Special Executive Report

DATE: **October 12, 2021**

SER#: **8869**

SUBJECT: **Amendments to the Daily Settlement Procedure Documents for Bitcoin Futures, Micro Bitcoin Futures, and Ether Futures Contracts**

Effective Sunday, November 7, 2021 for trade date Monday, November 8, 2021, and pending all relevant CFTC regulatory review periods, Chicago Mercantile Exchange Inc. ("CME" or "Exchange") will amend the Daily Settlement Procedure Documents (the "Documents") relating to the Bitcoin Futures, Micro Bitcoin Futures, and Ether Futures contracts (the "Contracts") as noted in the table below.

Contract Title	CME Globex and CME ClearPort Code	Rulebook Chapter
Bitcoin Futures	BTC	350
Micro Bitcoin Futures	MBT	348
Ether Futures	ETH	349

The Exchange intends to amend the Documents to account for increased market activity during the nearby months, leverage increased liquidity in calendar spread transactions to determine daily settlement prices and forecast daily settlements from current index valuations in the absence of robust futures market activity (collectively, the "Rule Amendments").

Exhibit A provides amendments to the Bitcoin Futures Settlement Procedure Document and Exhibit C provides amendments to the Ether Futures Settlement Procedure Document in blackline format. For inclusion, Exhibit B provides the Settlement Procedure Document for the Micro Bitcoin Futures contract which shall remain unchanged but references the Bitcoin Futures Settlement Procedure Document.

Inquiries regarding the aforementioned may be directed to the CME Group Global Command Center at 312.456.2391. Questions regarding this Special Executive Report may be directed to the CME Global Command Center at 800.438.8616, in Europe at 44.800.898.013, in Asia at 65.6532.5010, or GCC@cmegroup.com.

Exhibit A

Daily Settlement Procedure Document

(additions underlined; deletions ~~struck through~~)

Bitcoin Futures

CME Bitcoin Futures Daily Settlement Procedure

Normal Daily Settlement Procedure

CME Group staff determines the daily settlements for Bitcoin (BTC) futures based on trading activity on CME Globex between 14:59:00 and 15:00:00 Central Time (CT), the settlement period.

~~**Tier 1:** Each contract month settles to its volume-weighted average price (VWAP) of all **trades** that occur between 14:59:00 and 15:00:00 CT, the settlement period, rounded to the nearest tradable tick. If the VWAP is exactly in the middle of two tradable ticks, then the settlement will be the tradable price that is closer to the contract's prior day settlement price.~~

~~**Tier 2:** If no trades occur on CME Globex between 14:59:00 and 15:00:00 CT, the settlement period, then the last trade (or the contract's settlement price from the previous day in the absence of a last trade price) is used to determine whether to settle to the bid or the ask during this period.~~

~~a. If the last trade price is outside of the bid/ask spread, then the contract month settles to the nearest bid or ask price.~~

~~b. If the last trade price is within the bid/ask spread, or if a bid/ask spread is not available, then the contract month settles to the last trade price.~~

~~**Tier 3**: In the absence of any trade activity or bid/ask in a given contract month during the current trading day, the daily settlement price will be determined by applying the net change from the preceding contract month to the given contract month's prior daily settlement price.~~

Lead Month

The lead month is the anchor leg for settlements and is the contract expected to be the most active.

Tier 1: If the lead month contract trades on Globex between 14:59:00 and 15:00:00 Central Time (CT), the settlement period, then the lead month settles to the volume-weighted average price (VWAP) of the trade(s) during this period rounded to the nearest tradable tick.

Tier 2: If no trades in the lead month occur between 14:59:00 and 15:00:00 CT, then the contract month settles to the midpoint of the Bid/Ask between 14:59:00 to 15:00:00 CT, the settlement period.

Tier 3: If a two sided market is not available on Globex during the closing period, then the reference rate will be used in the following Carry calculation to derive a settlement price.

Reference Rate + [(Days to expiration/ 365) x Interest rate x Reference Rate)]

Second Month

When the lead month is the expiry month, then the second month is defined as the calendar month immediately following the lead month. When the lead month is not the expiry month, then the second month is defined as the first expiring non-lead month.

Tier 1: If the lead month-second month spread trades on Globex between 14:59:00 and 15:00:00 CT, then the spread VWAP is calculated, rounded to the spread's nearest tradable tick and then applied to the lead month settle to derive the second month settle.

Tier 2: If there are no spread trades on Globex between 14:59:00 and 15:00:00 CT, then the last spread trade price is applied to the lead month settle to derive the second month settle.

If the last spread trade is outside of the spread's Bid/ Ask, then the bid or ask price that is closer to the last spread trade is applied to the lead month settle to derive the second month settle.

Tier 3: If there is no spread market information available on Globex, then the reference rate will be used in the following Carry calculation to derive a settlement price

Reference Rate + [(Days to expiration/ 365) x Interest rate x Reference Rate)]

Back Months

To derive settlements for all remaining months, the following Carry calculation will be used to derive settlement prices provided that this value does not violate the bid or ask between 14:59:00 and 15:00:00 CT for the respective outrights.

Reference Rate + [(Days to expiration/ 365) x Interest rate x Reference Rate)]

Final Settlement Procedure

Delivery is by cash settlement by reference to the Final Settlement Price, equal to the CME CF Bitcoin Reference Rate (BRR) on the Last Day of Trading.

Exhibit B

Daily Settlement Procedure Document

Micro Bitcoin Futures

[no changes]

CME Micro Bitcoin Futures Daily Settlement Procedure

Normal Daily Settlement Procedure

The daily settlements in the Micro Bitcoin (MBT) Futures contracts are derived directly from the settlements in the Bitcoin (BTC) futures contracts. Daily settlements derived in the BTC will be copied directly to the MBT for each contract listing.

Final Settlement Procedure

Delivery is by cash settlement by reference to the Final Settlement Price, equal to the CME CF Bitcoin Reference Rate (BRR) on the Last Day of Trading.

Exhibit C

Daily Settlement Procedure Document

(additions underlined; deletions ~~struck through~~)

Ether Futures

CME Ether-Dollar Futures Daily Settlement Procedure

Normal Daily Settlement Procedure

CME Group staff determines the daily settlements for Ether (ETH) futures based on trading activity on CME Globex between 14:59:00 and 15:00:00 Central Time (CT), the settlement period.

~~**Tier 1:** Each contract month settles to its volume-weighted average price (VWAP) of all trades that occur between 14:59:00 and 15:00:00 CT, the settlement period, rounded to the nearest tradable tick. If the VWAP is exactly in the middle of two tradable ticks, then the settlement will be the tradable price that is closer to the contract's prior day settlement price.~~

~~**Tier 2:** If no trades occur on CME Globex between 14:59:00 and 15:00:00 CT, the settlement period, then the last trade (or the contract's settlement price from the previous day in the absence of a last trade price) is used to determine whether to settle to the bid or the ask during this period.~~

~~a. If the last trade price is outside of the bid/ask spread, then the contract month settles to the nearest bid or ask price.~~

~~b. If the last trade price is within the bid/ask spread, or if a bid/ask spread is not available, then the contract month settles to the last trade price.~~

~~**Tier 3:** In the absence of any trade activity or bid/ask in a given contract month during the current trading day, the daily settlement price will be determined by applying the net change from the preceding contract month to the given contract month's prior daily settlement price.~~

Lead Month

The lead month is the anchor leg for settlements and is the contract expected to be the most active.

Tier 1: If the lead month contract trades on Globex between 14:59:00 and 15:00:00 Central Time (CT), the settlement period, then the lead month settles to the volume-weighted average price (VWAP) of the trade(s) during this period rounded to the nearest tradable tick.

Tier 2: If no trades in the lead month occur between 14:59:00 and 15:00:00 CT, then the contract month settles to the midpoint of the Bid/Ask between 14:59:00 to 15:00:00 CT, the settlement period.

Tier 3: If a two sided market is not available on Globex during the closing period, then the reference rate will be used in the following Carry calculation to derive a settlement price.

Reference Rate + [(Days to expiration/ 365) x Interest rate x Reference Rate)]

Second Month

When the lead month is the expiry month, then the second month is defined as the calendar month immediately following the lead month. When the lead month is not the expiry month, then the second month is defined as the first expiring non-lead month.

Tier 1: If the lead month-second month spread trades on Globex between 14:59:00 and 15:00:00 CT, then the spread VWAP is calculated, rounded to the spread's nearest tradable tick and then applied to the lead month settle to derive the second month settle.

Tier 2: If there are no spread trades on Globex between 14:59:00 and 15:00:00 CT, then the last spread trade price is applied to the lead month settle to derive the second month settle.

If the last spread trade is outside of the spread's Bid/ Ask, then the bid or ask price that is closer to the last spread trade is applied to the lead month settle to derive the second month settle.

Tier 3: If there is no spread market information available on Globex, then the reference rate will be used in the following Carry calculation to derive a settlement price

Reference Rate + [(Days to expiration/ 365) x Interest rate x Reference Rate)]

Back Months

To derive settlements for all remaining months, the following Carry calculation will be used to derive settlement prices provided that this value does not violate the bid or ask between 14:59:00 and 15:00:00 CT for the respective outrights.

Reference Rate + [(Days to expiration/ 365) x Interest rate x Reference Rate)]

Final Settlement Procedure

Delivery is by cash settlement by reference to the Final Settlement Price, equal to the CME CF Ether Reference Rate (ETHUSD_RR) on the Last Day of Trading.