

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 23-448

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

Filing as a:  DCM  SEF  DCO  SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 10/27/23 Filing Description: Amendments to the Daily Settlement Procedure Document for the Euro Short-Term Rate (€STR) Futures Contract

**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: See filing.

**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:**

October 27, 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. Amendments to the Daily Settlement Procedure Document for the Euro Short-Term Rate (€STR) Futures Contract. CME Submission No. 23-448**

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange, Inc. (“CME” or “Exchange”) is certifying to the Commodity Futures Trading Commission (“CFTC” or “Commission”) amendments to the Daily Settlement Procedure document (the “Document”) in connection with the Euro Short-Term Rate (€STR) Futures contract (the “Contract”) noted in the table below (collectively, the “Rule Amendments”) effective on Sunday, November 19, 2023, for trade date Monday, November 20, 2023.

<b>Contract Title</b>	<b>Rulebook Chapter</b>	<b>CME Globex and CME ClearPort Code</b>
Euro Short-Term Rate (€STR) Futures	480	ESR

The Contract launched in 2022 and its liquidity has developed considerably. As a result, the Exchange’s daily settlement of the Contract shall utilize the CME Globex electronic trading platform (“CME Globex”) market activity for (1) all serial contract months and (2) outright and spread market activity for all non-quarter tick eligible quarterly contract months. The Document is being amended accordingly.

Exhibit A provides the Rule Amendments in blackline format.

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

- **Compliance with Rules:** As a result of the Rule Amendments, the Exchange shall continue its normal practice to establish, monitor, and enforce compliance with the rules for the Contract.
- **Prevention of Market Disruption:** The Exchange has the capacity to detect abnormal price movements and unusual trading volumes, including such abnormal price movements or trading volumes as may associated with bilaterally negotiated trades. The Exchange holds the authority to take remedial action as appropriate.

- **Daily Publication of Trading Information:** The Exchange will continue to publish on its website information regarding contract specifications, terms and conditions, as well as daily trading volume, open interest and price information for the Contract.
- **Availability of General Information:** The Exchange shall disseminate a Special Executive Report (“SER”) regarding the Rule Amendments. The SER will also be posted on the CME Group website.
- **Execution of Transactions:** The Rule Amendments will further enable the Exchange to continue their current practice of providing a competitive, open, and efficient market mechanism for executing transactions.

Pursuant to Section 5c(c) of the Act and CFTC Regulations 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 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 (312) 466-7478 or via e-mail at [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Timothy Elliott  
Managing Director and Chief Regulatory Counsel

Attachment: Exhibit A: Euro Short-Term Rate (€STR) Futures Settlement Procedure Document

# Exhibit A

## Daily Settlement Procedure Document

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

# Euro Short-Term Rate (€STR) Futures Daily Settlement Procedure

## Normal Daily Settlement Procedures for the Euro Short-Term Rate (€STR) Futures

CME Group staff determines the daily settlement of Euro Short-Term Rate (€STR) Futures (code: ESR) based on the market activity on CME Globex.

### **Contract Months in their Interest Accrual Period**

~~Serial and Quarterly contract months that are in their accrual period (that is; contracts that do not have a matching Euribor contract) will be settled to the midpoint of the Globex bid/ask during the (16:05 to 16:15 London) settlement period, with adjustments made to incorporate relevant bid/ask activity in the spread between the serial (or front quarterly month if quarter tick eligible) and the first non-quarter tick eligible quarterly contract.~~

### **All Remaining ESTR Contracts**

~~All ESTR futures that are not in their final settlement accrual period will settle to the following formula. The matching month ICE Euribor daily settlement + that particular month EUS (Basis Spread Futures) settlement will equal the ESTR futures (ESR) settlement. For example, if the Dec 2023 Euribor futures settle at 99.000 and the Dec 2023 EUS (Basis Spread Futures) settles at .20 basis points the Dec 2023 ESR will settle at 99.200.~~

### **Serial and Quarter Tick Eligible Quarterly Contract Months**

Serial contract months settle to the midpoint of the CME Globex bid/ask during the settlement period, with adjustments made to incorporate relevant spread bid/ask activity in the spread between the serial (or front quarterly month if quarter tick eligible) and the first non-quarter tick eligible quarterly contract.

### **Non-Quarter Tick Eligible Quarterly Contract Months**

The first 10 or 11 (depending on quarter tick eligibility) quarterly months settle based upon the bid/ask activity of both outright and spread markets on CME Globex between 15:59:00 and 16:00:00 London time. Initial prices are determined by the volume weighted average price (VWAP) of each outright contract, and may be adjusted within the outright bid/ask range to accommodate calendar spreads and butterfly bids and asks. Calendar spreads and butterfly instruments to be considered in this manner are 3 month calendars, 6 month calendars, 9 month calendars, 12 month calendars, 3 month butterflies, and 12 month butterflies. In all cases, the mechanism that accommodates the most spread bids and asks will be utilized.

The remaining deferred quarterly contracts will be settled using bids and asks in calendar spreads and butterfly instruments in conjunction with settlements from any months where a settlement price has been determined to form an implied market in the contract to be settled. These implied markets, along with the outright bid/ask market for the contract, will be used to derive the best possible bid and the best possible ask. If there are multiple prices that are eligible between this best possible bid and the best possible ask, the price that sets the net change as close to the net change of the contract that precedes it in the settlement order will be utilized.

\*Please note that all VWAPs calculated in the above procedure will be rounded to the nearest tradable tick, following a symmetric – “round half towards zero” – rounding convention. For instance, a VWAP of 99.6525 of a non-quarter tick eligible outright will be rounded to 99.650. A spread VWAP of -12.25 will be rounded to -12.0.

### **Final Settlement Procedures**

<https://www.cmegroup.com/content/dam/cmegroup/rulebook/CME/V/450/480.pdf>

If you have any questions, please call the CME Global Command Center at 800.438.8616, in Europe at 44.800.898.013, or in Asia at 65.6532.5010.

**Note:** In the event the aforementioned calculations cannot be made or if CME Group staff, in its sole discretion, determines that anomalous activity produces results that are not representative of the fair value of the contract, staff may determine an alternative settlement price.