UNITED STATES OF AMERICA

Before the

COMMODITY FUTURES TRADING COMMISSION

In the Matter of the Chicago Mercantile Exchange's
Approval Request for the S&P 500 Dividend Index
Futures Contract

ORDER APPROVING THE LISTING OF THE CHICAGO MERCANTILE EXCHANGE'S S&P 500 DIVIDEND INDEX FUTURES CONTRACT

By submission dated and received by the Commodity Futures Trading Commission ("Commission" or "CFTC") on July 14, 2010, the Chicago Mercantile Exchange ("CME") submitted for Commission review and approval pursuant to Section 5c(c)(4) of the Commodity Exchange Act ("CEA") and Commission Regulation 40.3, a futures contract based on the S&P 500 Dividend Index ("Index Contract").[1] The S&P 500 Dividend Index ("Dividend Index") represents the accrued ex-dividend amounts associated with all the constituent companies of the S&P 500 cumulated over the course of a specified quarterly accrual period. The Index, maintained by Standard & Poor's, at any given point represents a running total of dividends, through their ex-dividend dates, associated with all stocks in the S&P 500. It is calculated through a bottom-up approach whereby a running total of the dividends paid by S&P 500

[1] Letter from Stephen M. Szarmack, CME Regulatory Counsel, to David Stawick, Office of the Secretariat, with notification of CME's voluntary submission of its Index Contract for CFTC review and approval pursuant to CEA Section 5c(c)(4) and Commission Regulation 40.3, CME Submission No. 10-195 (July 14, 2010). The CME has also filed two supplemental filings to CME Submission No. 10-195 with the Commission. On June 16, 2015, the CME submitted a description of the special surveillance program that the CME will apply to the proposed Index Contract. On June 18, 2015, the CME submitted a filing to amend Chapter 383 of the CME's Rulebook, which will govern the terms and conditions of the listing of the proposed Index Contract.

constituent companies during the quarter is continuously calculated. The cumulative dividends for the S&P 500 are then converted into index points, which represent the dividend index level.

By letter to the CME dated July 22, 2010, CFTC's Division of Market Oversight ("Division" or "DMO") extended the Index Contract's review period by 45 days because of the novel and complex policy issues raised by the proposed contract.[2] The Division subsequently extended the review period pursuant to Commission Regulation 40.3(d)(2), with such extensions agreed to in writing by CME.[3]

Having reviewed the complete record in this matter, the Commission makes the following findings and rulings:

WHEREAS, the Dividend Index, maintained by Standard & Poor's, represents the accrued cash dividend payments associated with constituent companies of the S&P 500 cumulated over the course of a specified quarterly accrual period.[4]

WHEREAS, the accrued cash dividend payments associated with the constituent companies of the S&P 500 trading ex-dividend are the sole components of the Dividend Index.

WHEREAS, the Dividend Index is an excluded commodity (that is not a security or security index) as defined in CEA section 1a(19) because it is an "economic or commercial index

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[2] Commission Regulation 40.3(d)(1) provides that the Commission may extend the 45-day review period of a contract submitted for approval if the product raises novel or complex issues that require additional time to analyze, in which case the Commission shall notify the submitting registered entity within the initial 45-day review period. Commission Regulation 40.7(a)(2) provides delegated authority to the Director of DMO, after consultation with the Office of General Counsel, to extend the review time by an additional 45 days for products that raise "novel or complex issues that require additional time for review."

[3] CME has agreed to serial review period extensions ending on October 12, 2010, January 20, 2011, April 10, 2011, July 9, 2011, October 7, 2011, April 4, 2012, October 1, 2012, March 30, 2013, September 26, 2013, October 26, 2013, November 25, 2013, February 23, 2014, March 25, 2014, May 24, 2014, August 22, 2014, November 20, 2014, December 19, 2014, February 2, 2015, May 4, 2015, June 3, 2015, July 6, 2015 and July 31, 2015.

[4] Companies in the S&P 500 decide on dividends, announce dividends and pay dividends in quarterly cycles. As the end of the quarterly period nears, the number of companies expected to declare dividends diminishes until there are no companies remaining. The level of the Dividend Index is re-set to zero at the beginning of a new March quarterly cycle period.

based on…values or levels that are not within the control of any party to the relevant contract, agreement, or transaction,"[5] or, in the alternative, is an "occurrence, extent of an occurrence, or contingency…that is beyond the control of the parties to the relevant contract, agreement, or transaction and is associated with a financial, commercial, or economic consequence."[6]

WHEREAS, pursuant to CEA section 2(a)(1)(A), the CFTC has exclusive jurisdiction over the Index Contract.[7]

WHEREAS, to be designated, and maintain a designation, as a designated contract market ("DCM") pursuant to CEA section 5, a DCM shall comply with, among other provisions, CEA section 5(d)(2), under which the DCM "shall establish, monitor, and enforce compliance with the rules" of the DCM, including the "terms and conditions of any contracts to be traded" on the DCM and "rules prohibiting abusive trade practices" on the DCM.[8]

WHEREAS, an issuer's decision to declare or not to declare a dividend and, if so, at what level, could impact the value of the Dividend Index at levels that could be attractive to parties, including insiders, seeking illegal profit from non-public information concerning dividends.

WHEREAS, the possibility exists that parties could come into possession of non-public information pertinent to the dividend announcements by S&P 500 constituent companies and that the Index Contract could potentially be misused as a vehicle for improper insider trading by such parties.

WHEREAS, the CME shall adopt and implement the following rules to protect against abusive trade practices in the Index Contract in the form of improper insider trading

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[5] CEA section 1a(19)(iii); 7 U.S.C. § 1a(19)(iii).

[6] CEA section 1a(19)(iv); 7 U.S.C. § 1a(19)(iv).

[7] 7 U.S.C. § 2(a)(1)(A).

[8] 7 U.S.C. § 7(d)(2) (DCM core principle 2).

(collectively, the "Targeted Trading Prohibitions"):

(1) a prohibition of trading in S&P 500 Dividend Index futures contracts by the following persons (each, a "Prohibited Person"): (a) any person that is a director or officer of a corporation that is a constituent of the S&P 500 Dividend Index, and (b) any person that is in possession of material non-public information relating to ordinary cash dividends of a constituent corporation of the S&P 500 Dividend Index, including (but not limited to) information concerning the timing or amount of any ordinary cash dividend; and

(2) a prohibition of clearing members accepting an order for S&P 500 Dividend Index futures contracts from any person trading for its own account or for another person unless the person provides to the clearing member at or before the time of the order a representation and covenant that at the time the order is accepted or executed, or the position is held, the person and, as applicable, the person for whose account the person is trading, is not a Prohibited Person.

WHEREAS, the CME shall conduct surveillance to identify potential illegal insider trading in the Index Contract.

WHEREAS, to be designated, and maintain a designation, as a DCM pursuant to CEA section 5, a DCM shall comply with CEA section 5(d)(3), under which the DCM shall list only contracts that are not readily susceptible to manipulation.[9]

WHEREAS, the Index Contract is not readily susceptible to manipulation because:

(i) There is no underlying market for the Dividend Index or its component dividends *per se*.

[9] 7 U.S.C. § 7(d)(3) (core principle 3 for designated contract markets).

(ii) The possibility is remote that a single actor could manipulate an issuer's dividend policy because such policy is implemented as an action of the issuer's board of directors. Moreover, since any affected dividend would be only one of 400 to 450 dividends paid by S&P 500 issuers during a given quarter, the overall effect on the Dividend Index would likely not be material.

(iii) The CME shall install the following rules and programs in connection with the Index Contract in order to reduce any susceptibility of the Index Contract to price manipulation:

(a) Targeted Trading Prohibitions coupled with a 25 contract large trader reporting threshold;

(b) a 2,000 contract position limit; and

(c) a surveillance program to identify potential illegal insider trading in the Index Contract.

IT IS HEREBY ORDERED that, pursuant to CEA Section 5c(c)(5)(B) and Commission Regulation 40.3, the Index Contract is hereby approved to be listed or made available for clearing or trading on the Exchange, subject to the conditions listed above.

IT IS HEREBY FURTHER ORDERED that this Order shall become effective on July 22, 2015.

Issued in Washington, D.C. this 22nd day of July, 2015.

By the Commission,

Christopher J. Kirkpatrick
Secretary of the Commission