CME Group

Special Executive Report

DATE: **July 6, 2020**

SER#: **8616**

SUBJECT: **Enable CME Globex Committed Cross (C-Cross) for CME FX Link, Increase CME Globex Committed Cross Better Price Matching (BPM) Percentages for all CME FX Futures, and Enhance BPM to Better Price or Volume Match (BPVM) for CME FX Link and all CME FX Futures and Option Contracts**

Effective Sunday, July 26, 2020 for trade date Monday, July 27, 2020, and pending all relevant Commodity Futures Trading Commission ("CFTC") regulatory review periods, Chicago Mercantile Exchange Inc. ("CME" or "Exchange") will amend the table located in the Interpretations & Special Notices Section of Chapter 5 (CME Rule 539.C. ("Crossing Protocols Table")) with respect to pre-execution communications for Request for Cross ("RFC") protocols to permit Committed Cross ("C-Cross") transactions for CME FX Link on the CME Globex electronic trading platform ("CME Globex") with a better price match ("BPM") percentage equal to fifty (50) percent.

FX Link is the first-ever central limit order book that permits basis spreads between the over-the-counter ("OTC") spot FX and CME FX futures markets, providing OTC FX market participants with a more efficient way to access and use CME FX futures as part of their overall trading activity. The current product set includes eight (8) basis trade transactions covering the Australian dollar ("AUD"), Canadian dollar ("CAD"), Swiss franc ("CHF"), Euro ("EUR"), British pound ("GBP"), Japanese yen ("JPY"), Mexican peso ("MXN"), and New Zealand dollar ("NZD").

By introducing an additional modality of execution in FX Link, CME is providing market participants with the opportunity to engage in pre-execution communications on size, price, and direction prior to entry of orders into CME Globex. This method of execution provides additional optionality to further bolster liquidity in FX Link while offering a new channel to support participants and access to the market place.

In addition to the institution of C-Cross for FX Link, CME will amend the BPM percentages on all outright FX futures to 50 percent to be in line with the current level for all FX options, effectively standardizing CME's Globex crossing mechanism across the entire listed FX complex (currently a 0% BPM for all FX Futures with the exception of major cross rates and select emerging market ("EM") pairs which have a BPM of 40%). These amendments also will be effective on trade date Monday, July 27, 2020.

Exhibit 1 provides the amendments to the Crossing Protocols Table in black-line format.

Lastly, CME will enhance the BPM algorithm to adopt a volume component in addition to the existing best price level component, becoming a Better Price or Volume Match ("BPVM"). Therefore, if the price of the Request for Cross ("RFC") represents a new best price level (both a bid price higher than the current bid and an offer price lower than the current offer), or if the price of the RFC is equal to the best bid or offer and the quantity of the RFC is greater than the quantity at that current best bid or offer at the time of submission of the RFC to CME Globex, and, during the five (5) second period between the entry of the RFC and the cross occurring, a better price for either the buy or sell order has not been entered into CME Globex, a certain percentage of the quantity on the RFC will cross at the RFC price.

In circumstances where the price of the RFC is equal to the best bid or offer and the quantity of the RFC is greater than the quantity at that current best bid or offer, the quantity eligible for the BPVM is the difference between the RFC quantity and the quantity at that current best bid or offer.

Example:

C-Cross of 500 contacts at a price of 8.

Current functionality (remaining unchanged):

Market 7 bid 1,000 – 1,000 at 9 when C-Cross is entered. **Cross is BPVM eligible** as cross price of 8 bettered the market.

New additional functionality:

1. Market 8 bid 200 – 1,000 at 9 when C-Cross is entered. **Cross is BPVM eligible** as the cross quantity at the price of 8 bettered the quantity. BPVM is eligible on 300 contracts (500 cross quantity – 200 on the 8 bid).

2. Market 8 bid 1,000 – 1,000 at 9 when C-Cross is entered. **Cross is NOT BPVM eligible** as cross price of 8 didn't improve the price nor did the cross quantity of 500 improve the quantity.

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Exhibit 1

CME Rulebook
Chapter 5
(“Trading Qualifications and Practices”)
Rule 539.C. (“Crossing Protocols Table”)

(Additions are underlined; deletions are ~~struck-though~~.)

Rule 539.C. Crossing Protocols Table

Legend	
✓	Permitted
✓*	Permitted, see Notes Section for details
	Crossing Not Permitted, Method Not Available, BPM Allocation not available or Product Subgroup Not Offered by Exchange

Product Class	DCM	Product Subgroup	Globex ("G") Cross		Agency ("A") Cross		RFQ + RFC ("R") Cross		Committed ("C") Cross**	
			Futures	Options	Futures	Options	Futures	Options	Futures	Options
FX	CME	ALL (except FX Link)~~FX Products in Appendix~~	✓		✓	✓			✓ 50~~40~~%	✓ 50%
FX	CME	FX Link							✓ 50%	
~~FX~~	~~CME~~	~~All Other FX Products~~	~~✓~~		~~✓~~	~~✓~~			~~✓ 0%~~	~~✓ 50%~~

Notes:
* Agency Cross available in NYMEX energy contracts, except NYMEX electricity futures and options.
**Number shown indicates the better price match (BPM) percentage

~~**Appendix: Select FX Currency Futures and Options**~~

~~Australian Dollar/Canadian Dollar (AUD/CAD) Cross Rate Futures~~
~~Australian Dollar/Japanese Yen (AUD/JPY) Cross Rate Futures~~
~~Australian Dollar/New Zealand Dollar (AUD/NZD) Cross Rate Futures~~
~~Canadian Dollar/Japanese Yen (CAD/JPY) Cross Rate Futures~~
~~Swiss Franc/Japanese Yen (CHF/JPY) Cross Rate Futures~~
~~Chinese Renminbi/Euro (RMB/EUR) Cross Rate Futures~~
~~Options on Chinese Renminbi/Euro (RMB/EUR) Cross Rate Futures~~
~~Chinese Renminbi/U.S. Dollar (RMB/USD) Futures~~
~~Options on Chinese Renminbi/U.S. Dollar (RMB/USD) Futures~~
~~Czech Koruna/Euro (CZK/EUR) Cross Rate Futures~~
~~Options on Czech Koruna/Euro (CZK/EUR) Cross Rate Futures~~
~~Czech Koruna/U.S. Dollar (CZK/USD) Futures~~
~~Options on Czech Koruna/U.S. Dollar (CZK/USD) Futures~~
~~Euro/Australian Dollar (EUR/AUD) Cross Rate Futures~~
~~Euro/Canadian Dollar (EUR/CAD) Cross Rate Futures~~
~~Euro/Norwegian Krone (EUR/NOK) Cross Rate Futures~~
~~Euro/Swedish Krona (EUR/SEK) Cross Rate Futures~~
~~British Pound Sterling/Swiss Franc (GBP/CHF) Cross Rate Futures~~
~~British Pound Sterling/Japanese Yen (GBP/JPY) Cross Rate Futures~~
~~Hungarian Forint/Euro (HUF/EUR) Cross Rate Futures~~
~~Options on Hungarian Forint/Euro (HUF/EUR) Cross Rate Futures~~
~~Hungarian Forint/U.S. Dollar (HUF/USD) Futures~~
~~Options on Hungarian Forint/U.S. Dollar (HUF/USD) Futures~~
~~Israeli Shekel/U.S. Dollar (ILS/USD) Futures~~
~~Options on Israeli Shekel/U.S. Dollar (ILS/USD) Futures~~
~~Indian Rupee/U.S. Dollar (INR/USD) Futures~~
~~Korean Won/U.S. Dollar (KRW/USD) Futures~~
~~Options on Korean Won/U.S. Dollar (KRW/USD) Futures~~
~~Norwegian Krone/U.S. Dollar (NOK/USD) Futures~~
~~Polish Zloty/Euro (PLN/EUR) Cross Rate Futures~~
~~Options on Polish Zloty/Euro (PLN/EUR) Cross Rate Futures~~
~~Polish Zloty/U.S. Dollar (PLN/USD) Futures~~
~~Options on Polish Zloty/U.S. Dollar (PLN/USD) Futures~~
~~Swedish Krona/U.S. Dollar (SEK/USD) Futures~~
~~U.S. Dollar/Chilean Peso (USD/CLP) Futures~~
~~U.S. Dollar/Offshore Chinese Renminbi (USD/RMB) Futures~~
~~U.S. Dollar/South African Rand (USD/ZAR) Futures~~
~~Turkish Lira/U.S. Dollar (TRY/USD) Futures~~