

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 20-107

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): 05/21/20 **Filing Description:** Amendments to the Eris US Dollar (USD) Swap Futures Contracts to Migrate from Federal Funds to SOFR Discounting Rate

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: Eris US Dollar Swap Futures / See filing

Rule Numbers: 61

May 21, 2020

VIA ELECTRONIC PORTAL

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

**Re: CFTC Regulation 40.6(a) Certification. Notification Regarding Amendments to the Eris US Dollar (USD) Swap Futures Contracts to Migrate from Federal Funds to SOFR Discounting Rate.
 CBOT Submission No. 20-107**

Dear Mr. Kirkpatrick:

The Board of Trade of the City of Chicago, Inc. (“CBOT” or “Exchange”) is certifying to the Commodity Futures Trading Commission (“CFTC” or “Commission”) amendments to Rule 61103.A. (“Maturity Date Final Settlement Price”) of the Eris US Dollar Swap Futures contracts (Rulebook Chapter 61) (the “Contracts”), to amend the discounting mechanism from Federal Funds to Secured Overnight Financing Rate (“SOFR”) effective Sunday, October 18, 2020 for trade date Monday, October 19, 2020. This submission shall be certified on June 8, 2020. CME Rulebook Chapter 61 will be amended on June 15, 2020 and October 19, 2020 as more specifically described in Exhibit 1 and Exhibit 2, respectively (collectively, the “Rule Amendments”).

Currently, the Contracts have a daily and final settlement price calculation which incorporate a Price Alignment Amount Value (“PAA”). The PAA is defined as applying the overnight effective Federal Funds rate to the Contract’s Net Present Value (“NPV”).

In accordance with the Alternative Reference Rates Committee (“ARRC”) recommendations and market trends, Eris PAA will be defined as referencing SOFR. The change will apply to all ten (10) tenors of the Contract as noted below:

<i>Reference Tenor</i>	<i>Commodity Code</i>	<i>Rulebook Chapter</i>
2-Year Eris Swap Futures	LIT	61
3-Year Eris Swap Futures	LIC	
4-Year Eris Swap Futures	LID	
5-Year Eris Swap Futures	LIW	
7-Year Eris Swap Futures	LIB	
10-Year Eris Swap Futures	LIY	
12-Year Eris Swap Futures	LII	
15-Year Eris Swap Futures	LIL	
20-Year Eris Swap Futures	LIO	
30-Year Eris Swap Futures	LIE	

Please note that this change will not impact the floating rate interest payments, which will remain based on USD 3-month ICE LIBOR®.

Exhibit 1 and 2 provide amendments to Chapter 61 effective on June 15, 2020 and October 19, 2020 respectively, with additions **underscoring** and deletions ~~struck through~~.

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.

Core Principle 3 – Contracts Not Readily Subject to Manipulation

Given the definition of their contract-grade commodity and the mechanics of their cash settlement process, the Contracts described herein are not readily susceptible to manipulation. The Effective Federal Funds Rate which is currently used for discounting is based on approximately \$75-100 billion in daily transaction volume. The SOFR benchmark which will replace it is based on approximately \$1100 billion in daily transaction volume, at least an order of magnitude more robust, making its manipulation extremely unlikely.

Core Principle 4 – Prevention of Market Disruption

Trading in the Contracts will be subject to the Rules of CME, which include prohibitions on manipulation, price distortion, and disruption to the cash settlement process. As with any product listed for trading on a CME Group designated contract market, trading activity in the Contracts proposed herein will be subject to monitoring and surveillance by CME Group’s Market Regulation Department. Additionally, testing and comparison of the Eris settlement process using the existing (EFFR) and new (SOFR) benchmark have been completed to ensure no disruption during the changeover.

Core Principle 7 – Availability of General Information

The Exchange disseminated a Special Executive Report (“SER”) that sets forth information regarding the Rule Amendments. The SER was made available on the CME Group website.

Core Principle 8 – Daily Publication of Trading Information

The Exchange will continue to publish the Contracts’ trading volumes, open interest levels, and price information daily on its website and through quote vendors for the Contracts.

Pursuant to CFTC Regulation 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 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-filings.html>.

Should you have any questions concerning the above, please contact me at (212) 299-2200 or via e-mail at CMEGSubmisionInquiry@cmegroup.com.

Sincerely,

/s/Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit 1: Amendments to CBOT Chapter 61 (“Eris US Dollar Swap Futures”) (Effective June 15, 2020)
Exhibit 2: Amendments to CBOT Chapter 61 (“Eris US Dollar Swap Futures”) (Effective October 19, 2020)

Exhibit 1
CBOT Rulebook
Chapter 61
Eris US Dollar Swap Futures
(additions **underscored**)

<https://www.cmegroup.com/content/dam/cmegroup/rulebook/CBOT/III/61.pdf>

Effective on June 15, 2020

* * *

61103. SETTLEMENT PROCEDURES

Delivery shall be by cash settlement.

61103.A. Maturity Date Final Settlement Price

The Final Settlement Price on the Maturity Date of each contract shall be as follows:

$$S_{\text{final}} = 100 + B_{\text{final}} - C_{\text{final}}$$

S_{final} = Settlement price at maturity

B_{final} = Historical fixed and floating amounts since contract inception through maturity

C_{final} = Eris PAA, at maturity

The Exchange and CME Clearing calculate Final Settlement Price to 4 decimals of precision (e.g., 100.1234).

Through Friday, October 16, 2020:

Eris PAA is a cumulative value calculated daily by applying the overnight effective federal funds rate to the contract's NPV, using an Actual/360 day-count convention.

Beginning on Monday, October 19, 2020:

Eris PAA is a cumulative value calculated daily by applying the secured overnight financing rate (SOFR) to the contract's NPV, using an Actual/360 day-count convention.

Eris PAA will start accruing on the first trade date.

[Remainder of Rule unchanged]

Exhibit 2
CBOT Rulebook
Chapter 61
Eris US Dollar Swap Futures
(deletions struck through)

<https://www.cmegroup.com/content/dam/cmegroup/rulebook/CBOT/III/61.pdf>

Effective on October 19, 2020

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