



Christopher Bowen  
Managing Director and Chief Regulatory Counsel  
Legal Department

December 5, 2013

**VIA E-MAIL**

Ms. Melissa Jurgens  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

**RE: Modifications to the CME Interest Rate Market Maker Program for Eurodollar  
Options  
CME Submission No. 13-464**

Dear Ms. Jurgens:

Chicago Mercantile Exchange Inc. ("CME" or "Exchange") hereby notifies the Commodity Futures Trading Commission ("CFTC" or "Commission") of modifications to an existing market making program for certain Eurodollar Options contracts that are traded on Globex® ("Program"). The proposed modifications to the Program will become effective on January 2, 2014.

Exhibit 1 sets forth the terms of this Program. The modifications appear below, with additions underscoring and deletions ~~overstruck~~.

CME reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA"). During the review, CME staff identified the following Core Principles as potentially being impacted; Prevention of Market Disruption, Execution of Transactions, Protection of Market Participants, Compliance with Rules, and Recordkeeping.

The Program and proposed modifications will not impact the Exchange's ability to perform its trade practice and market surveillance obligations under the CEA and the Exchange's market regulation staff will monitor trading under the Program's products to prevent manipulative trading and market abuse. Additionally, the Exchange has implemented systems to track Program participants' obligations to ensure proper distribution of earned incentives. The incentives in the Program do not impact the Exchange's order execution. Participants in the Program will be selected by Exchange staff using criteria as further stated in Exhibit 1. Chapter 4 of the CME rules includes prohibitions against fraudulent, non-competitive, unfair or abusive practices. All participants must execute a contractual agreement with the Exchange in which each participant will expressly agree to comply with and be subject to, applicable regulations and CME rules. The Program is subject to the Exchange's record retention policies which comply with the CEA.

CME certifies that the Program and the modifications to the Program comply with the CEA and the regulations thereunder. There were no substantive opposing views to this Program or the proposed modifications.

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>.

If you require any additional information regarding this submission, please contact Tim Elliott at 312-466-7478 or via e-mail at [tim.elliott@cmegroup.com](mailto:tim.elliott@cmegroup.com), or contact me at 212-299-2200. Please reference our CME Submission No. 13-464 in any related correspondence.

Sincerely,

/s/ Christopher K. Bowen  
Managing Director and Chief Regulatory Counsel

Attachment: Exhibit 1

# EXHIBIT 1

## Market Maker Program for Eurodollar Options

### Program Purpose

The purpose of the Program is to incentivize participants to enhance liquidity in the products listed below for our global client base. A more liquid contract benefits all participants in the market.

### Product Scope

All Eurodollar options traded on Globex®, including (without limitation to the foregoing) standard quarterly expiries, Mid-Curve Options, ~~Treasury Matched Mid-Curve Options~~, and Calendar Spread Options ("Products").

### Eligible Participants

The Program is available to all CME members and non-members. There is no limit the amount of participants that can be in the Program. All firms that have a relationship with a clearing member firm and can meet CME established quoting requirements, including the ability to stream quotes in outright options and straddles, may qualify for the Program.

### Program Term

Start date is First Quarter of 2004. End date is ~~December 31, 2013~~ December 31, 2014.

### Hours

Regular and Extended Trading Hours ("RTH & ETH").

### Obligations

#### Quoting Requirements:

Respond to Requests-for-Quotes ("RFQs") on the Globex electronic trading platform, both for outright purchases or sales of options and for option strategies during RTH and ETH.

The Exchange shall evaluate and rank the performance of Program participants quarterly. For any Program participant:

80% of such performance evaluation shall be on the basis of said Participant's speed of response to RFQs, width of bid-offered price spreads, size of bids and offers, and persistence of quoting during a two minute period.

The remaining 20% of such performance evaluation shall be on the basis of the Program participant's electronic trading volume in the Products.

### Program Incentives

Mass Quoting. All participants shall be entitled to the use of mass quote messaging and Globex market maker protections.

Incentives Based on Ranking. The following incentives will be awarded in accordance with quarterly evaluation and ranking of Program participants:

*Program participants with ranks 1 through 5:*

Receive order flow allocation, plus Globex execution fee waivers for trades made in the Products on Globex. All order flow allocations shall be at the sole discretion of the Exchange. To receive allocations, a Participant must respond to at least 15% of all RFQ's or at least 10% of their total volume must be on Globex.

*Program participants with ranks 6 through 15:*

Receive Globex execution fee waivers for trades made in the Products on Globex. Participants must respond to at least 10% of RFQs and at least 10% of their total volume must be executed on Globex. If a participant does not meet this threshold, they will only receive a \$0.05 Globex fee discount.

*Program participants with ranks 16 through 20:*

Receive discounts on Globex execution fees in the Products equal to \$0.05 per contract side traded so that the rate they will be charged will be \$0.10 per side. Participants must respond to at least 10% of RFQs and at least 10% of their total volume must be executed on Globex. If a participant does not meet this threshold, they will not receive any benefits.

Additionally, CME may, in its sole discretion, provide discounted clearing fees in the Products to a market maker if a market maker is consistently ranked number one (1) and trades an average of at least 40,000 sides a day in the Products over a significant period of time.

#### **Monitoring and Termination of Status**

The Exchange shall monitor trading activity and participants' performance and shall retain the right to revoke Program participant status if it concludes from review that a Program participant no longer meets the eligibility requirements or fails to meet the obligations of the Program.