

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 23-478

Organization: The Board of Trade of the City of Chicago, Inc. ("CBOT")

Filing as a:  DCM  SEF  DCO  SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): December 19, 2023 Filing Description: Modifications to the 3-Year Note Futures Market Maker Program

**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: Not Applicable

**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

**Official Product Name:**

**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:



Timothy Elliott  
Managing Director and Chief Regulatory Counsel  
Legal Department

December 19, 2023

**VIA ELECTRONIC PORTAL**

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

**RE: Modifications to the 3-Year Note Futures Market Maker Program  
CBOT Submission No. 23-478**

Dear Mr. Kirkpatrick:

The Board of Trade of the City of Chicago, Inc. ("CBOT" or "Exchange") hereby notifies the Commodity Futures Trading Commission ("CFTC" or "Commission") of plans to modify the 3-Year Note Futures Market Maker Program ("Program"). The modifications to the Program will become effective on February 1, 2024.

Exhibit 1 sets forth the terms of this Program. Modifications appear below, with additions underlined and deletions ~~overstruck~~.

The Exchange reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA" or "Act"). During the review, CBOT staff identified the following Core Principles as potentially being impacted: Monitoring of Trading, Execution of Transactions, Protection of Market Participants, Compliance with Rules, Availability of General Information, and Recordkeeping.

The Program does 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 in 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 CBOT 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 CBOT rules. The Program is subject to the Exchange's record retention policies which comply with the CEA.

CBOT certifies that the Program complies with the CEA and the regulations thereunder. There were no substantive opposing views to this Program.

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 e-mail [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com) or contact Rachel Johnson at 312-466-4393 or via e-mail at [Rachel.Johnson@cmegroup.com](mailto:Rachel.Johnson@cmegroup.com). Please reference our CBOT Submission No. 23-478 in any related correspondence.

Sincerely,

/s/ Timothy Elliott  
Managing Director and Chief Regulatory Counsel

Attachment: Exhibit 1

# EXHIBIT 1

## 3-Year Note Futures Market Maker Program

### Program Purpose

The purpose of this Program is to incent participants to build liquidity in the product listed below that is traded on the CME Globex Platform (“Globex”). A more liquid contract on the central limit order book benefits all participant segments in the market.

### Product Scope

3-Year Treasury Note Futures (“Z3N”) traded on Globex (the “Product”).

### Eligible Participants

There is no limit to the number of participants that may participate in the Program. Participants may be CBOT members or non-members.

### Program Term

Start date is July 13, 2020. End date is ~~January 31, 2024~~ July 31, 2024.

### Hours

Regular Trading Hours (“RTH”), 7:00AM – 4:00PM CT.

### Obligations

*Minimum Quoting Obligations\**: In order to be eligible to receive incentives, participants must quote continuous two-sided markets in the Product at maximum bid/ask spreads and minimum quote sizes in accordance with the baseline quoting obligations listed below. Notwithstanding the foregoing, the Exchange may vary the baseline quoting obligations as it deems necessary based on ongoing evaluations of the Program.

Tier	Ticker	Width (Ticks, in 32nds)	Width (Index Pts)	Width (Minimum Price Increment)	Size (Contracts)	Time in Market	Time Period
1 – Front Month	Z3N	0.75/32 <sup>nd</sup>	0.0234375	<u>6</u>	40	50%	RTH
2 – Front Month	Z3N	0.5/32 <sup>nd</sup>	0.015625	<u>4</u>	40	50%	
2 – Calendar Spread	Z3N	0.5/32 <sup>nd</sup>	0.015625	<u>4</u>	40	40%	

\*Outright refers to the Front Month contract in the Roll Calendar. Roll Spread quoting is required for the last seven (7) trading days of Roll Calendar months (Feb, May, Aug, and Nov).

*Extreme Events Clause*: If the 10-Year CME Group Volatility Index (“CVOL”) is 170 or greater for at least three (3) trading days in a calendar month, the Exchange may increase the bid/ask spreads by 1.5X.

If 10-Year CVOL is 230 or greater on any day in a given calendar month, the Exchange may reduce the time-in-market across all Tiers. The time-in-market reduction is subject to a floor of 20%.

Notwithstanding the foregoing, the Exchange may further reduce the bid/ask spreads, sizes, or time-in-market obligations based on ongoing evaluations of market conditions and volatility. Participants will be given notice that the Extreme Events Clause has taken effect.

Holiday Quoting Schedule: There will be no quoting obligations on the dates listed below. The Holiday Quoting Schedule may be adjusted by the Exchange. Participants will be given notice of any adjustments to the Holiday Quoting Schedule.

Date	Holiday
9/4/2023	Labor Day
10/9/2023	Columbus Day
11/10/2023	Veterans Day
11/23/2023	Thanksgiving
11/24/2023	Black Friday
12/25/2023	Christmas
1/1/2024	New Year's
1/15/2024	Birthday of Dr. Martin Luther King, Jr.
2/19/2024	Presidents' Day
3/29/2024	Good Friday
5/27/2024	Memorial Day
6/19/2024	Juneteenth
7/4/2024	Independence Day

## **Incentives**

Member Fee Waivers: Upon meeting the Minimum Quoting Obligations for either Tier 1 or Tier 2, member participants will receive fee waivers for Globex trades in the Product.

Non-Member Fee Discounts: Upon meeting the Minimum Quoting Obligations for either Tier 1 or Tier 2, non-member participants will receive a discounted rate of \$0.14 for Globex trades in the Product.

Fee Credits: Upon meeting the Minimum Quoting Obligations for Tier 2, participants will be eligible to receive Fee Credits in accordance with the table below:

Transaction Type	Fee Credits (per side)	Cap
Calendar Spreads	\$0.60	\$25,000 per month, per participant
All Other Volume	\$0.20	

Roll Month Stipend: Upon meeting the Minimum Quoting Obligations for Tier 2, participants will be eligible for a Roll Month Stipend. Each roll month (Feb/May/Aug/Nov), all eligible participants will be ranked by Globex volume in the Product. The top six (6) participants will receive a stipend of \$8,000 per month, per participant.

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

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

If the Exchange determines that a participant has not met its quoting obligations during one (1) calendar month over the course of the Program, but is within twenty percent (20%) of the time-in-market obligation, the participant will be eligible to receive the incentives for that applicable month.

If the Exchange determines that a participant has not met its quoting obligations during one (1) additional calendar month, the participant will be eligible to receive all incentives for that applicable month, with the exception of the Monthly Stipend.

Upon utilizing the exceptions set forth above, participants that fail to meet quoting obligations in any additional month may be removed from the Program.