SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested ☐

Registered Entity Identifier Code (optional): <u>23-009</u>

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

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

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): <u>01/12/23</u>   Filing Description: <u>Adoption of a Computational Conventions Rule to Clarify the Final Settlement Procedures for Three (3) Short Term Interest Rate 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: See filing

Rule Numbers: CME Chapters 480, 482, and 484

CME Group

Christopher Bowen
Managing Director and Chief Regulatory Counsel
Legal Department

January 12, 2023

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 40.6(a) Certification. Adoption of a Computational Conventions Rule to Clarify the Final Settlement Procedures for Three (3) Short Term Interest Rate Futures Contracts.**
> **CME Submission No. 23-009**

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange Inc. ("CME" or "Exchanges") certifies to the Commodity Futures Trading Commission ("CFTC" or "Commission") the adoption of a Computational Conventions rule in connection with three (3) short term interest rate futures contracts as noted in Table 1. below (the "Contracts") effective on Sunday, January 29, 2023 for trade date Monday, January 30, 2023 (collectively, the "Rule Amendments").

Table 1.

Contract Title	CME Rulebook Chapter	Commodity Code
Euro Short-Term Rate (€STR) Futures	480	ESR
RepoFunds Rate (Germany) Futures	482	RFD
RepoFunds Rate (Italy) Futures	484	RFI

The adoption of the new Rule of the Contracts shall codify rounding conventions for the compounded daily rate value used to determine the Contracts' final settlement prices. In addition, the new Rule will align computational conventions of the final settlement of the Contracts with those of the Exchange's existing SOFR futures contracts.

Appendix A below provides amendments to the CME Rulebook Chapters with additions underscored.

The Exchange reviewed the designated contract 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:

> **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.

> **Daily Publication of Trading Information:** The Exchange will continue to publish contract trading volumes, open interest levels, and price information daily on its website and through quote vendors for the Contracts.

> **Prevention of Market Disruption:** Trading in the Contracts will continue to be subject to the rules of the Exchange, which include prohibitions on manipulation, price distortion, and disruption to the cash settlement process.

300 Vesey Street   New York, NY 10282   T 212 299 2200   F 212 301 4645   christopher.bowen@cmegroup.com   cmegroup.com

Compliance with Rules: The Exchange will continue its normal practice to establish, monitor, and enforce compliance with the rules of the Contracts

Pursuant to Section 5c(c) of the Act and Regulation 40.6(a), the Exchange certifies that the Rule Amendments 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

Attachment: Appendix A - Amendments to CME Rulebook Chapters 480, 482, and 484 (blackline format)

CME Rulebook

Chapter 480
Euro Short-Term Rate (€STR) Futures

48003. **SETTLEMENT PROCEDURES**

Delivery shall be by cash settlement.

48003.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 €STR during the contract Reference Quarter, as follows:

Final Settlement Price $= 100 - R$

where

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

n = the number of TARGET market business days ("cash business days") during such Reference Quarter.

i = is the running variable that indexes each cash business day in such Reference Quarter, such that i takes the values $i = 1,2,\ldots,(n-1),n$.

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

r_i the €STR value corresponding to cash business day i, expressed as an interest rate per annum.

Example: If €STR for the ith cash business day is two and one quarter percent, 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 cash business day (eg, weekend days, TARGET market holidays), the applicable value shall be €STR for the immediately preceding cash business 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 cash business day, then di = 1. If the ith day is a Friday, and if the next following Monday is a cash business day, then di = 3.

D = the number of calendar days in the Reference Quarter: D = Σi=1…n di.

3. Computational Conventions

The value of R determined pursuant to Rule 48003.A.2. shall be rounded to the nearest 1/10,000th of one percent per annum, i.e, the nearest 1/100th of one interest rate basis point per annum, or 0.0001 Index points. A tie value, i.e, any such value ending in ending in 0.00005, shall be rounded away from zero.

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

[Remainder of Rule unchanged.]

Chapter 482
RepoFunds Rate (Germany) Futures

***

48203.   SETTLEMENT PROCEDURES

Delivery shall be by cash settlement.

48203.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 RFR Germany during the contract Reference Quarter, as follows:

Final Settlement Price = 100 - R

where

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

n =the number of TARGET2 market business days ("cash business days")
during such Reference Quarter.

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

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

r_i the RFR Germany value corresponding to cash business day i, expressed as an interest rate per annum.

Example: If RFR Germany for the ith cash business day is two and one quarter percent, 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 cash business day (eg, weekend days, TARGET2 market holidays), the applicable value shall be RFR Germany for the immediately preceding cash business 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 cash business day, then d_i = 1. If the ith day is a Friday, and if the next following Monday is a cash business day, then d_i = 3.

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

3. Computational Conventions

The value of R determined pursuant to Rule 48203.A.2. shall be rounded to the nearest 1/10,000th of one percent per annum, i.e, the nearest $1/100^{th}$ of one interest rate basis point per annum, or 0.0001 Index points. A tie value, i.e, any such value ending in ending in 0.00005, shall be rounded away from zero.

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

[Remainder of Rule unchanged.]

Chapter 484
RepoFunds Rate (Italy) Futures

***

48403. SETTLEMENT PROCEDURES

Delivery shall be by cash settlement.

48403.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 RFR Italy during the contract Reference Quarter, as follows:

Final Settlement Price   =   100   -   R

where

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

n =the number of TARGET2 market business days ("cash business days")
during such Reference Quarter.

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

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

r_i the RFR Italy value corresponding to cash business day i, expressed as an interest rate per annum.

Example: If RFR Italy for the ith cash business day is two and one quarter percent, 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 cash business day (eg, weekend days, TARGET2 market holidays), the applicable value shall be RFR Italy for the immediately preceding cash business 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 cash business day, then d_i = 1. If the ith day is a Friday, and if the next following Monday is a cash business day, then d_i = 3.

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

3. Computational Conventions

The value of R determined pursuant to Rule 48403.A.2. shall be rounded to the nearest 1/10,000th of one percent per annum, i.e, the nearest 1/100th of one interest rate basis point per annum, or 0.0001 Index points. A tie value, i.e, any such value ending in ending in 0.00005, shall be rounded away from zero.

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

[Remainder of Rule unchanged.]