

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 23-142

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

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 03/23/23 **Filing Description:** Increase of Single Month Position Limit for the Russell 2000 Annual Dividend Index Futures Contract

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

- | | | |
|--------------------------|-------------------------------------|------------|
| <input type="checkbox"/> | Certification | § 40.6(a) |
| <input type="checkbox"/> | Approval | § 40.5(a) |
| <input type="checkbox"/> | Notification | § 40.6(d) |
| <input type="checkbox"/> | Advance Notice of SIDCO Rule Change | § 40.10(a) |
| <input type="checkbox"/> | SIDCO Emergency Rule Change | § 40.10(h) |

Rule Numbers:

New Product

Please note only ONE product per Submission.

- | | | |
|--------------------------|---------------------------------------|------------|
| <input type="checkbox"/> | Certification | § 40.2(a) |
| <input type="checkbox"/> | Certification Security Futures | § 41.23(a) |
| <input type="checkbox"/> | Certification Swap Class | § 40.2(d) |
| <input type="checkbox"/> | Approval | § 40.3(a) |
| <input type="checkbox"/> | Approval Security Futures | § 41.23(b) |
| <input type="checkbox"/> | Novel Derivative Product Notification | § 40.12(a) |
| <input type="checkbox"/> | Swap Submission | § 39.5 |

Official Product Name:

Product Terms and Conditions (product related Rules and Rule Amendments)

- | | | |
|-------------------------------------|---|----------------------|
| <input checked="" type="checkbox"/> | Certification | § 40.6(a) |
| <input type="checkbox"/> | Certification Made Available to Trade Determination | § 40.6(a) |
| <input type="checkbox"/> | Certification Security Futures | § 41.24(a) |
| <input type="checkbox"/> | Delisting (No Open Interest) | § 40.6(a) |
| <input type="checkbox"/> | Approval | § 40.5(a) |
| <input type="checkbox"/> | Approval Made Available to Trade Determination | § 40.5(a) |
| <input type="checkbox"/> | Approval Security Futures | § 41.24(c) |
| <input type="checkbox"/> | Approval Amendments to enumerated agricultural products | § 40.4(a), § 40.5(a) |
| <input type="checkbox"/> | "Non-Material Agricultural Rule Change" | § 40.4(b)(5) |
| <input type="checkbox"/> | Notification | § 40.6(d) |

Official Name(s) of Product(s) Affected: See filing.

Rule Numbers: See filing.

March 23, 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 Single Month Position Limit for the Russell 2000 Annual Dividend Index Futures Contract.
CME Submission No. 23-142**

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 single month position limit for the Russell 2000 Annual Dividend Index Futures contract (the “Contract”), effective close of business on April 7, 2023 commencing with the December 2023 contract month and beyond months (all contract months) as more specifically described in the table below.

Contract Title	CME Globex And CME ClearPort Code	Rulebook Chapter	Current Single Month Position Limit	Increased Single Month Position Limit
Russell 2000 Annual Dividend Index Futures	RDA	399	8,400 contracts	24,000 contracts

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 single month position limit of the Contract. Exhibit A reflects the amendments to the Table (collectively, the “Rule Amendments”). Exhibit A is provided in blackline format under separate cover.

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

In March 2020, position limits for the S&P 500 Annual Dividend Index Futures and S&P 500 Quarterly Dividend Index Futures contracts were increased in accordance with their underlying contract at the time, S&P 500 Index Futures. The S&P 500 Index Futures contract was delisted in September 2021, turning the E-mini S&P 500 Index Futures contract into the underlying contract for the two S&P Dividend Futures contracts. The current single month limit for the S&P 500 Annual Dividend Index Futures contract is 60,000 and represents 20% of the underlying contract, which has an all month limit of 300,000.

At present, Russell 2000 Annual Dividend Index Futures are sufficiently established, and patterns of trade and other characteristics of the supporting liquidity pools are sufficiently familiar and well understood.

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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 Contract is not readily subject to manipulation due to the deep liquidity and robustness in the underlying cash and futures markets, which provides diverse participation and are based on liquid futures contract months. The Contract is not readily subject to manipulation as:

- (1) There is no underlying market in which to trade the Annual Index, nor its respective component dividends *per se*;
- (2) Although it is possible that a single actor could manipulate the dividend policy of a Russell 2000 index constituent corporation, the possibility is remote because such dividend policy is implemented as an action by the board of directors of such corporation, not as an action of such single actor; and
- (3) Furthermore, given the Russell 2000 Index is comprised of 2000 or so constituent companies, the impact of dividend upon the underlying dividend indexes would likely not be material.

To ensure that the Contract is not readily susceptible to manipulation, the Exchange shall continue to implement the following three prudential measures:

- (a) Targeted trading prohibitions shall apply to “any person who is a director or officer...of a corporation that is a constituent of the...index” and to “any person who is in possession of material non-public information relating to ordinary cash dividends of a constituent corporation of the...index...” (See CME Rules 39902.J., 39902.K., 40002.J. and 40002.K)
- (b) A large trader reporting threshold of one (1) contract shall apply to the Contract, in addition to a Single-Month Position Limit of 24,000 contracts for RDA futures. This represents 20% of the existing E-mini Russell 2000 Index Futures all month limit of 120,000.
- (c) The Exchange shall maintain a Market Regulation department to identify potential illegal insider trading in the Contract.

Position Limitations or Accountability: The speculative position limits for the Contract as demonstrated in this submission are consistent with the Commission’s guidance. The Single-Month Position Limit for the Contract shall be amended from 8,400 contracts to 24,000 net futures contract equivalents.

Prevention of Market Disruption: Trading in the Contract shall 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 single and all month position limit increases by publishing a Market Surveillance Notice (“MSN”) to the market. The MSN will also be available on CME Group’s website.

The Exchange certifies that the Rule Amendments comply with the Act and regulations thereunder. There were no opposing views to the amendments to Chapter 5.

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.

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

The Russell 2000 Dividend Index (“R2000DIV”) represents the total dividends paid by the stocks of companies included in the Russell 2000 Index (“RUT”).¹

The Index is reset to zero once a year in connection with the derivatives expiration in December (3rd Friday of a given December to close of business on the 3rd Friday of the following December).

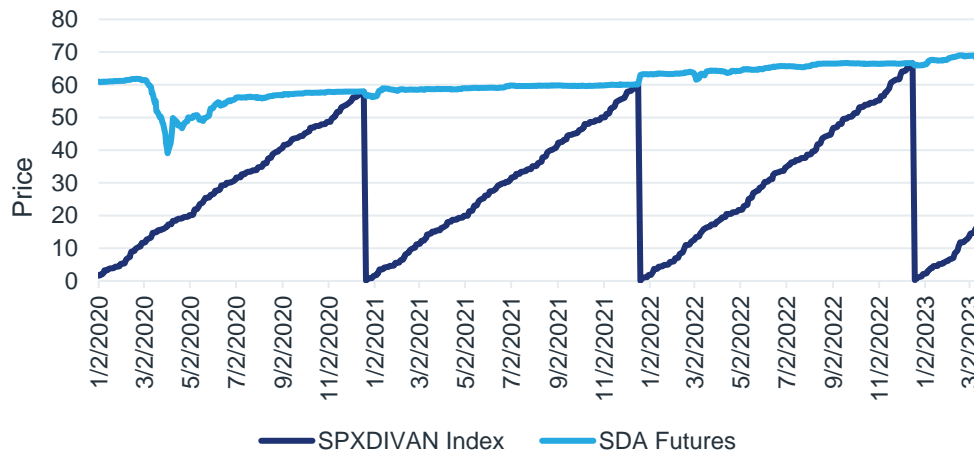
The Index is calculated using the following formula:

$$I_t = \frac{\sum_{i=1}^n q_{i,t} * d_{i,t}}{\text{Index Divisor}_t} + I_{t-1}$$

I_t = Index level at time (t)
 $q_{i,t}$ = Number of shares of company (i) applied in the RUT Index at time (t)
 $d_{i,t}$ = Ordinary dividend per share for company (i) with Ex-date at time (t)
Index Divisor = The divisor for RUT Index at time (t)

The Russell 2000 Dividend Index is administered and calculated by FTSE International Limited (FTSE).²

Russell 2000 Annual Dividend Index Futures (“RDA Futures”) are expected to trade similarly to the S&P 500 Annual Dividend Index Futures (“SDA Futures”). Below are charts of both the Standard & Poor’s 500[®] Annual Dividend Index (Bloomberg ticker: “SPXDIVAN”), as it grows through the year and resets in December, and the SDA Futures predicated on that final print. Not surprisingly, the prices converge at year end as the actual dividends get paid to meet with the expected sum of dividends that the Futures price represents.



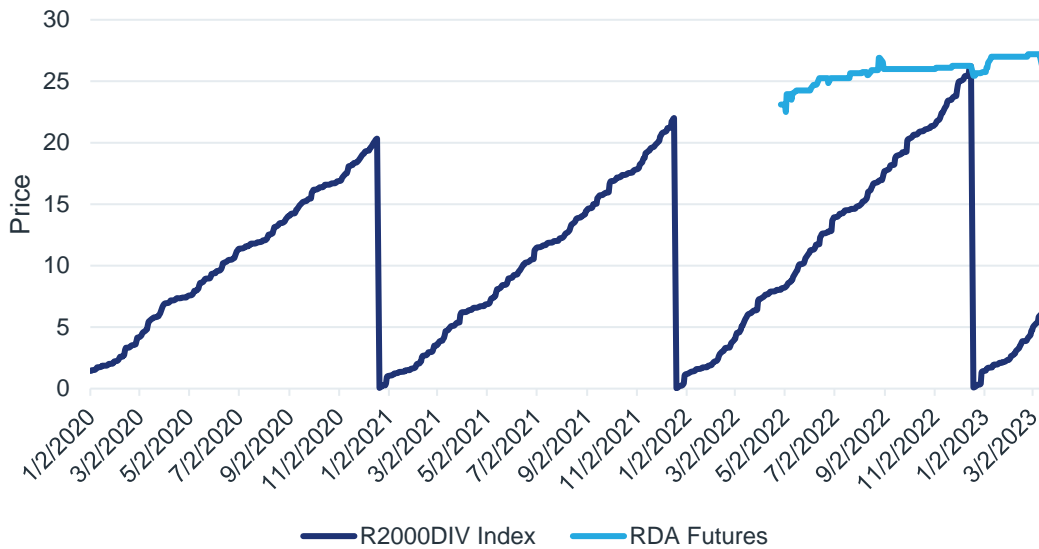
Sources: Bloomberg, CME Group

The RDA Futures contract is based on similarly designed indices wherein the saw-tooth pattern will appear. The prices of Futures contracts on the saw-tooth indices are expected to behave like the SDA Futures. The

¹ https://research.ftserussell.com/products/downloads/Russell_2000_Dividend_Index_Ground_Rules.pdf

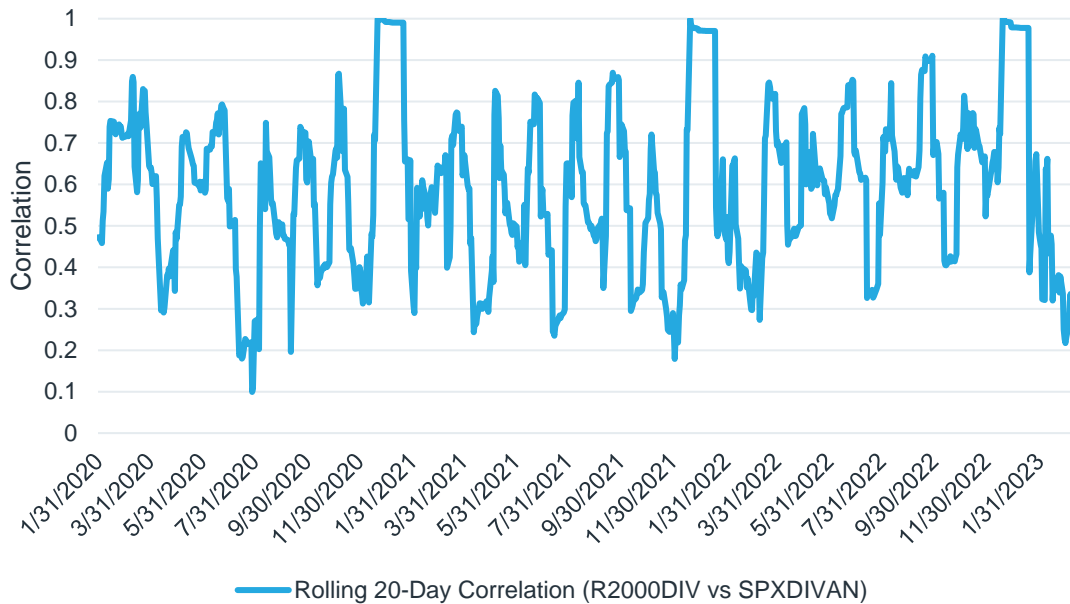
² <https://research.ftserussell.com/products/downloads/Russell-US-indexes.pdf?223>

chart below represents the Russell 2000 Annual Dividend Index across the same period shown above for the S&P 500 Dividend Index, in addition to the price for the RDA Futures contract, which was launched in 2022.



Sources: Bloomberg, CME Group

Furthermore, the below chart of the rolling 20-day correlation between the S&P Annual Dividend Index and the Russell 2000 Annual Dividend Index exhibits the positive correlation between the two indexes. Over the entire time period, between January 2020 and March 2023, the correlation between the two indexes is 0.98.



Source: Bloomberg

Expiring RDA futures contracts shall be for delivery by cash settlement with reference to the Russell 2000 Annual Dividend Index.

FTSE and Russell Indexes are covered by Section 20.3 – Regulatory Standard in the License Agreement for Index-Related Derivative Products entered into between Frank Russell Company, FTSE International Limited, and Chicago Mercantile Exchange Inc. on August 1, 2015.

20.3. If and to the extent that CME reasonably determines that any Index Data must be submitted by or for CME to a Regulator or to the Intermarket Surveillance Group (“ISG”), for compliance or surveillance purposes, the Licensors will make such data available, provided that CME reasonably assists and cooperates with Licensors to limit the scope of such disclosure to the extent permissible and to impose and comply with all protective or similar orders and confidentiality protections that may be available in the circumstances. The Licensors shall also provide Index Data to the Market Regulation Department of CME (“Market Regulation”) as may reasonably be needed by Market Regulation for the purpose of performing regulatory compliance functions for the CME Exchanges or market surveillance pursuant to Applicable Law, provided that CME gives not less than ten Business Days’ notice (or in the event that it is not reasonably practicable for CME to give ten Business Days’ notice, CME shall give notice as far in advance as reasonably practicable) of its request for any such information.

The collective trading volume of the Russell 2000 Annual Dividend Index whose components provide the dividends are summarized:

Date	RTY Index Volume	Date	RTY Index Volume
2/13/2023	453,207,393	2/28/2023	736,798,493
2/14/2023	404,914,168	3/1/2023	506,992,899
2/15/2023	427,869,484	3/2/2023	470,289,298
2/16/2023	524,646,188	3/3/2023	470,805,020
2/17/2023	508,512,071	3/6/2023	516,094,331
2/21/2023	504,648,492	3/7/2023	452,769,708
2/22/2023	512,723,432	3/8/2023	455,654,781
2/23/2023	446,463,376	3/9/2023	514,451,431
2/24/2023	465,919,541	3/10/2023	654,931,113
2/27/2023	442,076,020	3/13/2023	679,658,017