



## Special Executive Report

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**DATE:** October 4, 2022  
**SER#:** 9062  
**SUBJECT:** Amendments to the Daily Settlement Procedure Documents of the Three-Month: Eurodollar, SOFR, and Bloomberg Short-Term Bank Yield (BSBY) Futures Contracts

Effective Sunday, October 23, 2022, for trade date Monday, October 24, 2022, and pending all relevant Commodity Futures Trading Commission (“CFTC”) regulatory review periods, Chicago Mercantile Exchange Inc. (“CME” or “Exchange”) will amend the Daily Settlement Procedure Documents (the “Documents”) for each of the Three-Month Eurodollar Futures, Three-Month SOFR Futures, and Three-Month Bloomberg Short-Term Bank Yield (BSBY) Futures contracts as noted in the table below (the “Contracts”) (collectively, the “Rule Amendments”).

Contract Title	Rulebook Chapter	CME Globex Code	CME ClearPort Code
Three-Month Eurodollar Futures	452	GE	ED
Three-Month SOFR Futures	460	SR3	SR3
Three-Month Bloomberg Short-Term Bank Yield (BSBY) Futures	454	BSB	BSB

The Exchange is amending the Documents so that the daily settlement procedure of the Contracts shall be migrated such that Three-Month SOFR Futures and Three-Month Bloomberg Short-Term Bank Yield (BSBY) Futures contracts will no longer consider Eurodollar inter-commodity spread market activity from October 24, 2022 while Three-Month Eurodollar Futures and Three-Month Bloomberg Short-Term Bank Yield (BSBY) Futures contracts will begin to consider Three-Month SOFR inter-commodity spread market activity from October 24, 2022.

The Rule Amendments are being implemented in anticipation of the end of the US dollar LIBOR panel at end-June 2023 when US dollar LIBOR will cease to be published in a “representative” manner.<sup>1</sup>

Exhibit A below provides the Rule Amendments in blackline format.

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](mailto:GCC@cmegroup.com).

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<sup>1</sup> With the end of the US dollar LIBOR panel, Three Month US dollar LIBOR will cease to be “representative” of the underlying market or economic reality following publication on 30 June 2023. While Three Month US dollar LIBOR may continue to be published after that date, such rate would be “non-representative” utilizing a “synthetic” methodology, to be determined by the UK Financial Conduct Authority, and usage of such rate may be restricted. See: <https://www.fca.org.uk/publication/consultation/cp22-11.pdf>

**Exhibit A**  
**Daily Settlement Procedure Documents**  
(additions underscored; deletions struck through)

**CME Eurodollar Futures**

**Normal Daily Settlement Procedure**

CME Group staff determines the daily settlement of Eurodollar (GE) futures based on the market activity on CME Globex.

**Serial and Quarter Tick Eligible Quarterly Contract Months**

Serial contract months settle to the volume-weighted average price (VWAP) of trades on Globex between 13:59:00 and 14:00:00 Central Time (CT), the settlement period. If there are no trades during this one-minute window, then the contract settles to the midpoint of the low bid and high ask of the settlement period, with adjustments made to incorporate relevant spread bid/ask activity in the spread between the serial (or front quarterly month if quarter tick eligible) and the first non-quarter tick eligible quarterly contract.

**Non-Quarter Tick Eligible Quarterly Contract**

The first 12 quarterly Eurodollar (GE) months settle based upon the bid/ask activity of both outright and spread markets on Globex between 13:59:00 and 14:00:00 CT. Initial prices are determined by the volume-weighted average price (VWAP) of each outright contract, and may be adjusted within the outright bid/ask range to accommodate calendar spread and butterfly bids and asks. Spreads to be considered in this manner are 3 month calendars, 6 month calendars, 9 month calendars, 12 month calendars, 3 month butterflies, and 12 month butterflies. In all cases, the solution that accommodates the most spread bids and asks will be chosen.

The remaining 28 deferred quarterly contracts will be settled using bids and asks in calendar spreads and butterfly instruments in conjunction with settlements from any months where a settlement price has been determined to form an implied market in the contract to be settled. These implied markets, along with the outright bid/ask market for the contract, will be used to derive the best possible bid and the best possible ask. If there are multiple prices that are eligible between this best possible bid and the best possible ask, the price will be chosen that sets the net change as close to the net change of the contract that precedes it in the settlement order.

\*Please note that all VWAPs calculated in the above procedure will be rounded to the nearest tradable tick, following a symmetric—"round half towards zero"—rounding convention. For instance, a VWAP of 99.6525 of a non-quarter tick eligible outright will be rounded to 99.650. A spread VWAP of -12.25 will be rounded to -12.0.

**Normal Daily Settlement Procedure**

CME Group staff determines the daily settlement of Eurodollar futures based on the market activity on CME Globex.

**Eurodollar Futures Contracts**

All Eurodollar Futures contracts will be settled based upon the bid/ask activity of both outright and spread markets on CME Globex between 13:59:00 and 14:00:00 Central Time (CT). Spreads to be considered in this manner are 3 month calendars, 6 month calendars, 9 month calendars, 12 month calendars, 3 month butterflies, 12 month butterflies and the inter-commodity 3-Month SOFR vs Eurodollar spreads. Bids and asks in calendar spreads, butterfly instruments and inter-commodity 3-Month SOFR vs Eurodollar spreads will be used in conjunction with settlements from any months where a settlement price has been determined to form an implied market in the contract to be settled. These implied markets, along with the outright bid/ask market for the contract, will be used to derive the best possible bid and the best possible ask. If there are multiple prices that are eligible between this best

possible bid and the best possible ask, the price will be chosen that sets the net change as close to the net change of the contract that precedes it in the settlement order.

## **CME 3-Month SOFR Futures**

### **Normal Daily Settlement Procedure**

~~CME Group staff determines the daily settlement of 3-Month SOFR futures based on the market activity on CME Globex.~~

### **3-Month SOFR Futures Contracts**

~~All 3-Month SOFR Futures contracts will be settled based upon the bid/ask activity of both outright and spread markets on Globex between 13:59:00 and 14:00:00 CT. Spreads to be considered in this manner are 3 month calendars, 6 month calendars, 9 month calendars, 12 month calendars, 3 month butterflies, 12 month butterflies and the inter-commodity 3-Month SOFR vs Eurodollar spreads. Bids and asks in calendar spreads, butterfly instruments and inter-commodity 3-Month SOFR vs Eurodollar spreads will be used in conjunction with settlements from any months where a settlement price has been determined to form an implied market in the contract to be settled. These implied markets, along with the outright bid/ask market for the contract, will be used to derive the best possible bid and the best possible ask. If there are multiple prices that are eligible between this best possible bid and the best possible ask, the price will be chosen that sets the net change as close to the net change of the contract that precedes it in the settlement order.~~

### **Normal Daily Settlement Procedure**

CME Group staff determines the daily settlement of 3-Month SOFR (SR3) futures based on the market activity on CME Globex.

### **Serial and Quarter Tick Eligible Quarterly Contract Months**

Serial contract months settle to the midpoint of the CME Globex bid/ask during the settlement period, with adjustments made to incorporate relevant spread bid/ask activity in the spread between the serial (or front quarterly month if quarter tick eligible) and the first non-quarter tick eligible quarterly contract.

### **Non-Quarter Tick Eligible Quarterly Contracts**

The first 10 or 11 (depending on quarter tick eligibility) quarterly 3-Month SOFR (SR3) months settle based upon the bid/ask activity of both outright and spread markets on CME Globex between 13:59:00 and 14:00:00 Central Time (CT). Initial prices are determined by the volume weighted average price (VWAP) of each outright contract, and may be adjusted within the outright bid/ask range to accommodate calendar spread and butterfly bids and asks. Spreads to be considered in this manner are 3 month calendars, 6 month calendars, 9 month calendars, 12 month calendars, 3 month butterflies, and 12 month butterflies. In all cases, the solution that accommodates the most spread bids and asks will be chosen.

The remaining 28 deferred quarterly contracts will be settled using bids and asks in calendar spreads and butterfly instruments in conjunction with settlements from any months where a settlement price has been determined to form an implied market in the contract to be settled. These implied markets, along with the outright bid/ask market for the contract, will be used to derive the best possible bid and the best possible ask. If there are multiple prices that are eligible between this best possible bid and the best possible ask, the price will be chosen that sets the net change as close to the net change of the contract that precedes it in the settlement order.

\*Please note that all VWAPs calculated in the above procedure will be rounded to the nearest tradable tick, following a symmetric – “round half towards zero” – rounding convention. For instance, a VWAP of 99.6525 of a non-quarter tick eligible outright will be rounded to 99.650. A spread VWAP of -12.25 will be rounded to -12.0.

## **CME 3-Month Bloomberg Short-Term Bank Yield (BSBY) Futures**

### **Normal Daily Settlement Procedure**

CME Group staff determines the daily settlement of 3-Month BSBY Futures based on the market activity on CME Globex.

### **Eurodollar Futures Contracts**

All 3-Month BSBY Futures contracts will be settled based upon the bid/ask activity of both outright and spread markets on CME Globex between 13:59:00 and 14:00:00 CT. Spreads to be considered in this manner are 3 month calendars, 6 month calendars, 9 month calendars, 12 month calendars, 3 month butterflies, 12 month butterflies and the inter-commodity 3-Month BSBY vs Eurodollar **3-Month SOFR spreads**. Bids and asks in calendar spreads, butterfly instruments and inter-commodity 3-Month BSBY vs Eurodollar **3-Month SOFR** spreads will be used in conjunction with settlements from any months where a settlement price has been determined to form an implied market in the contract to be settled. These implied markets, along with the outright bid/ask market for the contract, will be used to derive the best possible bid and the best possible ask. If there are multiple prices that are eligible between this best possible bid and the best possible ask, the price will be chosen that sets the net change as close to the net change of the contract that precedes it in the settlement order.