract rate (*i.e.*, 0.01 Index points) shall be worth £25 per contract.

Contract Critical Dates: Quarterly IMM SONIA Futures versus Three-Month Eurodollar Futures

The Reference Quarter for a contract for a given Delivery Month is the interval spanning from (and including) the third Wednesday of the third month preceding the Delivery Month, to (and not including) the third Wednesday of the Delivery Month. As a nomenclatural convention, *for any Quarterly IMM SONIA futures contract, the contract month would be the month in which the contract Reference Quarter begins, and the contract delivery month would be the month in which the Reference Quarter concludes and the contract comes to final settlement.* As it does with CME Three-Month SOFR futures that were launched in April, this convention serves to clarify the alignment between Quarterly IMM SONIA futures and adjacent established IBOR-reference futures products, such as the exchange's Three-Month Eurodollar futures. To see how, consider two contracts:

> A Three-Month Eurodollar (Commodity Code: GE) future comes to final settlement on the Monday before the third Wednesday of December. The final settlement price is based on the US dollar three-month ICE LIBOR® that corresponds to a three-month unsecured bank funding transaction that settles on the third Wednesday of December and that matures three months later.

> A Quarterly IMM SONIA (Commodity Code: SON) future has a contract Reference Quarter – the interval of interest rate exposure that informs the contract final settlement price – starting on the third Wednesday of December. The contract does not come to final settlement until the third Wednesday of the following March, the UK banking day following conclusion of the Reference Quarter.

The SON contract month in this example is "December" because the contract Reference Quarter starts on (and includes) the third Wednesday of December and ends with (but does not include) the third Wednesday of the following March. The interest rate exposure period for one contract – either December SON or December GE -- is the same as for the other. The correspondence between them is that the cash market transaction settlement date corresponding to final settlement of December GE futures matches the start of the contract Reference Quarter for December SON futures.

Termination of Trading, Final Settlement, and the Reference Quarter

Contract Months at initial listing will comprise the 20 March Quarterly months (March, June, September, or December) from December 2018 through September 2023, inclusive. (Equivalently, Delivery Months at initial listing will comprise the 20 March Quarterly months from March 2019 through December 2023, inclusive.) Trading in any given expiring contract will terminate at 9:00am London time on the third Wednesday of the contract Delivery Month, at which time the BOE is regularly scheduled to publish the SONIA value for the last day of such expiring contract's Reference Quarter.

Exhibit 2 -- Contract Specifications for Quarterly IMM SONIA Futures

All times of day are Central Time ("CT") unless otherwise noted.

Trading Unit	Compounded daily SONIA interest during contract Reference Quarter, such that each basis point per annum of interest = £25 per contract. **Contract Reference Quarter**: For a given contract, interval from (and including) 3rd Wed of 3rd month preceding Delivery Month, to (and not including) 3rd Wed of Delivery Month.
Price Basis	Contract-grade IMM Index: *100 minus R* *R* = Compounded daily SONIA interest during contract Reference Quarter. (See **Delivery**.) *Example*: Contract price of 97.2850 IMM Index points signifies *R* = 2.715 percent per annum.
Contract Size	£2,500 x contract-grade IMM Index
Minimum Price Increment	*Any Contract with Four Months or Less Until Last Day of Trading:* 0.0025 IMM Index points (¼ basis point per annum) equal to £6.25 per contract *All Other Contracts*: 0.005 IMM Index points (½ basis point per annum) equal to £12.50 per contract
Listing Schedule	Nearest 20 March Quarterly months (Mar, Jun, Sep, Dec). Initial nearby listed contract: Contract Month = Dec 2018 (*i.e.*, Delivery Month = Mar 2019). For each contract, *Contract Month* is the month in which Reference Quarter begins. *Example*: For the Dec 2018 contract, Reference Quarter starts on IMM Wed of Dec 2018 and ends with Termination of Trading on IMM Wed of Mar 2019, the contract Delivery Month.
Termination of Trading	*Last Day of Trading*: 3rd Wed of Delivery Month. *Termination of Trading*: 9:00am London time on Last Day of Trading.
Delivery	By cash settlement, by reference to Final Settlement Price, on 3rd Wed of Delivery Month. **Final Settlement Price**: Contract-grade IMM Index (100 minus R) evaluated on the basis of realized SONIA values during contract Reference Quarter: $$R = [\ \Pi_{i=1...n} \{1+(d_i/365)*(r_i/100)\} - 1\ ] \times (365/D) \times 100$$ n = Number of UK banking days in the Reference Quarter i ~ Running variable indexing UK banking days during Reference Quarter, $i = 1,2,…,(n-1),n$. $\Pi_{i=1...n}$ denotes the product of values indexed by the running variable, $i = 1,2,…,n$. r_i = SONIA value for i^{th} UK banking day d_i = Number of calendar days to which r_i applies D = $\Sigma_i d_i$ (*ie*, number of calendar days in Reference Quarter)
Trading and Clearing Hours	*CME Globex* and *CME ClearPort*: 5pm to 4pm CT, Sun-Fri.
CME Globex Matching Algorithm	Allocation (A Algorithm, with Top Order Allocation = 100% and Pro Rata Allocation = 100%)
Position Reporting and Accountability	*Reporting Level*: 500 contracts *Accountability Threshold*: 1,000 contracts
Block Trade Minimum	100 contracts
Commodity Code	SON

Delivery on an expiring contract will be by cash settlement, through a final mark-to-market made by reference to the contract final settlement price. The final settlement price will be the contract IMM Index, 100 minus R, with R evaluated as the compounded daily SONIA interest rate per annum during the corresponding Reference Quarter:

$$R = [\Pi_{i=1...n} \{1+(d_i/365)*(r_i/100)\} - 1] \times (360/D) \times 100$$

n the number of UK banking days during the Reference Quarter

i a running variable that indexes each UK banking day during the Reference Quarter, such that i takes the values $i = 1,2,…,(n-1),n$.

$\Pi_{i=1...n}$ denotes the product of the values indexed by the running variable, $i = 1,2,…,n$.

r_i the SONIA value for the ith UK banking day

d_i the number of calendar days to which r_i applies. For example, if the ith day is a Monday, a Tuesday, a Wednesday, or a Thursday, and if the next following calendar day is a UK banking day, then $d_i = 1$. If the ith day is a Friday, and if the next following Monday is a UK banking day, then $d_i = 3$.

$D =$ the number of calendar days in the Reference Quarter, ie, $D = \Sigma_i d_i$

Section 3 – Contract Specifications for MPC SONIA Futures

Exhibit 3 summarizes the MPC SONIA Futures contract specifications. The contract structure closely resembles that of Quarterly IMM SONIA futures. The chief difference is that, for a given MPC SONIA futures contract, the Reference Interval over which daily SONIA interest is compounded spans from (and includes) the scheduled date of a policy announcement by the BOE Monetary Policy Committee ("MPC") (specified as occurring in the contract month), until (and excluding) the scheduled date of the next following policy announcement by the MPC (specified as occurring in the contract delivery month). Both such dates would be as published by the BOE prior to the Exchange's listing of such futures contract.

> *Example:* On September 14, 2017, the BOE published the provisional schedule for MPC announcement dates in 2018 and 2019.[8] On October 19, 2017, the BOE published the schedule confirming the eight MPC announcement dates in 2018.[9] Of the MPC announcement dates scheduled for 2018, the last is Thursday, December 20, 2018, and the penultimate is Thursday, November 1, 2018. Accordingly, for a hypothetical CME MPC SONIA futures contract for which the contract month is November 2018 and the delivery month is December 2018, the Reference Interval would be defined to span from (and to include) November 1, 2018, until (and excluding) December 20, 2018.

For a contract for a given contract month, once the start date and the end date of such contract's Reference Interval have been specified and the exchange has listed the contract for trading, the Reference Interval shall remain as specified until final settlement of the contract, irrespective of any subsequent announcement by the BOE of schedule changes for either or both of the corresponding MPC policy announcement dates.

Price Basis and Unit of Trade

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[8] Bank of England, *Monetary Policy Committee dates for 2018 and provisional dates for 2019*, News release, September 14, 2017, available at: https://www.bankofengland.co.uk/news/2017/september/mpc-dates-for-2018-and-provisional-dates-for-2019

[9] Bank of England, *Updated Monetary Policy Committee dates for 2018*, News release, October 19, 2017, available at: file:///H:/Fred/My%20Documents/Europe%20MM%20Rates/BOE%202018%20MPC%20Dates%202017Oct19.pdf

Similar to Quarterly IMM SONIA Futures, prices of MPC SONIA Futures shall be quoted and made in terms of the IMM Index, ie, 100 minus the contract rate. For a contract for a given Delivery Month, the contract rate shall be compounded daily SONIA interest during the corresponding Reference Interval, expressed as an interest rate per annum. The contract shall be sized at £2,500 times the corresponding IMM Index, with each basis point per annum of the contract interest rate (*i.e.*, 0.01 Index points) worth £25 per contract.

Exhibit 3 -- Contract Specifications for MPC SONIA Futures

All times of day are Central Time ("CT") unless otherwise noted.

Trading Unit	Compounded daily SONIA interest during contract Reference Interval, such that each basis point per annum of interest = £25 per contract. ***Reference Interval***: For a given contract, interval from (and including) the scheduled Bank of England Monetary Policy Committee ("MPC") announcement date preceding the Delivery Month, to (and not including) the scheduled MPC announcement date in the Delivery Month.
Price Basis	Contract-grade IMM Index: 100 minus R R = Compounded daily SONIA interest during contract Reference Interval. (See ***Delivery***.)
Contract Size	£2,500 x contract-grade IMM Index
Minimum Price Increment	*Nearby Contract:* 0.0025 IMM Index points (¼ basis point per annum) equal to £6.25 per contract *All Other Contracts*: 0.005 IMM Index points (½ basis point per annum) equal to £12.50 per contract
Listing Schedule	Nearest four (4) Reference Intervals for which Bank of England has published MPC announcement dates. First nearby listed contract: Contract Month = Sep 2018 (*i.e.*, Delivery Month = Nov 2018). For each contract, *Contract Month* is the month in which Reference Interval begins. *Example*: For the Sep 2018 contract, Reference Interval starts on (and includes) Thursday, September 13, 2018, and ends with (and does not include) Thursday, November 1, 2018, the contract Delivery Month.
Termination of Trading	*Last Day of Trading*: Scheduled MPC announcement date in Delivery Month, as published by BOE. *Termination of Trading*: 9:00am London time on Last Day of Trading.
Delivery	By cash settlement, by reference to Final Settlement Price, on first UK banking day immediately following conclusion of contract Reference Interval (typically, the scheduled MPC announcement date in the Delivery Month). ***Final Settlement Price***: Contract-grade IMM Index (100 minus R) evaluated on the basis of realized SONIA values during Contract Reference Interval: $R = [\Pi_{i=1\ldots n} \{1+(d_i/365)*(r_i/100)\} - 1] \times (365/D) \times 100$ n = Number of UK banking days in the Reference Interval i ~ Running variable indexing UK banking days during Reference Interval, $i = 1,2,\ldots,(n\text{-}1),n$. $\Pi_{i=1\ldots n}$ denotes the product of values indexed by the running variable, $i = 1,2,\ldots,n$. r_i = SONIA value for i^{th} UK banking day d_i = Number of calendar days to which r_i applies D = $\Sigma_i d_i$ (ie, number of calendar days in Reference Interval)
Trading and Clearing Hours	*CME Globex* and *CME ClearPort*: 5pm to 4pm CT, Sun-Fri.
CME Globex Matching Algorithm	Allocation (A Algorithm, with Top Order Allocation = 100% and Pro Rata Allocation = 100%)
Position Reporting and Accountability	*Reporting Level*: 500 contracts *Accountability Threshold*: 1,000 contracts
Block Trade Minimum	100 contracts
Commodity Code	MPC

Termination of Trading, Final Settlement, and the Reference Quarter
Contract Months initially listed for trading will be:

- September 2018, for which contract the Reference Interval spans from (and includes) September 13, 2018, to (and excluding) November 1, 2018, and the delivery month is November 2018,

- November 2018, for which contract the Reference Interval spans from (and includes) November 1, 2018, to (and excluding) December 20, 2018, and the delivery month is December 2018,

- December 2018, for which contract the Reference Interval spans from (and includes) December 20, 2018, to (and excluding) February 7, 2019, and the delivery month is February 2019, and

- February 2019, for which contract the Reference Interval spans from (and includes) February 7, 2019, to (and excluding) March 21, 2019, and the delivery month is March 2019.

Trading in an expiring contract generally shall terminate at 9:00am London time on the scheduled MPC announcement date in such contract's Delivery Month.

Section 4 -- Compliance with Core Principles
The Exchange has reviewed the Core Principles as set forth in the Act and has identified that the new product terms and conditions certified herein may bear upon the following Core Principles:

Core Principle 2 – Compliance with Rules
Trading in the Contracts shall be subject to:

- CME Rulebook Chapter 4, which includes prohibitions against fraudulent, noncompetitive, unfair, and abusive practices;
- the Exchange's trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the Rulebook; and
- 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 3 – Contracts Not Readily Subject to Manipulation
As detailed in Section 1, the SONIA benchmark is supported by a substantial and reliably active transaction pool. Moreover, the statistical measure employed to produce the benchmark value on any given day – the transaction-volume-weighted interquartile mean deposit rate -- is reasonably robust. Final settlement prices for either of the contracts shall be based on multiple daily values of the SONIA benchmark, spanning either six or seven weeks in the case of expiring MPC SONIA Futures, or an interval of approximately 13 weeks in the case of expiring Quarterly IMM SONIA Futures.

In view of these considerations, both the SONIA benchmark itself and its application in connection with the contracts possess sufficient integrity to deflect attempted cornering, manipulation, crowding, or exertion of undue influence upon final settlement of expiring contracts.[10]

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[10] The BOE, as provider, administrator, and publisher of the SONIA benchmark, is a national central bank and therefore does not fall within scope of the IOSCO Principles for Financial Benchmarks ("IOSCO Principles"). Neither does it fall within scope of the EU Benchmark Regulation ("EU BMR"), in accordance with Title I, Article 2 of EU BMR.

The BOE nevertheless has asserted its intent to act in accord with established standards of best practice for benchmark administration, as exemplified in the IOSCO Principles. See Bank of England, *SONIA – Statement of compliance with the IOSCO principles for Financial Benchmarks, as at 14 May 2018*, available at: https://www.bankofengland.co.uk/-/media/boe/files/markets/benchmarks/sonia-statement-of-compliance-with-the-iosco-principles-for-financial-benchmarks.pdf?la=en&hash=0C0C578BB54C9A4628EA0407E413784C3AD22542

Core Principle 4 – Prevention of Market Disruption
Trading in the Contracts shall be subject to CME Rulebook Chapters 4 and 7, which include prohibitions on manipulation, price distortion, and disruption to the expiration process. As with any product listed for trading on a CME Group designated contract market, futures trading activity shall be subject to monitoring and surveillance by CME Group's Market Regulation Department.

Core Principle 5 – Position Limits or Accountability
Quarterly IMM SONIA Futures and MPC SONIA Futures each shall be subject to a Position Reporting Level of 500 contracts, a Single-Month Position Accountability Level of 1,000 net futures contract equivalents, and an All-Month Position Accountability Level of 1,000 net futures contract equivalents.

To appreciate the proportions of the Position Accountability standards, assume that the representative level of traffic in the market for sterling overnight unsecured funding placements, which supports the SONIA benchmark, is around £44 billion per day. Relative to this transaction flow, the hypothetical holdings reflected in the Position Accountability Levels for Quarterly IMM SONIA Futures signify less than 2.3 percent, and those for MPC SONIA Futures represent between 4.2 and 4.9 percent.[11]

Core Principle 7 – Availability of General Information
The Exchange shall disseminate a Special Executive Report ("SER") that sets forth information regarding the specifications, terms, and conditions of the contracts. The SER will also be available on the CME Group website.

Core Principle 8 – Daily Publication of Trading Information
The Exchange shall publish trading volumes, open interest levels, and price information for the contracts daily on its website and through quote vendors.

Core Principle 9 – Execution of Transactions
The Contracts will be listed for trading on the CME Globex electronic trading and for submission for clearing through CME ClearPort. The CME Globex electronic trading venue provides for competitive and open execution of transactions. CME Globex affords the benefits of reliability and global connectivity.

Core Principle 10 – Trade Information
All requisite trade information shall be included in the audit trail and will suffice for the Market Regulation Department to monitor for market abuse.

Core Principle 11 – Financial Integrity of Contracts
The Contracts shall be cleared by CME Clearing, which is registered with the Commission as a derivatives clearing organization, and which is subject to all CFTC regulations related thereto.

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[11] For Quarterly IMM SONIA Futures, each basis point per annum of contract interest is specified to be worth £25 per contract. The SONIA interest exposure impounded in the contract final settlement price accumulates during the contract Reference Quarter, which typically spans 13 weeks, or 91 days. Thus, the implied principal amount of the hypothetical generic open overnight sterling unsecured funding transaction that underlies the contract is typically around £1,002,747 (approximately equal to (£25 per basis point per contract / 0.0001 per year) x (365 days per year / 91 days)). Accordingly, the applicable Position Accountability Level may be interpreted as having a size of approximately £1 bln (approximately equal to (1,000 contracts) x (£1,002,747 per contract)).

Likewise for MPC SONIA Futures, if (i) each basis point per annum of contract interest is defined to be worth £25 per contract, and (ii) the contract final settlement price reflects accumulated SONIA interest over an interval that almost always spans either 42 days (six weeks) or 49 days (seven weeks), then the implied principal amount of the hypothetical generic open overnight sterling unsecured funding transaction underlying the contract lies between £1,862,245 (approximately equal to (£25 per basis point / 0.0001 per year) x (365 days per year / 49 days)) and £2,172,619 (approximately equal to (£25 per basis point / 0.0001 per year) x (365 days per year / 42 days)). Thus, the applicable Position Accountability Level may be interpreted as having size between £1.8 bln and £2.2 bln.

Core Principle 12 – Protection of Markets and Market Participants
CME Rulebook Chapters 4 and 5 set forth multiple strictures that preclude intermediaries from disadvantaging their customers. These Rules apply to trading in all of the Exchange's competitive trading venues and will apply to transactions in the contracts.

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 the Contracts shall be 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 the contracts are identified.

Core Principle 14 – Dispute Resolution
Disputes in respect of the Contracts shall be subject to the arbitration provisions set forth in CME Rulebook Chapter 6, which allow all nonmembers to submit to arbitration claims for financial loss resulting from transactions on the Exchange. Pursuant to these provisions, any member named as a respondent in any such claim submitted by a nonmember is required to participate in arbitration proceedings. Additionally, the Exchange requires members to resolve via arbitration all disputes concerning transactions on the Exchange.

The Exchange certifies that the contracts comply with the Act, including all regulations thereunder. There were no substantive opposing views to this proposal. The Exchange certifies that this submission has been concurrently posted on the Exchange's website at http://www.cmegroup.com/market-regulation/rule-fillings.html.

Should you have any questions concerning the above, please contact the undersigned at (212) 299-2200 or CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments:	Appendix A	CME Rulebook Chapter 470
	Appendix B	CME Rulebook Chapter 471
	Appendix C	Position Limit, Position Accountability, and Reportable Level Table, CME Rulebook Chapter 5 (attached under separate cover)
	Appendix D	CME Rule 588.H. – ("Globex Non-Reviewable Trading Ranges") Table
	Appendix E	CME Rule 589. ("Special Price Fluctuation Limits and Daily Price Limits") Table
	Appendix F	Exchange Fees

Appendix A

CME Rulebook
Chapter 470
Quarterly IMM SONIA Futures

47000.   **SCOPE OF CHAPTER**

This chapter is limited in application to Quarterly IMM SONIA futures ("futures" or "contract"). In addition to this chapter, futures shall be subject to the general rules and regulations of the Exchange insofar as applicable.

Unless otherwise specified, times referenced herein shall indicate Chicago time.

47001.   **CONTRACT SPECIFICATIONS**

Each contract is valued at £2,500 times the contract-grade IMM Index (Rule 47002.C.).

47002.   **TRADING SPECIFICATIONS**

47002.A. Trading Schedule

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

47002.B. Trading Unit

For a contract for a given delivery month, the unit of trading shall be compounded daily Sterling Overnight Index Average ("SONIA") interest during the contract Reference Quarter (Rule 47003.A.1.), expressed as an interest rate per annum for which (i) such interest rate shall accrue on the basis of the actual number of days spanned by such contract Reference Quarter, divided by a 365-day year, and (ii) each basis point per annum of such interest rate shall be worth £25 per futures contract. SONIA shall be as published by the Bank of England ("BOE").

47002.C. Price Basis and Minimum Price Increments

For a contract for a given delivery month, prices shall be quoted and made in terms of the contract IMM Index ("Index"), 100.0000 minus compounded daily SONIA interest during the contract Reference Quarter, as specified in Rule 47002.B.

> *Example*: Where the value of such compounded daily SONIA is 2.055 percent per annum, it shall be quoted as an Index value of 97.9450.

The minimum price fluctuation shall be 0.005 Index points, equal to £12.50 per contract, *provided that* the minimum price fluctuation shall be 0.0025 Index points, equal to £6.25 per contract, for any contract with four months or less until its termination of trading (Rule 47002.G.), where the applicable four-month interval shall be defined so as to begin on, and to include, either (i) the Monday before the third Wednesday of the fourth month preceding the month in which trading in such contract terminates, if such Monday is a Business Day, or (ii) the Business Day next following such Monday, if such Monday is not a Business Day.

47002.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.

47002.E. Special Price Fluctuation Limits
At the commencement of each trading day, the contract shall be subject to special price fluctuation limits as set forth in Rule 589 and in the Special Price Fluctuation Limits Table in the Interpretations & Special Notices Section of Chapter 5.

47002.F. [Reserved]

47002.G. Termination of Trading
Trading in an expiring contract shall terminate at 9:00 a.m. London time on the third Wednesday of the contract delivery month.

47002.H. [Reserved]

47003.   SETTLEMENT PROCEDURES
Delivery shall be by cash settlement.

47003.A. Final Settlement Price

1. Definition of Reference Quarter
For a contract for a given delivery month, the Reference Quarter shall be the interval that ends on (and does not include) the third Wednesday of the contract delivery month, and that begins on (and includes) the third Wednesday of the third calendar month preceding the contract delivery month.

> *Example*: For a hypothetical contract for which the delivery month is March 2022, the contract Reference Quarter shall start on (and shall include) the third Wednesday of December 2021 (December 15, 2021) and shall end on (and shall not include) the third Wednesday of March 2022 (March 16, 2022).

2. Definition of Final Settlement Price
For a contract for a given delivery month, the Final Settlement Price shall be 100 minus compounded daily SONIA during the contract Reference Quarter ("R"), as follows:

Final Settlement Price = 100 minus R

where

R = $[\ \Pi_{i=1...n}\ \{1+(d_i/365)*(r_i/100)\}\ -\ 1\ ]\ x\ (365/D)\ x\ 100$

n = the number of weekdays that are not UK bank holidays ("UK banking days") during such Reference Quarter.

i is the running variable that indexes each UK banking day in such Reference Quarter, such that i takes the values $i = 1,2,…,(n-1),n$.

$\Pi_{i=1...n}$ denotes the product of the values indexed by the running variable, $i = 1,2,…,n$.

r_i = the SONIA value corresponding to UK banking day i, expressed as an interest rate per annum.

> *Example*: If SONIA for UK banking day i is two and one quarter percent per annum, then r_i = 2.25.

d_i = the number of calendar days to which r_i applies. For any calendar day that is not a UK banking day (*eg*, weekend days, UK bank holidays), the applicable value shall be SONIA for the first preceding UK banking day.

> *Examples*: If the ith day is a Monday, a Tuesday, a Wednesday, or a Thursday, and if the next following calendar day is a UK banking day, then d_i = 1. If the ith day is a Friday, and if the next following Monday is a UK banking day, then d_i = 3.

$D =$ the number of calendar days in the Reference Quarter: $D = \Sigma_{i=1...n}\, d_i$.

3. Computational Conventions

The final settlement price for an expiring contract shall be calculated by the Exchange on the day on which the BOE publishes the SONIA value for the last day of such contract's Reference Quarter (Rule 47003.A.1.). Customarily, though not always, such publication will occur on the third Wednesday of such contract's delivery month.

The SONIA value for the last day of such expiring contract's Reference Quarter shall be as first published by the BOE.

The value of R determined pursuant to Rule 47003.A.2. shall be rounded to the nearest $1/10{,}000^{th}$ of one percent per annum, ie, the nearest $1/100^{th}$ of one interest rate basis point per annum, or 0.0001 Index points. A tie value, ie, any such value ending in 0.00005, shall be rounded up.

> *Example*: A value of 3.14155 percent per annum would be rounded up to 3.1416 percent per annum, and then subtracted from 100.000 to determine a contract final settlement price of 96.8584 Index points.

47003.B. Final Settlement

Clearing members holding open positions in a contract at the time of termination of trading in such contract shall make payment to or receive payment from the Clearing House in accordance with normal variation performance bond procedures based on a settlement price equal to the final settlement price.

(End Chapter 470)

INTERPRETATIONS AND SPECIAL NOTICES RELATING TO CHAPTER 470

Appendix B

CME Rulebook
Chapter 471
MPC SONIA Futures

47100. **SCOPE OF CHAPTER**

This chapter is limited in application to MPC SONIA futures ("futures" or "contract"). In addition to this chapter, futures shall be subject to the general rules and regulations of the Exchange insofar as applicable.

Unless otherwise specified, times referenced herein shall indicate Chicago time.

47101. **CONTRACT SPECIFICATIONS**

Each contract is valued at £2,500 times the contract-grade IMM Index (Rule 47102.C.).

47102. **TRADING SPECIFICATIONS**

47102.A. Trading Schedule

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

47102.B. Trading Unit

For a contract for a given delivery month, the unit of trading shall be compounded daily Sterling Overnight Index Average ("SONIA") interest during the contract Reference Interval (Rule 47103.A.1.), expressed as an interest rate per annum for which (i) such interest rate shall accrue on the basis of the actual number of days spanned by such contract Reference Interval, divided by a 365-day year, and (ii) each basis point per annum of such interest rate shall be worth £25 per futures contract. SONIA shall be as published by the Bank of England ("BOE").

47102.C. Price Basis and Minimum Price Increments

For a contract for a given delivery month, prices shall be quoted and made in terms of the contract IMM Index ("Index"), 100.0000 minus compounded daily SONIA interest during the contract Reference Interval, as specified in Rule 47102.B.

Example: Where the value of such compounded daily SONIA is 2.055 percent per annum, it shall be quoted as an Index value of 97.9450.

The minimum price fluctuation shall be 0.005 Index points, equal to £12.50 per contract, *provided that* for any contract the minimum price fluctuation shall be 0.0025 Index points, equal to £6.25 per contract, as of either (i) the Monday first preceding the date on which such contract's Reference Interval commences, if such Monday is a Business Day, or (ii) the Business Day next following such Monday, if such Monday is not a Business Day.

47102.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.

47102.E. Special Price Fluctuation Limits
At the commencement of each trading day, the contract shall be subject to special price fluctuation limits as set forth in Rule 589 and in the Special Price Fluctuation Limits Table in the Interpretations & Special Notices Section of Chapter 5.

47102.F. [Reserved]

47102.G. Termination of Trading
Trading in an expiring contract shall terminate at 9:00 a.m. London time on the scheduled BOE Monetary Policy Committee ("MPC") announcement date by reference to which the end of such expiring contract's Reference Interval is defined (Rule 47103.A.1.). If such scheduled MPC announcement date is a UK bank holiday, then trading in such expiring contract shall terminate at 9:00 a.m. London time on the next following weekday that is not a UK bank holiday ("UK banking day").

47102.H. [Reserved]

47103.   SETTLEMENT PROCEDURES
Delivery shall be by cash settlement.

47103.A. Final Settlement Price

1. Definition of Reference Interval
For a given contract, the Reference Interval shall be the interval that ends on (and does not include) the MPC announcement date by reference to which the Exchange defines the end of such expiring contract's Reference Interval, and that begins on (and includes) the first preceding scheduled MPC announcement date.

> *Example*: For a hypothetical contract for which the delivery month is May 2018, the Exchange defines the contract Reference Interval so as to end on (and not to include) the MPC announcement date scheduled to occur on Thursday, May 10, 2018, and to start on (and to include) the first preceding MPC announcement date, which is scheduled to occur on Thursday, March 22, 2018.

For a given contract, the corresponding Reference Interval shall be determined solely by the Exchange on the basis of such scheduled MPC announcement dates as the BOE has published prior to the date on which such contract is listed for trading by the Exchange. The Reference Interval dates for such contract, so determined, shall remain fixed after such contract has been listed for trading by the Exchange, irrespective of such revisions to the schedule of MPC announcement dates as the BOE may publish subsequently.

2. Definition of Final Settlement Price
For a contract for a given delivery month, the Final Settlement Price shall be 100 minus compounded daily SONIA during the contract Reference Interval ("R"), as follows:

Final Settlement Price = 100 minus R

where

$R =$ $\quad$ $[\ \Pi_{i=1...n} \{1+(d_i/365)*(r_i/100)\} \ - \ 1 \ ] \ x \ (365/D) \ x \ 100$

$n =$ $\quad$ the number of UK banking days during such Reference Interval.

i $\quad$ is the running variable that indexes each UK banking day in such Reference Interval, such that i takes the values $i = 1,2,…,(n-1),n$.

$\Pi_{i=1...n}$ $\quad$ denotes the product of the values indexed by the running variable, $i = 1,2,…,n$.

$r_i =$ $\quad$ the SONIA value corresponding to UK banking day i, expressed as an interest rate per annum.

> *Example*: If SONIA for UK banking day i is two and one quarter percent per annum, then $r_i = 2.25$.

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d_i =   the number of calendar days to which r_i applies. For any calendar day that is not a UK banking day (*eg*, weekend days, UK bank holidays), the applicable value shall be SONIA for the first preceding UK banking day.

Examples: If the ith day is a Monday, a Tuesday, a Wednesday, or a Thursday, and if the next following calendar day is a UK banking day, then $d_i = 1$. If the ith day is a Friday, and if the next following Monday is a UK banking day, then $d_i = 3$.

D =   the number of calendar days in the Reference Interval: $D = \Sigma_{i=1...n}\, d_i$.

3. Computational Conventions

The final settlement price for an expiring contract shall be calculated by the Exchange on the day on which the BOE publishes the SONIA value for the last day of such contract's Reference Interval (Rule 47103.A.1.). Customarily, though not always, such publication will occur on the scheduled MPC announcement date by reference to which the end of such expiring contract's Reference Interval is defined.

The SONIA value for the last day of such expiring contract's Reference Interval shall be as first published by the BOE.

The value of R determined pursuant to Rule 47103.A.2. shall be rounded to the nearest 1/10,000th of one percent per annum, *ie*, the nearest 1/100th of one interest rate basis point per annum, or 0.0001 Index points. A tie value, *ie*, any such value ending in 0.00005, shall be rounded up.

Example: A value of 3.14155 percent per annum would be rounded up to 3.1416 percent per annum, and then subtracted from 100.000 to determine a contract final settlement price of 96.8584 Index points.

47103.B. Final Settlement

Clearing members holding open positions in a contract at the time of termination of trading in such contract shall make payment to or receive payment from the Clearing House in accordance with normal variation performance bond procedures based on a settlement price equal to the final settlement price.

(End Chapter 471)

INTERPRETATIONS AND SPECIAL NOTICES RELATING TO CHAPTER 471

Appendix C

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

**Interpretations and Special Notices Relating to Chapter 5 –
Position Limit, Position Accountability, and Reportable Level Table**

(attached under separate cover)

Appendix D

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

Rule 588.H. ("Globex Non-Reviewable Trading Ranges") Table

(Additions are underlined.)

	Outright				Spreads	
Instrument Name	Globex Symbol	Globex Non-Reviewable Range (NRR)	NRR: Globex Format	NRR: Ticks	NRR: Globex Format	NRR: Minimum Outright Ticks
Quarterly IMM SONIA Futures – Nearby Months	SON	2.5 basis points	2.5	10	Each leg evaluated as an outright	
Quarterly IMM SONIA Futures – All Others	SON	2.5 basis points	2.5	5	Each leg evaluated as an outright	
MPC SONIA Futures – Nearby Months	MPC	2.5 basis points	2.5	10	Each leg evaluated as an outright	
MPC SONIA Futures – All Others	MPC	2.5 basis points	2.5	5	Each leg evaluated as an outright	

Appendix E

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

Interpretations and Special Notices Relating to Chapter 5 –
CME Rule 589. ("Special Price Fluctuation Limits and Daily Price Limits") Table

(Additions are underlined.)

Extended Trading Hours (ETH) (17:00-7:20 Central Time)

Product	Rulebook Chapter	Commodity Coce	Primary/ Associated	Associated With	Base in Real Economic Value	Level 1	Level 2	Level 3	Level 4	Level 5
Quarterly IMM SONIA Futures	470	SON	Primary	Primary	£3,750	150.00	200.00	250.00	300.00	No Limit
MPC SONIA Futures	471	MPC	Primary	Primary	£3,750	150.00	200.00	250.00	300.00	No Limit

Regular Trading Hours (RTH) (7:20-17:00 Central Time)

Product	Rulebook Chapter	Commodity Coce	Primary/ Associated	Associated With	Base in Real Economic Value	Level 1	Level 2	Level 3	Level 4	Level 5
Three-Month SONIA Futures	470	SON	Primary	Primary	£3,750	150.00	200.00	250.00	300.00	No Limit
MPC SONIA Futures	471	MPC	Primary	Primary	£3,750	150.00	200.00	250.00	300.00	No Limit

Appendix F

Exchange Fees per side per Contract for
Quarterly IMM SONIA Futures and MPC SONIA Futures Contracts

Fees are charged per side (both buy and sell side) per contract.	Venue/Transaction Type	Interest Rate Futures	
		Front Months	Back Months [1]
Individual Members Clearing Equity Member Firms Rule 106.J Equity Member Firms & Rule 106.J Qualified Subsidiaries Rule 106.I Member Firms & Rule 106.I Qualified Affiliates Rule 106.S Member Approved Funds	Delivery	$0.09	
	CME Globex	$0.19	$0.14
	EFP|EFR|Block*	$0.29	$0.24
Rule 106.D Lessees Rule 106.F Employees	Delivery	$0.30	
	CME Globex	$0.37	$0.32
	EFP|EFR|Block*	$0.50	$0.45
Rule 106.R Electronic Corporate Member *(For other than CME Globex|EFP|EFR|Block - See Non-Members)*	CME Globex	$0.49	$0.44
	EFP|EFR|Block*	$0.90	$0.85
Rule 106.H and 106.N Firms Clearing Non-Equity Member Firms	Delivery	$0.49	
	CME Globex	$0.49	$0.44
	EFP|EFR|Block*	$0.69	$0.64
International Incentive Program (IIP) Participants International Volume Incentive Program (IVIP) Participants	Delivery	$0.50	
	CME Globex	$0.50	
	EFP|EFR|Block*	$0.66	
Central Bank Incentive Program (CBIP) Participants Emerging Markets Bank Incentive Program (EMBIP) Participants Latin American Fund Manager Incentive Program (FMIP) Participants *(For other than CME Globex|EFP|EFR|Block - See Non-Members)*	CME Globex	$0.50	
	EFP|EFR|Block*	$0.90	
Members Trading Outside of Division *(For other than CME Globex During ETH - See Non-Members)*	CME Globex - During ETH Only	$0.80	$0.75
Non-Members	Delivery	$0.70	
	CME Globex	$1.25	$0.95
	CME Globex - Bundles	$0.80	
	EFP|EFR|Block*	$1.35	$1.05

Processing Fees	Fee
106.D Lessee/106.H Brokerage	$0.13
106.F Employee Brokerage	$0.13
Floor / "New" Brokerage	$0.04
Position Adjustment/Position Transfer	$0.10
Give-Up Surcharge**	$0.05
Facilitation Fee	$0.40

*Exchange fees for Block transactions will be reduced and equivalent to CME Globex transaction fees through September 30, 2019.

**Give-Up Surcharge processing fee will be waived through September 30, 2019.