

**SUBMISSION COVER SHEET**

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

**Registered Entity Identifier Code (optional):** 23-264

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

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

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

**Filing Date (mm/dd/yy):** 07/18/23    **Filing Description:** Increase of All Month Position Limit for all Nikkei Stock Average Futures and Options 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:** See filing.

**Rule Numbers:** See filing.

July 18, 2023

**VIA ELECTRONIC PORTAL**

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

**Re: CFTC Regulation 40.6(a) Certification. Increase of All Month Position Limit for all Nikkei Stock Average Futures and Options Contracts. CME Submission No. 23-264**

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange Inc. (“CME” or “Exchange”) certifies to the Commodity Futures Trading Commission (“CFTC” or the “Commission”) an increase of the all month position limit for the Nikkei Stock Average Futures, Yen Denominated Nikkei Stock Average Futures, E-mini Yen Denominated Nikkei Stock Average Index Futures, and Quarterly and Serial Options on Yen Denominated Nikkei Stock Average Futures contracts (the “Contracts”) effective Sunday, August 6, 2023 for trade date Monday, August 7, 2023 and commencing with the September 2023 contract month and beyond (i.e., all listed contract months) as more specifically described in the Table 1. below (collectively, the “Rule Amendments”).

Contract Title	Commodity Code	Rulebook Chapter	Current All Month Limit (in Net Futures Equivalents)	Increased All Month Limit (in Net Futures Equivalents)
Nikkei Stock Average Futures	NK	352	20,000 contracts	<b><u>40,000 contracts</u></b>
Yen Denominated Nikkei Stock Average Futures	N1	352B	20,000 contracts	<b><u>40,000 contracts</u></b>
E-mini Yen Denominated Nikkei Stock Average Index Futures	ENY	370	20,000 contracts	<b><u>40,000 contracts</u></b>
Quarterly and Serial Options on Yen Denominated Nikkei Stock Average Futures	NKW, NKY	352C	20,000 contracts	<b><u>40,000 contracts</u></b>

By way of background, the Exchange increased the position limit of the Contracts in 2013. Since that time, the market size has increased. The Rule Amendments align the Contracts with current market conditions. The aggregate open interest of the Contracts globally is greater than \$80 billion.

The Position Limit, Position Accountability and Reportable Level Table and Header Notes located in the Interpretations and Special Notices Section of Chapter 5 of the CME Rulebook (the “Table”) will be

amended to reflect the increased All Month Limit of the Contracts. Exhibit A reflects the amendments to the Table. Exhibit A provides amendments to the Table in blackline format under separate cover.

Exhibit B provides updated information regarding the Contract's cash market overview.

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

**Contracts Not Readily Subject to Manipulation:** The equity market constituents of the Contracts are among the most actively traded equities in the world-wide equity market and therefore the Exchange will remain in compliance with this core principle as a result of the Rule Amendments. In addition, CME reviewed the broad-based criteria for the Nikkei 225 index. As a result of the index passing all of the broad-based criteria as described in Section 1a(35) of the Act, the Exchange has concluded that the index and Contracts are not readily subject to manipulation.

**Position Limitations or Accountability:** The Contracts will be subject to an All Month limit of 40,000 contracts that will apply to all contracts that aggregate into the Nikkei Stock Average Futures contract. Based on a market cap of 566.7 trillion Yen and a dollar/yen exchange rate of 140.44 on July 11, 2023, the proposed limit of 40,000 contracts has a cumulative notional value of \$4.593 billion, which currently represents 0.1138% of market cap in both Yen and USD terms.

**Prevention of Market Disruption:** Trading in the Contracts shall continue to be subject to CME Rulebook Chapters 4 which includes prohibitions on manipulation, price distortion, and disruption to the expiration process. Trading activity in the Contract shall be subject to monitoring and surveillance by the Exchange's Market Regulation Department.

**Availability of General Information:** The Exchange will make publicly available the details of the Rule Amendments by publishing a Market Surveillance Notice ("MSN") to the market. The MSN will also be available on CME Group's website.

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, 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

Attachments: Exhibit A – Amendments to CME Rulebook Chapter 5 Position Limit, Position Accountability, and Reportable Level Table (attached under separate cover)  
Exhibit B – Cash Market Overview

**Exhibit A**

**CME Rulebook**

**Chapter 5**

**(“Trading Qualifications and Practices”)**

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

(attached under separate cover)

## **Exhibit B**

### **Cash Market Overview**

#### **Nikkei 225 Stock Average**

##### **History**

The Nikkei Stock Average (Nikkei225) is used around the globe as the most popular benchmark of the Japanese stock market. It is comprised of 225 stocks listed on the Tokyo Stock Exchange Prime Market and calculated as an adjusted price weight index.

The 225 constituent stocks are reviewed periodically by the liquidity in the market and sector balance. By calculating with highly liquid stocks, the index is aimed at fulfilling two objectives, one is to maintain its long-term continuity and the other is to reflect the changes in the industry structure.

The index started on September 7, 1950. It was retroactively calculated back to May 16, 1949 which is the day the Tokyo Stock Exchange reopened for the first time after the Second World War. The index has been calculated and published by Nikkei since 1970, succeeding it from the Tokyo Stock Exchange.

##### **1: Constituents**

The Nikkei225 is calculated with 225 market representative stocks from the Tokyo Stock Exchange Prime Market. By calculating with highly liquid stocks, the index is aimed at fulfilling two objectives, one is to maintain its long-term continuity and the other is to reflect the changes in the industry structure.

##### **2: Rules of the Periodic Review**

Constituents are reviewed twice a year as evaluated at the end of January and July (base dates) in accordance with the following rules. Results of the review become effective on the first trading day of April and October. The maximum number of constituents reshuffled at a periodic review is 3. However, constituent change due to corporate reorganization near the time of periodic review is not included in the limit of 3 above.

##### **3: Calculation Method**

The Nikkei225 is calculated as a weighted price average where the sum of the constituent stock prices adjusted by the price adjustment factor is divided by the divisor.

Adjusted stock price = stock price x price adjustment factor (\*)

Nikkei Stock Average = sum of Adjusted stock price / Divisor

(\*) For a constituent to which a capping ratio is applied, price adjustment factor will be replaced by “capped price adjustment factor”.

(1) Selection of the prices

Prices to be used for the calculation are selected in the following order of priority.

1. Special Quote or sequential trade quote
2. Traded price
3. Base price

Take an example of the index value at the close of the market. Usually, closing index is calculated by the last traded price of each constituent. However, if a constituent stock closes trading with special quote, such special quote is used to calculate the closing index even if it had a traded price intraday. Special quote is declared by the Tokyo Stock Exchange. Since the Nikkei225 is composed of liquid stocks, prices by the above definition 1 or 2 tend to be used intraday, and usually those by the definition 2, and occasionally those by the definition 1 are used for the closing index.

When there are no prices by the definition 1 or 2 during a day, “3. Base price” is used. This is obtained based on the priority order of ex-rights theoretical price, the last special quote price or sequential trade quote price, and the latest traded price up to the preceding day.

In most cases, the price used for the calculation of the closing index on the preceding day becomes the “Base price.” However, the exception case is that there are not any prices and quotes on a day when a stock goes ex-right (split, for example). Since the price on the day of ex-right is significantly changed from the prices on the preceding day for non-market reasons, the “ex-rights theoretical price” is used for the calculation.

The theoretical price is calculated based on the price (i.e., special quote or sequential trade quote or closing price) used for the calculation on the preceding day. For example, if the closing price on the preceding day was 1000 yen for a constituent and it goes for 1 to 1.1 split today, the theoretical price for today is 909.1 yen ( $=1000 / 1.1$ ) and this is the theoretical price for this constituent.

Also note that ex-dividend is not treated as an ex-right for the calculation of the Nikkei225.

Source: *Nikkei Stock Average Index Guidebook (September 29, 2022)*

[https://indexes.nikkei.co.jp/nkave/archives/file/nikkei\\_stock\\_average\\_guidebook\\_en.pdf](https://indexes.nikkei.co.jp/nkave/archives/file/nikkei_stock_average_guidebook_en.pdf)