

become operative for 30 days after the date of filing. However, pursuant to Rule 19b-4(f)(6)(iii),²³ the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. FINRA has requested that the Commission waive the 30-day delay requirement so that the proposed rule change may become operative immediately upon filing. In its request, FINRA stated that amending FINRA Rule 3210 to except Trump Accounts would be consistent with the rule's longstanding approach, given such accounts are reasonably classed with the types of transactions and accounts that are currently excepted from FINRA Rule 3210's requirements.

Currently, FINRA Rule 3210 excepts transactions in unit investment trusts, municipal fund securities as defined under MSRB Rule D-12, 529 plans and variable contracts or redeemable securities of companies registered under the Investment Company Act, as amended, and accounts that are limited to transactions in such securities, and Monthly Investment Plan type accounts. FINRA stated that Trump Accounts are similar to 529 plans in that the extent to which an account owner may direct the underlying investments in a Trump Account is strictly limited. FINRA further noted that Trump Accounts are structured by statute to function as standardized, passive investment vehicles designed solely to facilitate long-term exposure to broad-based market indices, thereby limiting an account owner directing the underlying investments. As such, FINRA stated that Trump Accounts would not implicate the supervisory purposes of FINRA Rule 3210. In addition, waiving the 30-day operative delay would help ensure that members and associated persons have certainty with regard to the treatment of such accounts prior to the implementation of Trump Accounts on July 4, 2026. For these reasons, the Commission believes that waiving the 30-day operative delay for this proposed rule change is consistent with the protection of investors and the public interest. Accordingly, the Commission hereby waives the 30-day operative delay and designates the proposed rule change operative upon filing.²⁴

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if

it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-FINRA-2026-013 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to file number SR-FINRA-2026-013. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of FINRA. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-FINRA-2026-013 and should be submitted on or before July 28, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁵

Sherry R. Haywood,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105844; File No. SR-CME-2026-002]

Self-Regulatory Organizations; Chicago Mercantile Exchange Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating To Adoption of Chicago Mercantile Exchange's Rules Governing Security Futures Product Listing Standards, Adoption of Chicago Mercantile Exchange Inc.'s Rules Governing Security Futures Adjustments, and Adoption of Chicago Mercantile Exchange Inc.'s Rules Governing Cash-Settled Single Stock Security Futures

July 2, 2026.

Pursuant to Section 19(b)(7) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on June 29, 2026 Chicago Mercantile Exchange, Inc. ("CME" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons. CME also has filed this proposed rule change with the Commodity Futures Trading Commission ("CFTC"). The Exchange filed a written certification with the CFTC under Section 5c(c) of the Commodity Exchange Act ("CEA")² and CFTC Regulation 41.24(a)³ on June 29, 2026.

I. CME's Description and Text of the Proposed Rule Change

The Exchange previously offered physically delivered single stock security futures contracts for trading as SFPs pursuant to its registration with the CFTC as a designated contract market and prior notice registration with the SEC as a national securities exchange under the Act but ceased offering such products for trading in March 2011.

Pursuant to its current notice registration, CME is re-adopting Rulebook Chapter 700 to expand the previously adopted Chapter's applicability to cash-settled SFPs to enable the Exchange to list cash-settled futures on individual common stock securities, allowing for an expanded scope of listed products. Proposed Chapter 700 specifies initial and

²³ 17 CFR 240.19b-4(f)(6)(iii).

²⁴ For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule change's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

²⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(7).

² 7 U.S.C. 7a-2(c).

³ 17 CFR 41.24(a).

maintenance listing standards for SFPs including the proposed Cash-Settled Single Stock Security Futures. The Exchange developed Chapter 700 and the proposed amendments to comply with Section 6(h) of the Exchange Act.

The Exchange is also re-adopting Rulebook Chapter 701, Security Futures Product Adjustments. The proposed Chapter 701 specifies the Exchange's response to corporate events and the possible unavailability or inaccuracy of spot values for use as final settlement prices. The proposed Chapter 701 is identical to the previously adopted Chapter 701.

The Exchange is also adopting the new Rulebook Chapter 711, which will govern more specifically the trading of cash-settled futures on individual securities. The revisions to Chapter 700 and the new Chapter 711 are modeled after the Exchange's existing Rulebook Chapter 710, Physically Delivered Single Security Futures, which governs trading of futures on individual equity securities that settle by delivery of the underlying security at expiration.⁴

II. CME's Statement of the Purpose of, and Statutory Basis for the, Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. CME's Statement of the Purpose of, and Statutory Basis for, Proposed Rule Change

1. Purpose

CME proposes (i) adding definitions of the terms "narrow-based security index" and "security futures products" to CME Rulebook Chapter iii (Definitions); (ii) adopting CME Rulebook Chapter 700 ("Security Futures Product Listing Standards"), (iii) adopting CME Rulebook Chapter 701 ("Security Futures Products Adjustments"), and (iv) adopting CME Rulebook Chapter 711 ("Cash-Settled Single Stock Security Futures") to allow the listing of cash-settled futures on individual equity securities as SFPs (collectively, the "Rule Amendments").

⁴ The Exchange has indicated that it currently has no plans to list any Physically Delivered Single Security Futures for trading.

Rulebook Chapter iii Definitions

CME proposes adding two defined terms to Chapter iii. First, CME proposes to add the term "narrow-based index future," defined as a futures contract based upon a security index that is considered narrow-based as defined in Section 1a(35) of the CEA. Second, CME proposes to add the term "Security Futures Products" to Chapter iii, defined as a contract based on securities products as such term is defined by Section 1a(45) of the CEA. The text of the definition also provides that "Security Futures Products ("SFPs") include futures contracts based upon a single security; futures contracts based upon a narrow-based security index; and options on any security futures as those terms are defined in Sections 1a(35) and 1a(44) of the Commodity Exchange Act."

CME notes that these definitions are identical to the definitions for these terms that it had added to CME Rulebook Chapter iii when it was previously notice-registered with the Commission as a national securities exchange for SFPs.

Rulebook Chapter 700 Security Futures Product Listing Standards

CME proposes adopting Rulebook Chapter 700 to set out listing standards pursuant to which it will list SFPs for trading, including the trading of cash-settled futures on individual equity securities. CME previously adopted Chapter 700 in 2002 in connection with offering physically delivered single security futures contracts for trading as SFPs.⁵ CME proposes to re-adopt this Chapter, subject to certain revisions. The proposed listing standards are generally identical to the previously adopted Chapter 700 with revisions to enable the listing of cash-settled futures on individual equity securities to allow for an expanded scope of the types of SFPs the Exchange may list for trading and with the deletion of two former rules that applied to physically settled contracts alone. The proposed listing standards are also generally identical to the sample listing standards published in Staff Legal Bulletin No. 15 ("SLB 15")⁶ except that they:

- Reflect the modifications to the statutory listing standards requirements adopted by the Commission and the

⁵ Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by the Chicago Mercantile Exchange Relating to Listing Standards for Security Futures Products, Securities Exchange Act Release No. 34-46975 (Dec. 9, 2002), 67 FR 77297 (Dec. 17, 2002).

⁶ SEC Division of Market Regulation; Staff Legal Bulletin No. 15: Listing Standards for Trading Security Futures Products (September 5, 2001).

CFTC governing shares of American Depositary Receipts, exchange-traded funds, trust-issued receipts, and shares of registered closed-end management investment companies;⁷

- Provide for the trading of cash-settled single security futures contracts for trading as SFPs;

- Include more stringent listing standard requirements, including that (1) the underlying security must have an estimated deliverable supply in excess of 20 million shares, (2) the underlying security must have a minimum market capitalization of at least \$100 billion, and (3) the underlying security must have had a minimum average daily value of transactions ("ADVT") of at least \$450 million over the prior six months, except where the underlying security has been listed for trading for less than six months, in which case the requirement would be a minimum ADVT of at least \$1 billion over the prior month; and

- Include more stringent maintenance listing standard requirements, including that (1) the underlying security must have an estimated deliverable supply in excess of 20 million shares, (2) the underlying security must have a minimum market capitalization of at least \$50 billion, and (3) the underlying security must have had a minimum ADVT of at least \$200 million for the prior calendar quarter, except where the underlying security has been listed for trading for less than a quarter, in which case the requirement would be a minimum ADVT of at least \$1 billion over the period traded during the calendar quarter.

This section describes the generalized Rule framework for Rulebook Chapter 700:

Scope of Chapter 700—Chapter 700 applies to initial and maintenance listing standards for SFPs listed on the Exchange.

Initial Listing Standards for Single Security Futures—Rule 70001 provides that for a SFP that is cash settled⁸ or physically settled, to be eligible for initial listing, the security underlying

⁷ See Joint Order Granting the Modification of Listing Standards Requirements (American Depositary Receipts), Securities Exchange Act Release No. 44725 (August 20, 2001) and Joint Order Granting the Modification of Listing Standards Requirements (Exchange Traded Funds, Trust Issued Receipts and shares of Closed-End Funds), Securities Exchange Act Release No. 46090 (June 19, 2002), 67 FR 42760 (June 25, 2002).

⁸ CME has proposed adding the language "cash settled" to the previously adopted Rule 70001 to specify that Chapter 700 will provide for the trading of cash-settled single security futures contracts for trading as SFPs.

the futures contract must meet each of the following thirteen (13) requirements:

Rule 70001.1, or requirement 1, requires that the underlying security “must be a common stock, or in the case of a physically delivered single securities futures contract, an American Depositary Receipt (‘ADR’) representing common stock or ordinary shares, a share of an exchange traded fund (‘ETF Share’), a trust issued receipt (‘TIR’) or a share of a registered closed-end management investment company (‘Closed-End Fund Share’).” Given the proposed addition of cash-settled single security futures contracts for trading as SFPs to the previously adopted Chapter 700, CME proposes adding the clarification that only physically delivered single securities futures contracts must be ADRs representing common stock or ordinary shares, ETFs, TIRs, or Closed-End Fund Shares.

Rule 70001.2, or requirement 2, requires that the underlying security “must be registered under Section 12 of the Securities Exchange Act of 1934 (as amended from time to time, the ‘Exchange Act’), and its issuer must be in compliance with any applicable requirements of the Exchange Act.”

Rule 70001.3, or requirement 3, requires that the underlying security “must be listed on a national securities exchange or traded through the facilities of a national securities association and reported as a ‘national market system’ security as set forth in Rule 11Aa3–1 under the Exchange Act (‘NMS security’).”

Rule 70001.4, or requirement 4, requires that “[t]here must be at least seven million shares or receipts evidencing the underlying security outstanding that are owned by persons other than those required to report their security holdings pursuant to Section 16(a) of the Exchange Act.” Rule 70001 provides an interpretation for requirement 4 as applied to restructure securities. Specifically, “Interpretation of Requirement 4” provides that “[i]n the case of an equity security that a company issues or anticipates issuing as the result of a spin-off, reorganization, recapitalization, restructuring or similar corporate transaction (‘Restructure Security’), the Exchange may assume that this requirement is satisfied if, based on a reasonable investigation, it determines that, on the product’s intended listing date: (A) at least 40 million shares of the Restructure Security will be issued and outstanding; or (B) the Restructure Security will be listed on an exchange or automated quotation system that is subject to an initial listing requirement of no less than seven million publicly owned

shares.” The interpretation also provides that “[i]n the case of a Restructure Security issued or distributed to the holders of the equity security that existed prior to the ex-date of a spin-off, reorganization, recapitalization, restructuring or similar corporate transaction (‘Original Equity Security’), the Exchange may consider the number of outstanding shares of the Original Equity Security prior to the spin-off, reorganization, recapitalization, restructuring or similar corporate transaction (‘Restructuring Transaction’).”

Rule 70001.5, or requirement 5, requires that the underlying security’s “estimated deliverable supply, as reasonably determined by the Exchange consistent with Appendix A to Part 41 of the CFTC Regulations, must exceed 20 million shares.” CME proposes adding this requirement to the previously adopted Rule 70001 to more effectively protect against manipulative trading practices. CME also proposes revising the numbering in Rule 70001 to accommodate this new requirement 5.

Rule 70001.6, or requirement 6, requires that the underlying security “must have a minimum market capitalization of at least \$100 billion.” CME proposes adding this requirement to the previously adopted Rule 70001 to more effectively protect against manipulative trading practices. CME also proposes revising the numbering in Rule 70001 to accommodate this new requirement 6.

Rule 70001.7, or requirement 7, requires that the underlying security “must have had a minimum average daily value of transactions of at least \$450 million over the prior six months, except where the underlying security has been listed for trading for less than six months, in which case the underlying security must have had a minimum average daily value of transactions of at least \$1 billion over the prior month.” CME proposes adding this requirement to the previously adopted Rule 70001 to more effectively protect against manipulative trading practices. This requirement would replace Rule 70001.6 under the previously adopted Rule 70001, which imposed a lower standard for historical trading value. Consequently, CME also proposes removing the interpretation of the previously adopted Rule 70001.6 (“Interpretation of Requirement 6”). CME also proposes revising the numbering in Rule 70001 to accommodate the new requirement 7.

Rule 70001.8, or requirement 8, requires that for an underlying security other than an ETF Share, TIR, or Closed-End Fund Share, “there must be at least

2,000 security holders.” Rule 70001 provides an interpretation of this requirement (“Interpretation of Requirement 8”). Specifically, the interpretation provides that “[i]f the security under consideration is a Restructure Security, the Exchange may assume that this requirement is satisfied if, based on a reasonable investigation, the Exchange determines that, on the product’s intended listing date: (A) at least 40 million shares of the Restructure Security will be issued and outstanding; or (B) the Restructure Security will be listed on an exchange or automated quotation system that is subject to an initial listing requirement of at least 2,000 shareholders.” The interpretation further provides that “[i]n the case of a Restructure Security issued or distributed to the holders of the Original Equity Security, the Exchange may consider the number of shareholders of the Original Equity Security prior to the Restructuring Transaction.”

Rule 70001.9, or requirement 9, requires that for an underlying security that is an ETF Share, TIR, or Closed-End Fund Share, “it must have had a total trading volume (in all markets in which the underlying security has traded) of at least 2,400,000 shares or receipts evidencing the underlying security in the preceding 12 months.”

Rule 70001.10, or requirement 10, requires that “[i]f the underlying security is a ‘covered security’ as defined under Section 18(b)(1)(A) of the Securities Act of 1933, the market price per share of the underlying security has been at least \$3.00 for the previous five consecutive business days preceding the date on which the Exchange commences to list and trade the Security Futures Product on said underlying security.” CME proposes revising the previously adopted Rule 70001.10 to add an end-quotation mark to the term “covered security” for clarification purposes. Requirement 10 further specifies that “the market price of such underlying security is measured by the closing price reported in the primary market in which the underlying security is traded.”

Rule 70001 provides an interpretation of requirement 10 as applied to restructure securities (“Interpretation of Requirement 10”). The interpretation provides for a “Look-Back Test” which specifies that, “[i]n determining whether a Restructure Security that is issued or distributed to the shareholders of an Original Equity Security (but not a Restructure Security that is issued pursuant to a public offering or rights distribution) satisfies this requirement, the Exchange may ‘look back’ to the

market price history of the Original Equity Security prior to the ex-date of the Restructuring Transaction if the following Look-Back Test is satisfied: (a) The Restructure Security has an aggregate market value of at least \$500 million; (b) The aggregate market value of the Restructure Security equals or exceeds the Relevant Percentage (defined below) of the aggregate market value of the Original Equity Security; (c) The aggregate book value of the assets attributed to the business represented by the Restructure Security equals or exceeds both \$50 million and the Relevant Percentage of the aggregate book value of the assets attributed to the business represented by the Original Equity Security; or (d) The revenues attributed to the business represented by the Restructure Security equals or exceeds both \$50 million and the Relevant Percentage of the revenues attributed to the business represented by the Original Equity Security.”

The interpretation of requirement 10 further provides that, “[f]or purposes of determining whether the Look-Back Test is satisfied, the term ‘Relevant Percentage’ means: (i) 25%, when the applicable measure determined with respect to the Original Equity Security or the business it represents includes the business represented by the Restructure Security; and (ii) 33–1/3%, when the applicable measure determined with respect to the Original Equity Security or the business it represents excludes the business represented by the Restructure Security.” The interpretation specifies that “[i]n calculating comparative aggregate market values, the Exchange will use the Restructure Security’s closing price on its primary market on the last business day prior to the Selection Date, or the Restructure Security’s opening price on its primary market on the Selection Date, and will use the corresponding closing or opening price of the related Original Equity Security.” The interpretation further specifies that “in calculating comparative asset values and revenues, the Exchange will use the issuer’s (i) latest annual financial statements or (ii) most recently available interim financial statements (so long as such interim financial statements cover a period of not less than three months), whichever are more recent,” which financial statements “may be audited or unaudited and may be pro forma.”

The interpretation of requirement 10 also provides guidance on “Restructure Securities Issued in Public Offering or Rights Distribution.” Specifically, “[i]n determining whether a Restructure Security that is distributed pursuant to

a public offering or a rights distribution satisfies requirement 10, the Exchange may look back to the market price history of the Original Equity Security if: (i) the foregoing Look-Back Test is satisfied; (ii) the Restructure Security trades ‘regular way’ on an exchange or automatic quotation system for at least five trading days immediately preceding the Selection Date; and (iii) at the close of trading on each trading day on which the Restructure Security trades ‘regular way’ prior to the Selection Date, as well as at the opening of trading on Selection Date, the market price of the Restructure Security was at least \$3.00.”

The interpretation of requirement 10 provides a limitation on the use of the Look-Back Test. In particular, “[e]xcept in the case of a Restructure Security that is distributed pursuant to a public offering or rights distribution, the Exchange will not rely upon the market price history of an Original Equity Security for any trading day unless it also relies upon the trading volume history for that trading day.” An additional limitation is that “once the Exchange commences to rely upon a Restructure Security’s trading volume and market price history for any trading day, the Exchange will not rely upon the trading volume and market price history of the related Original Equity Security for any trading day thereafter.”

Rule 70001.11, or requirement 11, requires that “[i]f the underlying security is not a ‘covered security’ as defined under Section 18(b)(1)(A) of the Securities Act of 1933, the market price per share of the underlying security has been at least \$7.50 for the previous five consecutive business days preceding the date on which the Exchange commences to list and trade the Security Futures Product on said underlying security.” CME proposes revising the previously adopted Rule 70001.11 to add an end-quotation mark to the term “covered security” for clarification purposes. Rule 70001.11 further specifies that “the market price of such underlying security is measured by the closing price reported in the primary market in which the underlying security is traded.” Rule 70001 provides an interpretation of requirement 11 as applied to restructure securities, which is identical to the interpretation provided for requirement 10, except that the relevant market price of the Restructure Security—for purposes of determining whether a Restructure Security that is distributed pursuant to a public offering or a rights distribution satisfies requirement 11—is \$7.50, instead of \$3.00.

Rule 70001.12, or requirement 12, requires that “[i]f the underlying security is an ADR: (a) [t]he Exchange

must have an effective surveillance sharing agreement with the primary exchange in the home country where the stock underlying the ADR is traded; (b) [t]he combined trading volume of the ADR and other related ADRs and securities in the U.S. ADR market, or in markets with which the Exchange has in place an effective surveillance sharing agreement, represents (on a share equivalent basis) at least 50% of the combined worldwide trading volume in the ADR, the security underlying the ADR, other classes of common stock related to the underlying security, and ADRs overlying such other stock over the three-month period preceding the dates of selection of the ADR for futures trading (“Selection Date”); (c)(1) [t]he combined trading volume of the ADR and other related ADRs and securities in the U.S. ADR market, and in markets where the Exchange has in place an effective surveillance sharing agreement, represents (on a share equivalent basis) at least 20% of the combined worldwide trading volume in the ADR and in other related ADRs and securities over the three-month period preceding the Selection Date; [(c)](2) [t]he average daily trading volume for the ADR in the U.S. markets over the three-month period preceding the Selection Date is at least 100,000 receipts; and [(c)](3) [t]he daily trading volume for the ADR is at least 60,000 receipts in the U.S. markets on a majority of the trading days for the three-month period preceding the Selection Date; [o]r (d) [t]he Securities and Exchange Commission and Commodity Futures Trading Commission have otherwise authorized the listing.”

Rule 70001.13, or requirement 13, requires that “[t]he Exchange will not list for trading any SFP where the underlying security is a Restructure Security that is not yet issued and outstanding, regardless of whether the Restructure Security is trading on a ‘when issued’ basis or on another basis that is contingent upon the issuance or distribution of securities.”

Maintenance Listing Standards for Single Security Futures—Rule 70002.1 provides that “[t]he Exchange will not open for trading any SFP that is cash settled or physically settled with a new expiration or delivery month, and may prohibit any opening purchase transactions in the SFP already trading, to the extent it deems such action necessary or appropriate, unless the underlying security meets each of” eight (8) maintenance requirements, “provided that, if the underlying security is an ETF Share, TIR or Closed-End Fund Share, the applicable

requirements for initial listing of the related SFP,” as described in Rule 70001, “shall apply in lieu of” the eight maintenance requirements. CME proposes revising the previously adopted Rule 70002.1 to add the language “cash settled” and “expiration” to specify that Chapter 700 will provide for the trading of cash-settled SFPs that are subject to expiration. CME also proposes removing certain misplaced commas from the previously adopted Rule 70002.1. The eight maintenance requirements are as follows:

Rule 70002.1(a), or requirement 1.a, requires that the underlying security “must be registered under Section 12 of the Exchange Act.”

Rule 70002.1(b), or requirement 1.b, requires that “[t]here must be at least 6,300,000 shares or receipts evidencing the underlying security outstanding that are owned by persons other than those who are required to report their security holdings pursuant to Section 16(a) of the Exchange Act.”

Rule 70002.1(c), or requirement 1.c, requires that “[t]here must be at least 1,600 securityholders.”

Rule 70002.1(d), or requirement 1.d, requires that the underlying security “must have had a minimum average daily value of transactions of at least \$200 million for the prior calendar quarter, except where the underlying security has been listed for trading for less than a quarter, in which case the underlying security must have had a minimum average daily value of transactions of at least \$1 billion over the period traded during the calendar quarter.” CME proposes adding this requirement to the previously adopted Rule 70002.1 to more effectively protect against manipulative trading practices. This requirement would replace Rule 70002.1(d) under the previously adopted Rule 70002, which imposed a lower standard for historical trading value. Consequently, CME also proposes removing the interpretation of the previously adopted Rule 70002.1(d) (“Interpretation of Requirement 1.d”).

Rule 70002.1(e), or requirement 1.e, requires that the underlying security’s estimated deliverable supply, as reasonably determined but the Exchange consistent with Appendix A to Part 41 of the CFTC Regulations, must exceed 20 million shares.” CME proposes adding this requirement to the previously adopted Rule 70002.1 to more effectively protect against manipulative trading practices. CME also proposes revising the numbering in Rule 70002 to accommodate this new requirement 1.e.

Rule 70002.1(f), or requirement 1.f, requires that the underlying security “must have a minimum market capitalization of at least \$50 billion.” CME proposes adding this requirement to the previously adopted Rule 70002.1 to more effectively protect against manipulative trading practices. CME also proposes revising the numbering in Rule 70002 to accommodate this new requirement 1.f.

Rule 70002.1(g), or requirement 1.g, requires that “[t]he market price per share or receipt of the underlying security has not closed below \$3.00 on the previous trading day to the Expiration Day of the nearest expiring Contract on the underlying security.” This requirement specifies that “[t]he market price per share of the underlying security will be measured by the closing price reported in the primary market in which the underlying security traded.” Rule 70002 provides an interpretation of this requirement as applied to restructure securities (“Interpretation of Requirement 1.g”). Specifically, “[i]f a Restructure Security is approved for SFP trading under the initial listing standards per Rule 70001, the market price history of the Original Equity Security prior to the commencement of trading in the Restructure Security, including ‘when-issued’ trading, may be taken into account in determining whether this requirement is satisfied.”

Rule 70002.1(h), or requirement 1.h, requires that, “[i]f the underlying security is an ADR and was initially deemed appropriate for SFP trading per Rule 70001.12.b or Rule 70001.12.c., the Exchange will not open for trading SFPs having additional delivery months on the ADR unless: (1) [t]he percentage of worldwide trading volume in the ADR and other related securities that takes place in the U.S. and in markets with which the Exchange has in place effective surveillance sharing agreements for any consecutive three-month period is . . . at least 30%, without regard to the average daily trading volume in the ADR . . . or at least 15% when the average U.S. daily trading volume in the ADR for the previous three months is at least 70,000 receipts; (2) [t]he Exchange has in place an effective surveillance sharing agreement with the primary exchange in the home country where the security underlying the ADR is traded; or (3) [t]he Securities and Exchange Commission and Commodity Futures Trading Commission have otherwise authorized the listing.”

Rule 70002.2 provides that “[t]he Exchange will not open trading in a SFP with a new delivery month unless: (a) [t]he issuer of the underlying security

satisfies applicable Exchange Act reporting requirements, or corrects any failure within 30 days after the date the report was due to be filed; (b) [t]he underlying security is listed on a national securities exchange or is principally traded through the facilities of a national securities association and is designated as an NMS security; and (c) [t]he underlying security is registered under Section 12 of the [Exchange Act], and its issuer is in compliance with applicable requirements of the Exchange Act.” CME proposes revising the numbering in the previously adopted Rule 70002 to correct an error where the numbering was not continued after Rule 70002.1.

Rule 70002.3 provides that, “[i]f prior to the withdrawal from trading of a SFP covering an underlying security that has been found not to meet the Exchange’s requirements for continued approval, the Exchange determines that the underlying security again meets the Exchange’s requirements, the Exchange may open for trading new delivery months in such SFP and may lift any restriction on opening purchase transactions.”

Rule 70002.4 provides that, “[w]henver the Exchange announces that approval of an underlying security has been withdrawn for any reason or that the Exchange has been informed that the issuer of an underlying security has ceased to be in compliance with Exchange Act reporting requirements, each Clearing Member and Exchange Member (as such terms are defined in the Rules of the Exchange as in effect from time to time) shall, prior to effecting any transaction in SFPs with respect to such underlying security for any customer, inform such customer of such fact and that the Exchange may prohibit further transactions in such SFPs as it determines is necessary and appropriate.”

Rulebook Chapter 701 Security Futures Products Adjustments

CME also proposes adopting Rulebook Chapter 701 to set out Rules that specify CME’s response to corporate events and the possible unavailability or inaccuracy of spot values for use as final settlement prices. CME previously adopted Chapter 701 in 2005.⁹ CME now proposes to re-adopt this Chapter in connection with CME’s proposal to offer cash-settled single security futures contracts for

⁹Notice of Filing and Immediate Effectiveness of a Proposed Rules Governing Security Futures Adjustments, Securities Exchange Act Release No. 34-51958 (June 30, 2005), 70 FR 39814 (July 11, 2005).

trading as SFPs, with some non-substantive modifications.

This section describes the generalized Rule framework for Rulebook Chapter 701:

Scope of Chapter 701—Rule 70101 specifies that Rulebook Chapter 701 shall be “limited in application to [SFPs] traded on [CME] where the underlying interest is a single equity security or a narrow-based index.” This rule further provides that “[t]he procedures for clearing, delivery, settlement and other matters not specifically covered herein shall be governed by the Rules of the Exchange.”

Adjustments to Security Futures Products—Rule 70110.1 provides that “[d]eterminations as to whether and how to adjust the terms of Security Futures Products to reflect events affecting underlying interests shall be made by the Clearing House based on its judgment as to what is appropriate for the protection of investors and the public interest, taking into account such factors as fairness to the buyers and sellers of [SFPs] on the underlying interest, the maintenance of a fair and orderly market in futures on the underlying interest, consistency of interpretation and practice, efficiency of settlement of delivery obligations arising from physically-settled [SFPs], and the coordination with other clearing agencies of the clearance and settlement of transactions in the underlying security.” The rule also provides that “[t]he Clearing House may, in addition to determining adjustments to Security Futures Products on a case-by-case basis, adopt interpretations having general application to specified types of events.” The rule specifies that “[e]very determination by the Clearing House in respect of [SFPs] pursuant to [Rule 70110] shall be within the discretion of the Clearing House and shall be conclusive and binding on all investors and not subject to review.” The rule also clarifies that it applies to SFPs “based on single equity securities only.”

Rule 70110.2 provides that “[w]henver there is a dividend, stock dividend, stock distribution, stock split, reverse stock split, rights offering, distribution, reorganization, recapitalization, reclassification or similar event in respect of any underlying security, or a merger, consolidation, dissolution or liquidation of the issuer of any underlying security, the number of [SFP] contracts, the unit of trading, the settlement price and the underlying security, or any of them, with respect to all outstanding [SFPs] open for trading in the underlying security may be adjusted in accordance with [Rule 70110].” The rule also

provides that “[i]f the Clearing House does not learn, or does not learn in a timely manner, of an event for which the Clearing House would have otherwise made an adjustment, the Clearing House shall not be liable for any failure to make such adjustment or delay in making such adjustment.” The rule further provides that “[i]n making any adjustment determination, the Clearing House shall apply the factors set forth in [Rule 70110] in light of the circumstances known to it at the time such determination is made.”

Rule 70110.3 provides that “[i]t shall be the general rule that there will be no adjustments to reflect ordinary cash dividends or distributions or ordinary stock dividends or distributions (collectively, ‘ordinary distributions’) by the issuer of the underlying security.”

Rule 70110.4 provides that, subject to Rule 70110.3, “it shall be the general rule that in the case of a stock dividend, stock distribution or stock split whereby one or more whole numbers of shares of the underlying security are issued with respect to each outstanding share, each SFP contract covering that underlying security shall be increased by the same number of additional SFP contracts as the number of shares issued with respect to each share of the underlying security, the last settlement price established immediately before such event shall be proportionately reduced, and the unit of trading shall remain the same.”

Rule 70110.5 provides that, subject to Rule 70110.3, “it shall be the general rule that in the case of a stock dividend, stock distribution or stock split whereby other than a whole number of shares of the underlying security is issued in respect of each outstanding share, the last settlement price established immediately before such event shall be proportionately reduced, and conversely, in the case of a reverse stock split or combination of shares, the last settlement price established immediately before such event shall be proportionately increased.” Rule 70110.3 also specifies that “[w]henver the settlement price with respect to a stock future has been reduced or increased in accordance with this paragraph, the unit of trading shall be proportionately increased or reduced, as the case may be.”

Rule 70110.6 provides that “[i]t shall be the general rule that in the case of any distribution made with respect to shares of an underlying security, other than ordinary distributions and other than distributions for which adjustments are provided in [Rules 70110.4 or 70110.5], if the Clearing House determines that an adjustment to

the terms of [SFPs] on such underlying security is appropriate, (a) the last settlement price established immediately before such event shall be reduced by the value per share of the distributed property, in which event the unit of trading shall not be adjusted, or alternatively, (b) the unit of trading in effect immediately before such event shall be adjusted so as to include the amount of property distributed with respect to the number of shares of the underlying security represented by the unit of trading in effect prior to such adjustment, in which event the settlement price shall not be adjusted.” Under Rule 70110.6, “[t]he Clearing House shall, with respect to adjustments under [Rule 70110], have the authority to determine the value of distributed property.”

Rule 70110.7 provides that “[i]n the case of any event for which adjustment is not provided in any of the foregoing paragraphs of [Rule 70110], the Clearing House may make such adjustments, if any, with respect to the Security Futures Products affected by such event as the Clearing House determines.”

Rule 70110.8 provides that adjustments shall “become effective in respect of outstanding [SFPs] on the ‘ex-date’ established by the primary market for the underlying security.”

Rule 70110.9 provides that “[i]t shall be the general rule that (a) all adjustments of the settlement price of an outstanding stock future shall be rounded to the nearest adjustment increment, (b) when an adjustment causes a settlement price to be equidistant between two adjustment increments, the settlement price shall be rounded up to the next highest adjustment increment, (c) all adjustments of the unit of trading shall be rounded down to eliminate any fraction, and (d) if the unit of trading is rounded down to eliminate a fraction, the adjusted settlement price shall be further adjusted, to the nearest adjustment increment, to reflect any diminution in the value of the stock future resulting from the elimination of the fraction.”

Rule 70110.10 provides that, “[n]otwithstanding the general rules set forth in [Rules 70110.3 through 70110.9] or which may be set forth as interpretations to [Rule 70110], the Clearing House shall have the power to make exceptions in those cases or groups of cases in which, in applying the standards set forth in [Rule 70110.1], the Clearing House shall determine such exceptions to be appropriate.” This provision clarifies, however, that “the general rules [in Rules 70110.3 through 70110.9] shall be applied unless the

Clearing House affirmatively determines to make an exception in a particular case or group of cases.”

Rule 70110 provides an interpretation of the rule (“Interpretation to Rule 70110”). The interpretation specifies that “[c]ash dividends or distributions by the issuer of the underlying security that the Clearing House believes to have been declared pursuant to a policy or practice of paying such dividends or distributions on a quarterly or other regular basis, will, as a general rule, be deemed to be ‘ordinary distributions’ within the meaning of [Rule 70110.3].” The interpretation also provides that “[t]he Clearing House will determine on a case-by-case basis whether other dividends or distributions are ‘ordinary distributions’ or whether they are dividends or distributions for which an adjustment should be made.”

The Interpretation to Rule 70110 further provides that “[s]tock dividends or distributions by the issuer of the underlying security that the Clearing House believes to have been declared pursuant to a policy or practice of paying such dividends or distributions on a quarterly basis will, as a general rule, be deemed to be ‘ordinary distributions’ within the meaning of [Rule 70110.3].” The interpretation also provides that “[t]he Clearing House will ordinarily adjust for other stock dividends and distributions.” The interpretation clarifies that “[w]here the Clearing House determines to adjust for a cash or stock dividend or distribution, the adjustment shall be made in accordance with the applicable provisions of [Rule 70110].”

The Interpretation to Rule 70110 also provides that “[a]djustments will ordinarily be made for rights distributions, except as provided below [in this interpretation] in the case of certain ‘poison pill’ rights.” The interpretation further provides that “[w]hen an adjustment is made for a rights distribution, the unit of trading in effect immediately prior to the distribution will ordinarily be adjusted to include the number of rights distributed with respect to the number of shares or other units of the underlying security comprising the unit of trading.” The interpretation clarifies that if “the Clearing House determines that the rights are due to expire before the time they could be exercised upon delivery under the futures contract, then delivery of the rights will not be required.” In that scenario, the Clearing House will instead “ordinarily adjust the last settlement price established before the rights expire to reflect the value, if any, of the rights as determined by the Clearing House in its sole

discretion.” The interpretation provides that “[a]djustments will not ordinarily be made to reflect the issuance of so-called ‘poison pill’ rights that are not immediately exercisable, trade as a unit or automatically with the underlying security, and may be redeemed by the issuer.” The interpretation clarifies that “[i]n the event such rights become exercisable, being able to trade separately from the underlying security, or are redeemed, the Clearing House will determine whether an adjustment is appropriate.”

The Interpretation to Rule 70110 further provides that “[a]djustments will not be made to reflect a tender offer or exchange offer to the holders of the underlying security, whether such offer is made by the issuer of the underlying security or by a third person or whether the offer is for cash, securities or other property.” The interpretation clarifies that “[t]his policy will apply without regard to whether the price of the underlying security may be favorably or adversely affected by the offer or whether the offer may be deemed to be ‘coercive.’” The interpretation also provides that “[o]utstanding [SFPs] ordinarily will be adjusted to reflect a merger, consolidation or similar event that becomes effective following the completion of a tender offer or exchange offer.”

The Interpretation to Rule 70110 further provides that “[a]djustments will not be made to reflect changes in the capital structure of an issuer where all of the underlying securities outstanding in the hands of the public (other than dissenters’ shares) are not changed into another security, cash or other property.” The interpretation provides an example wherein “adjustments will not be made merely to reflect the issuance (except as a distribution on an underlying security) of new or additional debt, stock, or options, warrants or other securities convertible into or exercisable for the underlying security, the refinancing of the issuer’s outstanding debt, the repurchase by the issuer of less than all of the underlying securities outstanding, or the sale by the issuer of significant capital assets.”

The Interpretation to Rule 70110 further provides that “[w]hen an underlying security is converted into a right to receive a fixed amount of cash, such as in a merger, outstanding [SFPs] will be adjusted to replace such underlying security with such fixed amount of cash as the underlying interest, and the unit of trading shall remain unchanged.”

The Interpretation to Rule 70110 further provides that “[i]n the case of a corporate reorganization,

reincorporation or similar occurrence by the issuer of an underlying security which results in an automatic share-for-share exchange of shares in the issuer for shares in the resulting company, [SFPs] on the underlying security will ordinarily be adjusted by replacing such underlying security with a like number of units of the shares of the resulting company.” The interpretation clarifies that “[b]ecause the securities are generally exchanged only on the books of the issuer and the resulting company, and are not generally exchanged physically, deliverable shares will ordinarily include certificates that are denominated on their face as shares in the original issuer, but which, as a result of the corporate transaction, represent shares in the resulting company.”

The Interpretation to Rule 70110 further provides that “[w]hen an underlying security is converted in whole or in part into a debt security and/or a preferred stock, as in a merger, and interest or dividends on such debt security or preferred stock are payable in the form of additional units thereof, outstanding [SFPs] that have been adjusted by replacing the original underlying security with the security into which the original underlying security has been converted shall be further adjusted, effective as of the ex-date for each payment of interest or dividends thereon, by increasing the unit of trading by the number of units of the new underlying security distributed as interest or dividends thereon.”

The Interpretation to Rule 70110 further provides that, “[n]otwithstanding this Interpretation of Rule 70110, distributions of short-term and long-term capital gains in respect of stock fund shares by the issuer thereof shall not, as a general rule, be deemed to be ‘ordinary dividends or distributions’ within the meaning of [Rule 70110.3], and adjustments of the terms of [SFPs] on such stock fund shares for such distributions shall be made in accordance with applicable provisions of Rule 70110, unless the Clearing House determines, on a case-by-case basis, not to adjust for such a distribution.”

Finally, the Interpretation to Rule 70110 provides that “[i]n the event that a new series of Security Futures Products is introduced with a settlement price expressed in decimals and there is an outstanding series of [SFPs] on the same underlying security with a settlement price expressed as a fraction that could be expressed in whole cents, the Clearing House may restate the settlement price of the outstanding series as its equivalent decimal price.”

The interpretation specifies that “[i]f the settlement price for the outstanding series is a fraction that cannot be expressed in whole cents, the settlement price may not be restated as a decimal.”

Unavailability or Inaccuracy of Final Settlement Price—Rule 70120.1

provides that if the Clearing House determines “that the primary market(s) for the underlying security in respect of a maturing stock future did not open or remain open for trading at or before the time when the final settlement price for such futures would ordinarily be determined, or that the price or other value used to determine the final settlement price is unreported or otherwise unavailable, then, in addition to any other actions that the Clearing House may be entitled to take under the Rules, the Clearing House shall be empowered to do any or all of the following with respect to maturing futures affected by such event (‘affected futures’)[.]” First, “[t]he Clearing House may suspend the time for making the final variation payment with respect to affected futures and, in the case of physically-settled Security Futures Products, may postpone the delivery date.” “At such time as the Clearing House determines that the required price or other value is available or the Clearing House has fixed the final settlement price pursuant to [either of the two subparagraphs of Rule 70120.1], the Clearing House shall fix a new date for making the final variation payment and may fix a new delivery date for physically-settled [SFPs].” Second, “[t]he Clearing House may fix the final settlement price for affected futures, based on its judgment as to what is appropriate for the protection of investors and the public interest, taking into account such factors as fairness to buyers and sellers of affected futures, the maintenance of a fair and orderly market in such futures, and consistency of interpretation and practice.”

“Without limiting the generality of the foregoing, the Clearing House may, if it deems such action appropriate for the protection of investors and the public interest, fix the final settlement price on the basis of the reported price of the underlying security or reported level of the underlying index at the close of regular trading hours (as determined by the Clearing House) on the last preceding trading day for which a closing stock price or index level was reported by the reporting authority.”

Rule 70120.2 provides that “[t]he Clearing House may fix the final settlement price for affected futures using the opening prices of the relevant security or securities when the primary market(s) reopen.” In such a scenario,

“the date for making the final variation payment for the affected futures shall be postponed until the business day next following the day on which the final settlement price is fixed; and, in the case of physically-settled Security Futures Products, the delivery date shall also be postponed accordingly.”

Rule 70120.3 provides that “[e]very determination of the Clearing House pursuant to this Rule shall be within the discretion of the Clearing House and shall be conclusive and binding on all investors and not subject to review.” The rule further provides that, “[u]nless the Clearing House directs otherwise, the price of an underlying security and the current index value of an underlying index as initially reported by the relevant reporting authority shall be conclusively presumed to be accurate and shall be deemed final for the purpose of determining settlement prices and the final settlement price, even if such price or value is subsequently revised or determined to have been inaccurate.”

Rule 70120 provides an interpretation of the rule (“Interpretation to Rule 70120”). This interpretation provides that “[t]he Clearing House will not adjust officially reported stock prices for final settlement purposes, even if those prices or values are subsequently found to have been erroneous, except in extraordinary circumstances.” The interpretation provides an example of where such circumstances might be found to exist, that is where “the closing price or current index value as initially reported is clearly erroneous and inconsistent with prices or values reported earlier in the same trading day, and a corrected closing price or current index value is promptly announced by the reporting authority.” The interpretation clarifies that “[i]n no event will a completed settlement be adjusted due to errors in officially reported stock prices or current index values.”

CME also proposes adopting Rulebook Chapter 711 to set out Rules that more specifically apply to listing cash-settled futures on individual equity securities. The Rule Amendments are modeled after CME’s existing Rulebook Chapter 710, governing the trading of “Physically Delivered Single Security Futures.”

Rulebook Chapter 711 Cash-Settled Single Stock Security Futures

This section describes the generalized Rule framework proposed to govern the listing of such cash-settled futures contracts in Rulebook Chapter 711:

Scope of Chapter 711—Rule 71100 specifies that the rulebook chapter shall

be “limited in application to contract specifications applied to a security futures contract that provides for cash settlement at final settlement in reference to an individual equity security (each, a ‘Cash-Settled Single Stock Security Future’).” This rule further provides that “[a] contract is eligible to be listed as a Cash-Settled Single Stock Security Futures contract if it meets the initial listing standards set out in Exchange Rule 70001 and the maintenance listing standards set out in Exchange Rule 70002.” These listing standards are summarized below. Rule 71100.A provides that a “Primary Listing Exchange” shall be as defined in the “plan to Address Extraordinary Market Volatility Submitted to the Securities and Exchange Commission Pursuant to Rule 608 of Regulation NMS Under the Securities Exchange Act of 1934.” Rule 71100.B provides that a “Regulatory Halt” shall be as defined in the “Plan to Address Extraordinary Market Volatility Submitted to the Securities and Exchange Commission Pursuant to Rule 608 of Regulation NMS Under the Securities Exchange Act of 1934,” and as implemented under New York Stock Exchange Rule 7.12 for Trading Halts Due to Extraordinary Volatility or under Nasdaq Stock Market Rule 4121 for Trading Halts Due to Extraordinary Volatility.

Contract Specifications—Rule 71101 provides the contract specifications for Cash-Settled Single Stock Security Futures contracts.

Contract Size—Rule 71101.A., Trading Unit, specifies that “One Cash-Settled Single Stock Security Futures contract represents 100 shares or 10 shares of the underlying security, as specified by the Exchange for a specific contract, subject to potential adjustment as provided in the Chapter 700 Rules.”

Quotation Specification—Rule 71101.B., Price Increments, provides that the “minimum price fluctuation for each Cash-Settled Single Stock Security Futures shall be equivalent to 0.01 points, or \$1.00 per tick.” This provision is consistent with provisions associated with other SFPs that have been listed for trading. Further, a penny tick matches practices in the underlying security markets.

Trading Schedule—Rule 71101.C., Trading Schedule, provides that “Cash-Settled Single Stock Security Futures contracts may be traded during such hours and for such expiration months as determined by the Exchange.” CME proposes to allow trading of Cash-Settled Single Stock Security Futures during the same hours that trading is allowed on CME’s equity index futures. Specifically, Cash-Settled Single Stock

Security Futures will trade from 5:00 p.m. CT previous day to 4:00 p.m. CT, Monday through Friday. The products will not be traded during holidays and other periods when the underlying markets for the securities are not open. With respect to the trading schedule, the rule provides that CME will limit expiration months listed for trading to the nearest three quarters out at the time of listing.

Termination of Trading—Rule 71101.D.1, Cash-Settled Single Stock Security Futures, provides that “[a]ll trading in a particular Cash-Settled Single Stock Security Future contract shall terminate at 3:00 p.m. Central Prevailing Time (‘CPT’) on the third Friday of the contract month, unless otherwise noted.”

Further, Rule 71101.D.2., Unscheduled Market Holiday, provides that “[n]otwithstanding the aforementioned, if the primary listing exchange is closed in observance of an unscheduled market holiday on a day previously scheduled as a Business Day on which trading in the Cash-Settled Single Stock Security Future would terminate, then trading in Cash-Settled Single Stock Security Futures that had been scheduled to terminate on such day shall terminate on the Business Day immediately preceding such unscheduled market holiday.”

Position Limits—Rule 71101.E., Position Limits, provides that CME will set out the position limits and/or accountability levels in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5. It further provides that position limits are set at 200,000 contracts in the context of 100 share contracts, or the equivalent thereto for contracts listed in another size.

The Rule also sets out standards CME will apply for setting position limit levels, which the foregoing levels meet, should CME decide to set position limits at a different level for a particular contract. Specifically, it provides that that CME will apply position limits in accordance with CFTC Regulation § 41.25(b)(3), elaborating that “Cash-Settled Single Stock Security Futures limits will be set no greater than the equivalent of 12.5 percent of the estimated deliverable supply of the underlying security for securities exceeding 20 million shares in estimated deliverable supply and no greater than 25,000 contracts for securities at or below 20 million shares in estimated deliverable supply. Limits will be effective during the last three trading days of an expiring contract month.”

The Rule also provides that “[i]f a position exceeds position limits as a result of a security futures product adjustment, in accordance with Rule 701, such position shall not constitute a position limit violation.” The Rule further requires that “[a] person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.”

As noted, position limit levels are determined by reference to CFTC Regulation § 41.25(b)(3), which prescribes standards for imposing position limits based on the estimated deliverable supply of the underlying security or position accountability in lieu of position limits based on total trading volume in the security over the prior six (6) months and the deliverable supply of shares outstanding. As applicable, CME will also follow the guidance in Appendix A to Subpart C of Part 41—Guidance on and Acceptable Practices for Position Limits and Position Accountability for Security Futures Products.

CME’s Rulebook also contains Rule 559, Position Limits and Exemptions, and Rule 560, Position Accountability. Rule 559 generally governs how position limits adopted by the Exchange for any products listed by the Exchange apply to market participants with respect to aggregation of positions they hold or control and exemptions from position limits where they apply. Rule 560 generally governs position accountability requirements for market participants who own or control positions in excess of reportable levels or who hold substantial positions in contracts traded on the Exchange or cleared by the Clearing House. As noted, the Exchange may impose position accountability in accordance with the requirements of CFTC Regulation § 41.25(b)(3)(i)(B).¹⁰ The requisites for imposing position accountability under this Regulation include that the six-month total trading volume in the underlying security exceeds 2.5 billion shares and that the underlying security have more than 40 million shares of estimated deliverable supply.¹¹ Consequently, only the most liquid securities could potentially satisfy these requirements.

Price Limits and Trading Halts—Rule 71101.F., Price Limits and Trading Halts, provides that “[t]here is no daily price limit for Cash-Settled Single Stock

Security Futures contracts.” However, “[t]rading of Cash-Settled Single Stock Security Futures shall be halted at all times that a Regulatory Halt, as defined per SEC Rule 6h–1(a)(3) and CFTC Regulation § 41.1(I), has been instituted for the underlying security.” The rule also provides that “[d]uring times when the primary market is not open for trading, the contract shall also be subject to dynamic price fluctuation limits as set forth in Rule 589.D. and in the Special Price Fluctuation Limits and Daily Price Limits Table in the Interpretations & Special Notices Section of Chapter 5.” Rule 71101.F. is adopted consistent with the prescriptions of CFTC Regulation § 41.25(b)(2)(i) and SEC Rule 6h–1(a)(3).¹² Rule 71101.F. also provides that “[t]here shall be no trading of Cash-Settled Security Futures when the trading in the lead month of S&P 500 Stock Index Futures is locked in limits at 7%, restricted as set forth per Rule 35802.I.1 and Rule 35802.I.5.”

Settlement Price—Rule 71102 provides guidelines for determining Daily and Final Settlement Prices for Cash-Settled Single Stock Security Futures contracts.

Daily Settlement Price—Rule 71102.A., Daily Settlement Price, provides that, “[e]xcept for the last day of trading on an expiring contract, daily settlement prices shall be determined per Rule 813.” For the lead month contract, the daily settlement price shall be determined using the Volume-Weighted Average Price (VWAP) of the settlement period. If there is no trading in the contract during the settlement period, the Exchange shall use the Bid/Ask Midpoint at the settlement or during the settlement period. As a fallback provision, the Exchange may determine the settlement price based on other market prices, including closing prices for the relevant underlying security on its primary listing exchange. For all months other than the lead contract month, relevant spread relationships between the lead contract month will be used to derive the settlement.

Final Settlement Price—Rule 71102.B., Final Settlement Price, provides that, “[f]or the last day of trading of an expiring contract, the Final Settlement Price is the official closing price for the underlying security published by the primary listing exchange for the security for that day, unless the Final Settlement Price is fixed in accordance with Rule 70120.” The rule further provides that, “[i]n the case that the market for the underlying

¹⁰ 17 CFR 41.25(b)(3)(i)(B).

¹¹ Id.

¹² 17 CFR 240.6h–1(a)(3).

security closes without any trading activity that would permit the calculation of the Final Settlement Price, then such Final Settlement Price will be equal to the opening price for the underlying security on the primary listing exchange on the immediately following Business Day.” Finally, the rule provides that, “[i]n the event that the trading of a stock is halted and remains halted at the close of business at its primary listing exchange on the day of termination of trading of the corresponding Cash-Settled Single Stock Security Futures contract, or the official closing price of the stock is otherwise not publishable or published by its primary listing exchange on the day of termination of trading of the corresponding Cash-Settled Single Stock Security Futures contract, and therefore, CME cannot determine the contract’s Settlement Price, then CME may in its discretion defer or postpone determination of the Final Settlement Price to the next day on which the underlying stock is trading and set the Final Settlement Price taking into account the opening prices or prices upon the resumption of trading for the underlying stock on the primary listing exchange.”¹³

Final Settlement—Rule 71103 states “[c]learing members holding open positions in an expiring Cash-Settled Single Stock Security Futures contract at its termination of trading (Rule 71101.D.) shall make payment to or receive payment from the Clearing House in accordance with normal variation margin procedures based on such expiring contract’s Final Settlement Price (Rule 71102.B.).”

Approved Securities—Rule 71104 refers to a hyperlink provided at the end of the chapter to a table that list securities approved as the subject of Cash-Settled Single Stock Security Futures contracts.

Trading Prohibition—Rule 71105 states that “[a]ny person who is a director or officer, subject to Section 16 of the Securities Exchange Act of 1934 as amended from time to time, of a corporation that is the issuer of a security underlying a Cash-Settled Single Stock Security Futures contract”

and “[a]ny person who is in possession of material non-public information regarding a corporation that is the issuer of a security underlying a Cash-Settled Single Stock Security Futures contract” are prohibited from trading in Cash-Settled Single Stock Security Futures contracts.

Basis Trade at Index Close (“BTIC”) Transactions—Pursuant to Rule 524.B., CME may permit a transaction type referred to as a Basis Trade at Index Close (“BTIC”), for designated futures contracts it lists for trading. A BTIC transaction is a futures transaction that is priced with reference to the closing level of the futures contract’s underlying value.¹⁴ Rule 71106 provides for BTIC transactions. Rule 71106.A., regarding BTIC Block Trade Requirements, states that “BTIC block trades must be executed in accordance with the requirements of Rule 524.B.,” and that “[f]or a BTIC or BTIC block trade executed on a given Trading Day on or before the scheduled close of the Primary Listing Exchange, the corresponding futures price shall be made by reference to the stock closing value for the current Trading Day.” The Rule further provides that “[f]or a BTIC or BTIC block trade that is executed on a given Trading Day after the scheduled close of the Primary Listing Exchange, the corresponding futures price shall be made by reference to the stock closing value for the next Trading Day.” Rule 71106.B provides that “[t]he price assignment procedures for BTIC transactions shall follow Rule 524.B.3.” Rule 71106.C provides that “[t]he valid basis or price increment applied to the stock closing value to establish the BTIC futures price must be stated in full tick increments of \$0.01 per share.” Rule 71106.D provides that “[i]n the event of a market disruption in the Primary Listing Exchange, all pending and executed BTIC transactions in the corresponding futures contract shall be cancelled by the Exchange.” The Rule further provides that “[s]uch disruption shall be declared by the Exchange in its sole discretion, and may include, without limitation, an unscheduled early close of the Primary Listing Exchange, if the trading in the stock has been halted prior to the close of trading at the Primary Listing Exchanges and has not resumed trading prior to the close of trading and if the closing price cannot be otherwise established or a NYSE Rule 7.12 trading halt declared in

response to a Level 3 (20%) decline in the S&P 500 Index that necessitates an early close of the Primary Listing Exchange.” Pursuant to Rule 71106.E, BTIC transactions will not be permitted on the last day of trading on an expiring BTIC-eligible contract.

Compliance with Listing Standards—As noted, Rule 70001 provides that a contract must meet the initial listing standards set out in Exchange Rule 70001 to be listed as a Cash-Settled Single Stock Security Futures contract (and must thereafter meet the maintenance listing standards in Exchange Rule 70002 for continued listing). More specifically, to attain initial eligibility for listing, the security underlying a contract must meet certain requirements with respect to activity and issue size as discussed below:

- Per Rule 70001.4, “[t]here must be at least seven million shares or receipts evidencing the underlying security outstanding that are owned by persons other than those required to report their security holdings pursuant to Section 16(a) of the Exchange Act.”
- Per new Rule 70001.5, the underlying security’s “estimated deliverable supply, as reasonably determined by the Exchange consistent with Appendix A to Part 41 of the CFTC Regulations, must exceed 20 million shares.”
- Per new Rule 70001.6, the underlying security “must have a minimum market capitalization of at least \$100 billion.”
- Per new Rule 70001.7, the underlying security “must have had a minimum average daily value of transactions of at least \$450 million over the prior six months, except where the underlying security has been listed for trading for less than six months, in which case the underlying security must have had a minimum average daily value of transactions of at least \$1 billion over the prior month.”
- Per Rule 70001.10 (as revised in its numbering to accommodate new Rules 70001.5, 70001.6, and 70001.7), “the market price per share of the underlying security has been at least \$3.00 for the previous five consecutive business days preceding the date on which the Exchange commences to list and trade the Security Futures Product on said underlying security.”

As noted, Rule 70002 provides that, to maintain eligibility for listing a security must comply with certain requirements with respect to activity and issue size as discussed below:

- Per Rule 70002.1.b, “[t]here must be at least 6,300,000 shares or receipts evidencing the underlying security outstanding that are owned by persons

¹³ CME has separately submitted a request to the Commission for exemption from the requirement of SEC Rule 240.6h–1(b)(1) that the final settlement price for a cash-settled security futures contract should reflect the opening price for the underlying security on the last trading day, to enable CME to use the official closing price for the security instead, as that approach better insulates the contracts from being susceptible to manipulation and is preferable for other reasons. CME has also submitted a parallel request to the CFTC for exemption from its counterpart requirement in CFTC Regulation § 41.25(c)(1).

¹⁴ The Rule uses the term “underlying cash index” to refer to the underlying value. Another type of BTIC transaction permitted under Rule 524.B., not relevant here, is when the futures transaction is priced with reference to the closing level of a related index.

other than those who are required to report their security holdings pursuant to Section 16(a) of the Exchange Act.”

- Per Rule 70002.1.c, “[t]here must be at least 1,600 securityholders.”

- Per new Rule 70002.1.d, the underlying security “must have had a minimum average daily value of transactions of at least \$200 million for the prior calendar quarter, except where the underlying security has been listed for trading for less than a quarter, in which case the underlying security must have had a minimum average daily value of transactions of at least \$1 billion over the period traded during the calendar quarter.”

- Per new Rule 70002.1.e, the underlying security’s “estimated deliverable supply, as reasonably determined but the Exchange consistent with Appendix A to Part 41 of the CFTC Regulations, must exceed 20 million shares.”

- Per new Rule 70002.1.f, the underlying security “must have a minimum market capitalization of at least \$50 billion.”

The text of the proposed Rule Amendments is set forth in the attached Exhibit 4 and provided in blackline format—proposed new language is *underlined*; and proposed deletions are in [brackets].

2. Statutory Basis

Section 6(h)(3) of the Act¹⁵ contains listing standards and conditions for trading SFPs. The Exchange believes that the proposed amendments to Chapter 700 and adoption of Chapter 711 are consistent with Section 6(h)(3), and that they are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general to protect investors and the public interest, because:

- CME has established and shall monitor and enforce compliance with the rules of the contracts, including the listing standards for SFPs.

- The proposed listing standards require a liquid underlying market for any Cash-Settled Single Stock Security Futures contracts the Exchange will list for trading, and therefore the proposed contracts are not readily susceptible to manipulation. Specifically, CME’s proposed additions to Chapter 700 include requiring that the underlying security for each SFP must exceed 20 million shares in estimated deliverable supply (Rule 70001.5), have a minimum market capitalization of at least \$100 billion (Rule 70001.6), and have had a minimum ADVT of at least \$450 million

over the prior six months (with a higher ADVT requirement for securities with less than six months trading history) (Rule 70001.7). Indeed, CME initially intends to list Cash-Settled Single Stock Security Futures on the most highly liquid securities as measured by ADVT. Pursuant to Rule 70002.1, CME will not list for trading any single equity security futures with a new expiration or delivery month if the underlying security does not meet the maintenance listing standard requirements established under the rule. Under the maintenance standards, the minimum ADVT under Rule 70002.1.d is at least \$200 million for the prior calendar quarter (with a higher ADVT requirement for securities with less than one quarter trading history); Rule 70002.1.e is the same as Rule 70001.5; and the minimum market capitalization requirement of at least \$100 billion in Rule 70001.6 is reduced to \$50 billion in Rule 70002.1.f. In any case, the proposed listing standards assure a robust market for the underlying security to protect against manipulation. In this regard, CME has carefully structured the initial listing standards to assure that the contracts it will list at a minimum meet the more stringent requirements for CME to have the flexibility allowed under CFTC Regulation § 41.25(b)(3)(i)(A) to set positions limits as a percentage of the security’s estimated deliverable supply.

- Trading in the Cash-Settled Single Stock Security Futures 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 new product listed for trading on CME or on any other designated contract market owned by CME Group Inc. (“CME Group”), trading activity in the contracts proposed herein will be subject to monitoring and surveillance by CME Group’s Market Regulation Department.

- Pursuant to CME Rule 71101.E., CME will establish speculative position limits and/or accountability levels for any Cash-Settled Single Stock Security Futures contracts it lists pursuant to the Rule Amendments as required by and consistent with CFTC Regulation § 41.25(b)(3) and the CFTC’s guidance in Appendix A to Subpart C of Part 41—Guidance on and Acceptable Practices for Position Limits and Position Accountability for Security Futures Products.

- Transactions in the Cash-Settled Single Stock Security Futures contracts will be cleared by the Clearing House division of CME in CME’s capacity as a registered derivatives clearing

organization with the CFTC and are subject to all CFTC regulations related to clearing of futures.

- The Cash-Settled Single Stock Security Futures contracts will be listed for trading on the CME Globex electronic trading platform, which provides for competitive and open execution of transactions. Eligible participants may also execute and submit block trades in the contracts pursuant to and in accordance with CME Rule 526.

- The Globex platform and related CME systems will capture requisite trade information for the Cash-Settled Single Stock Security Futures contracts, which will ensure that the audit trail and the audit trail data for trading of the contracts will be sufficient for the Market Regulation Department to monitor for potential market abuse.

- CME Rulebook Chapters 4 and 5 contain multiple prohibitions precluding intermediaries from disadvantaging their customers. These rules apply to trading on all the Exchange’s competitive venues and will apply to transactions in the Cash-Settled Single Stock Security Futures contracts.

- Chapter 4 of the Rulebook also contains provisions that allow the Exchange to discipline, suspend or expel members or market participants that violate any applicable Rules of the Exchange. Trading in the Cash-Settled Single Stock Security Futures contracts will be subject to Chapter 4, and the Market Regulation Department has the authority to exercise its enforcement power in the event rule violations in these contracts are identified.

- Market participants may use the arbitration provisions set forth in Chapter 6 of the CME Rulebook to settle disputes with respect to trading of the Cash-Settled Single Stock Security Futures contracts.

- The Exchange will publish information regarding trading volume, open interest and price information daily on its website and through quote vendors for the Cash-Settled Single Stock Security Futures contracts.

- The Exchange will amend the CME Rulebook accordingly on the effective date, which will be publicly available on the CME Group website, to reflect the changes that will be made to the listing standards rules to cover Cash-Settled Single Stock Security Futures contracts. In addition, the Exchange will publish a Special Executive Report (“SER”) to inform the marketplace of the Rule Amendments. The SER will also be posted on the CME Group website.

Below is a summary of each requirement or condition under Section 6(h)(3) of the Act, followed by a brief

¹⁵ 15 U.S.C. 78f(h)(3).

explanation of how CME would comply with it, whether by particular provisions in CME's listing standards or otherwise.

Clause (A) of Section 6(h)(3) of the Act¹⁶ requires that any security underlying a SFP be registered pursuant to Section 12 of the Act.¹⁷ This requirement is addressed by CME Rules 70001.2, 70002.1.a., 70003.2.b, and 70004.2.a.

Clause (B) of Section 6(h)(3) of the Act¹⁸ is applicable only to physically delivered security futures products and is therefore not germane to the proposed products.

Clause (C) of Section 6(h)(3) of the Act¹⁹ provides that listing standards for SFPs must be no less restrictive than comparable listing standards for options traded on a national securities exchange or national securities association registered pursuant to Section 15A(a) of the Act.²⁰ CME believes that the listing standards proposed by CME for Cash-Settled Single Stock Security Futures are no less restrictive than comparable listing standards for exchange-traded options.

Clause (D) of Section 6(h)(3) of the Act²¹ requires that each SFP be based on common stock or such other equity securities as the Commission and CFTC jointly determine are appropriate. This requirement is addressed by CME Rules 70001.1 and 70002.1.

Clause (E) of Section 6(h)(3) of the Act²² imposes requirements with respect to linkages and coordinated clearing across clearing agencies that clear SFPs. This provision is inapplicable. The SEC and CFTC have not adopted rules implementing this part of the statute and no other clearing house currently clears the Cash-Settled Single Stock Security Futures contracts that CME proposes to list or any other SFPs.

Clause (F) of Section 6(h)(3) of the Act²³ requires that only a broker or dealer subject to suitability rules comparable to those of a national securities association registered pursuant to Section 15A(a) of the Act²⁴ effect transactions in a SFP. An intermediary acting on behalf of customers trading SFPs must be registered with the CFTC as a futures commission merchant ("FCM") and

registered or notice registered with the SEC as a broker-dealer. Any such intermediary that is fully registered as a broker-dealer will be a member of FINRA, which is a national securities exchange registered pursuant to Section 15A(a) of the Act, and will thus be subject to FINRA's suitability rules. In addition, the intermediary, as a registered FCM, must also be a member of the National Futures Association ("NFA"), which is a registered futures association under the CEA and thus will also be subject to the suitability and sales practice rules of NFA, which are comparable to those of FINRA.²⁵

Clause (G) of Section 6(h)(3) of the Act²⁶ requires that each SFP be subject to the prohibition against dual trading in Section 4j of CEA.²⁷ The Exchange does not contain a rule prohibiting dual trading as this provision is inapplicable to our circumstances. First, trading of Cash-Settled Single Stock Security Futures will occur on an electronic trading platform, Globex, and not on a trading floor and CME thus does not have floor brokers.

Second, with respect to electronic trading, the prohibition of dual trading in SFPs per Regulation § 41.27²⁸ adopted pursuant to Section 4j(a) of the CEA²⁹ applies to a contract market operating an electronic trading system only if such market provides participants with a time or place advantage or the ability to override a predetermined matching algorithm. The Exchange intends to offer SFPs on CME on its CME Globex electronic trading platform, where these features are not present.

Clause (H) of Section 6(h)(3) of the Act³⁰ provides that trading in a SFP must not be readily susceptible to manipulation of the price of such SFP, nor to causing or being used in the manipulation of the price of any underlying security, option on such security, or option on a group or index including such securities. CME believes that its listing standards are designed to ensure that CME SFPs and the underlying securities would not be readily susceptible to price manipulation. In particular, CME's revised listing standards for SFPs require that the estimated deliverable supply for each underlying security must exceed 20 million shares (Rule 70001.5), have a minimum market capitalization of at least \$100 billion

(Rule 70001.6), and have had a minimum ADVT of at least \$450 million over the prior six months (with a higher ADVT requirement for securities with less than six months trading history) (70001.7). Further, CME intends initially to list Cash-Settled Single Stock Security Futures on the most highly liquid securities as measured by ADVT. Pursuant to Rule 70002.1, CME will not list for trading any single equity security futures with a new expiration or delivery month if the underlying security does not meet the maintenance listing standard requirements established under the rule. Under the maintenance standards, the minimum ADVT under Rule 70002.1.g is at least \$200 million for the prior calendar quarter (with a higher ADVT requirement for securities with less than one quarter trading history); Rule 70002.1.e is the same as Rule 70001.5; and the minimum market capitalization requirement of at least \$100 billion in Rule 70001.6 is reduced to \$50 billion in Rule 70002.1.f. These listing standards are also the basis for establishing position limits based on a percentage of the estimated deliverable supply in accordance with CFTC Regulation § 41.25(b)(3)(i), which will assure the position limits are appropriately calibrated to protect against manipulation.³¹

In addition, as an overlay, CME Rule 432 provides that any activity "to engage in, or attempt to engage in, the manipulation of prices of Exchange futures or options contracts; to corner or squeeze, or attempt to corner or squeeze, the underlying cash market; to intentionally or recklessly use or employ, or attempt to use or employ, any manipulative device, scheme, or artifice to defraud; or to purchase or sell, or offer to purchase or sell Exchange futures or options contracts, or any underlying commodities or securities, for the purpose of upsetting the equilibrium of the market or creating a condition in which prices do not or will not reflect fair market values" is a "general offense." CME Rule 402.B. spells out the disciplinary capabilities of the Exchange which include, but are not limited to, expulsion, suspension, disgorgement, and/or a fine of not more than \$5 million per violation.

³¹ In the unique (and likely rare) circumstance where the estimated deliverable supply of an underlying security falls to or below 20 million shares, if CME continues listing the contract it will adjust the position limit in accordance with § 41.25, including § 41.25(b)(3)(i), which requires the limit to be set no higher than 25,000 contracts.

¹⁶ 15 U.S.C. 78f(h)(3)(A).

¹⁷ 15 U.S.C. 78l.

¹⁸ 15 U.S.C. 78f(h)(3)(B).

¹⁹ 15 U.S.C. 78f(h)(3)(C).

²⁰ 15 U.S.C. 78o-3(a). The listing standards are also consistent with the sample listing standards published in SLB 15, *supra* note 6.

²¹ 15 U.S.C. 78f(h)(3)(D).

²² 15 U.S.C. 78f(h)(3)(E).

²³ 15 U.S.C. 78f(h)(3)(F).

²⁴ 15 U.S.C. 78o-3(a).

²⁵ *Id.*

²⁶ 15 U.S.C. 78f(h)(3)(G).

²⁷ 7 U.S.C. 6j.

²⁸ 17 CFR 41.27.

²⁹ 7 U.S.C. 6j(a).

³⁰ 15 U.S.C. 78f(h)(3)(H).

Clause (I) of Section 6(h)(3) of the Act³² requires that procedures be in place for coordinated surveillance among the market on which a SFP is traded, any market on which any security underlying the SFP is traded, and other markets on which any related security is traded to detect manipulation and insider trading. The Exchange has procedures in place for coordinated surveillance consistent with these requirements. In particular, CME and the markets on which the underlying securities are traded are members of the Intermarket Surveillance Group (“ISG”). One purpose of the ISG is the coordination and development of programs and procedures that are designed to assist in identifying abusive practices across markets, where possible. An information sharing agreement between the ISG members allows for the routine exchange of information or documents for coordinated market surveillance purposes. Finally, CME Rule 414 permits CME to enter into agreements for the exchange of information and other forms of mutual assistance with domestic or foreign self-regulatory organizations, associations, boards of trade, and their respective regulators.

Clause (J) of Section 6(h)(3) of the Act³³ requires that the market on which the security futures product is traded has in place audit trails necessary or appropriate to facilitate the coordinated surveillance required in subparagraph (I), as discussed above. The Exchange relies on its Market Regulation Department to perform surveillance of listed contracts. The Market Regulation Department maintains an exceptionally detailed and robust suite of proprietary automated surveillance technologies that leverage a mix of both high-performance, on-premises databases and multi-region, cloud-hosted, elastic-capacity datastores to process, store, and analyze datasets that contain daily order and trade messages timestamped to the nanosecond, cleared trades and allocations, positions, as well as other referential data, which includes news feeds, street events, and corporate events (*i.e.*, the audit trail). The Exchange’s Globex system will capture audit trail data for trading of Cash-Settled Single Stock Security Futures contracts, as explained above. The Exchange’s audit trail is maintained in accordance with Core Principle 10 in CEA Section 5(d)(10)³⁴ and CFTC

Regulations § 38.550,³⁵ § 38.551³⁶ and § 38.552.³⁷ The Exchange retains this highly granular audit trail for a minimum of 5 years, as required by CFTC Regulation § 1.31(b).³⁸

The audit trail datasets are accessed by Market Regulation Department staff through a proprietary surveillance application called ARES (Advanced Regulatory Enterprise System), which provides a single, harmonized, web-based user interface that seamlessly integrates trade practice, messaging practice, market surveillance, and data science functions. The data analysis tools provided by ARES allow Market Regulation Department staff to examine order, trade, and position data, identify patterns indicative of potential abuses, and reconstruct and replay trading and order book activity to efficiently conduct surveillance and investigations. The four primary modules within ARES are as follows:

- *Globex Messaging* provides the Market Regulation Department with real-time and historical access to Globex order messaging and market data using high-performance, columnar-store, database technology. The Globex Messaging module in ARES provides performant big data capabilities for aggregation and message-by-message order book reconstruction.

- *Cleared Trades* serves as the primary trade practice application for the Market Regulation Department. The system consists of a collection of backend daily batch processes that profile and mine all cleared trade transactions from execution through final allocation across three venues to identify potential trade practice abuses.

- *Large Trader* is the primary tool used by the Market Regulation Department to conduct market surveillance. The system processes and loads firm-reported customer positions and integrates position data with contract-level open interest and market information to provide a macro-level view of participant concentration within each product. The system also integrates Ownership & Control Reporting (OCR) data and serves as the central regulatory repository for market participant identification records.

- *RAMP* is a self-service data science platform for accessing regulatory data via REST services and executing Python and R scripts in a secure sandbox via the ARES UI. RAMP provides a suite of capabilities for accessing cloud native datasets, integrating Tableau data

visualizations, scraping external data sources, and scheduling recurring processes.

To best ensure the Exchange’s audit trail is accurate, the Market Regulation Department performs examinations of certain data elements submitted to the Exchange by market participants during the course of their trading activity. As required by Core Principle 10 in CEA Section 5(d)(10)³⁹ and CFTC Regulation § 38.553,⁴⁰ these examinations include: reviews of randomly selected samples of front-end audit trail data from participants; a review of the process by which user identifications are assigned and user identification records are maintained; a review of usage patterns associated with user identifications to monitor for violations of user identification rules; and reviews of account numbers and customer type indicator codes in trade records to test for accuracy and improper use.

The Market Regulation Department also reviews for accuracy other data elements that participants are required to submit to the Exchange pursuant to Exchange Rule 536.B. (“Globex Order Entry”). This rule specifically requires each person who physically enters orders into CME Globex or any automated trading system which enters orders into Globex to accurately input for each message all fields required to be populated by the CME iLink® Message Specifications in effect at the time, including, but not limited to the: Globex operator ID; price; quantity; product; expiration month; CTI code; manual order indicator; and account number. The iLink specifications further require users to identify whether an order message was submitted manually or through automated means, and the location (geographically) of the participant at the time the order message was sent.

Audit trail and recordkeeping violations by participants are subject to the Exchange’s disciplinary rules, including Rule 512 (“Reporting Infractions”), which permits the Market Regulation Department to impose summary fines against firms and/or participants for minor recordkeeping or reporting violations. More significant violations are subject to the full sanctioning authority of the Exchange’s Business Conduct Committee, as set forth in Exchange Rule 402, which includes the authority to issue fines up to \$5 million per violation, suspensions of trading access, undertakings, or other actions deemed appropriate to

³² 15 U.S.C. 78f(h)(3)(I).

³³ 15 U.S.C. 78f(h)(3)(J).

³⁴ 7 U.S.C. 7(d)(10).

³⁵ 17 CFR 38.550.

³⁶ 17 CFR 38.551.

³⁷ 17 CFR 38.552.

³⁸ 17 CFR 1.31(b).

³⁹ 7 U.S.C. 7(d)(10).

⁴⁰ 17 CFR 38.553.

remediate reporting errors and deter further violations.

This highly granular and accurate audit trail, combined with the Market Regulation Department's surveillance tools, allows the Market Regulation Department to perform market and trade practice surveillance of the Exchange's products, and further enables the Market Regulation Department to facilitate coordinated surveillance with any market on which any security underlying the security futures product is traded.

Clause (K) of Section 6(h)(3) of the Act⁴¹ requires that a market on which a SFP is traded have in place procedures to coordinate trading halts between such market and any market on which any security underlying the SFP is traded and other markets on which any related security is traded. Proposed CME Rule 71101.F. provides, in accordance with CFTC Regulation § 41.25(b)(2)(i),⁴² that "[t]rading of Cash-Settled Single Stock Security Futures shall be halted at all times that a Regulatory Halt, as defined per SEC Rule 6h-1(a)(3) and CFTC Regulation § 41.1(l), has been instituted for the underlying security."

Clause (L) of Section 6(h)(3) of the Act⁴³ requires that the margin requirements for a SFP comply with the regulations prescribed pursuant to Section 7(c)(2)(B) of the Act.⁴⁴ CME has proposed amendments to its margin rules generally imposing a minimum margin requirement of 15% of the current market value of the security futures consistent with the requirements of CFTC Regulation § 41.45(b)(1)⁴⁵ and SEC Rule 242.403(b)(1).⁴⁶ Thus, CME believes that its customer margin rules are consistent with the requirements of the Act.

For the reasons described above, CME believes that the listing standards submitted herewith satisfy the requirements set forth in Section 6(h)(3) of the Act.

CME also believes that its proposed rule changes are consistent with Section 6(b) of the Act,⁴⁸ in general, and further the objectives of Section 6(b)(5) of the Act,⁴⁹ in particular, in that they are designed to remove impediments to and perfect the mechanism for a free and open market and a national market

system, and, in general, to protect investors and the public interest.

B. CME's Statement on Burden on Competition

CME does not believe that the proposed rule changes will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. Currently, no other exchange lists any security futures contracts for trading. The proposed rule changes will simply allow CME to list certain security futures contracts. Nothing in the filing restricts or impedes another exchange for offering security futures products for trading subject to its compliance with applicable regulatory requirements under the Exchange Act, CEA, and respective rules of the Commission and CFTC governing security futures products.

C. CME's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing proposed rule change became effective on June 29, 2026, which is the date on which CME filed this rule change with the Commission and concurrently submitted the related rule filing with the CFTC. Notwithstanding the foregoing, CME intends to implement the rule change following the receipt of all required regulatory approvals from the Commission and the CFTC. For the avoidance of doubt, CME recognizes that the listing of P.M. Settled SFPs will require exemptive relief from Rule 6h-1(b) under the Act and from CFTC Regulation 41.25(c). Within 60 days of the date of effectiveness of the proposed rule change, the Commission, after consultation with the CFTC, may summarily abrogate the proposed rule change and require that the proposed rule change be refilled in accordance with the provisions of Section 19(b)(1) of the Act.⁵⁰

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule

change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include File Number SR-CME-2026-002 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-CME-2026-002. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to File Number SR-CME-2026-002 and should be submitted on or before July 28, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁵¹

Sherry R. Haywood,
Assistant Secretary.

[FR Doc. 2026-13712 Filed 7-6-26; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105838; File Nos. SR-NYSEAMER-2026-59, SR-NYSEARCA-2026-75]

Self-Regulatory Organizations; NYSE American LLC and NYSE Arca, Inc.; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Changes Concerning the Single Component Concentration Limit of the MSCI Emerging Markets Index

July 1, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934

⁴¹ 15 U.S.C. 78f(h)(3)(K).

⁴² 17 CFR 41.25(b)(2).

⁴³ 15 U.S.C. 78f(h)(3)(L).

⁴⁴ 15 U.S.C. 78g(c)(2)(B).

⁴⁵ 17 CFR 41.45(b)(1).

⁴⁶ 17 CFR 242.403(b)(1).

⁴⁷ See Customer Margin Rules Relating to Security Futures, 85 FR 75112 (Nov. 24, 2020).

⁴⁸ 15 U.S.C. 78f(b).

⁴⁹ 15 U.S.C. 78f(b)(5).

⁵⁰ 15 U.S.C. 78s(b)(1).

⁵¹ 17 CFR 200.30-3(a)(73).