



Director, Division of Clearing and Risk
Commodity Futures Trading Commission
Three Lafayette Centre Washington, DC 20581

February 10, 2015

Ref: DCO Application Exhibit A-3 v2

Dear Sir/Madam,

CME Clearing Europe Limited: Application for registration as a Derivatives Clearing Organization pursuant to Part 39 of the Regulations of the Commodity Futures Trading Commission

CME Clearing Europe Limited (**CMECE**) hereby submits this Application for registration as a Derivatives Clearing Organization (**DCO**) pursuant to Section 5b(c)(i) of the Commodity Exchange Act (the **CEA**) and Regulation 39.3 of the Commodity Futures Trading Commission (the **CFTC**).

CMECE wishes to register with the CFTC in order that it can provide clearing services for swaps and exchange-listed futures and options on futures to intermediaries that are registered with the CFTC as futures commission merchants (**FCMs**) and their customers and to persons located in the US or which are otherwise US persons seeking only to self-clear their swaps or futures trades.

CMECE

CMECE is a private limited company incorporated under the laws of England and Wales with its registered office in, and carrying on its operations from, London, England. CMECE is a wholly owned, but indirect, subsidiary of CME Group Inc. CME Group Inc. is a publicly listed US corporation traded on NASDAQ and wholly-owns the Chicago Mercantile Exchange Inc. (**CME**), which operates as a global clearing house through the CME Clearing House division.

CMECE is authorised and supervised by the Bank of England. It is currently a recognised clearing house pursuant to section 290 of the UK's Financial Services and Markets Act 2000 but is in the process of seeking authorisation as a central counterparty pursuant to Article 14 of EU Regulation 648/2012 on OTC Derivatives, Central Counterparties and Trade Repositories (**EMIR**). CMECE anticipates that it will have been reauthorized under EMIR by the time it is registered as a DCO, should the CFTC see fit to grant such registration. The information provided in this Application has therefore been prepared on that basis.

CMECE is also designated as a system under the UK's Financial Markets and Insolvency (Settlement Finality) Regulations 1999, which implement EU Directive 2009/44/EC on settlement finality in the UK.

These authorisations allow CMECE to provide CCP services across the European Union, which is where most of CMECE's Clearing Members are based. However, CMECE also holds a legal exemption from certain Ontario securities laws, which enables it to service a clearing member based in Ontario, Canada.



Scope of application Contracts

CMECE respectfully requests that the CFTC issues an order granting CMECE registration as a DCO for clearing the following contracts.

- all derivatives that CMECE is permitted to clear as at the date of this Application;
- all derivatives that CMECE starts to clear between the date of this Application and the date on which the CFTC grants registration as a DCO;
- following its registration as a DCO other derivatives that a DCO is permitted to clear, pursuant to applicable filing and CFTC review requirements under the Regulations promulgated by the CFTC under the CEA (**CFTC Regulations**).

Such contracts include:

- All swaps, futures and options on futures (**futures**) listed on CME Europe Limited, which is a regulated market in the EU (**RM**) and has applied to the CFTC for registration as a foreign board of trade (**FBOT**) in respect of certain contracts traded on it or listed on other FBOTs (**FBOT Futures**). For clarity, certain futures listed on CME Europe Limited are described as spot following market convention but they are futures for the CEA purposes.
- Certain swaps and futures listed on designated contract markets (**DCMs**) and
- Swaps traded outside a RM, DCM or FBOT – ie. bilaterally or on a swap execution facility or multilateral trading facility.

For a complete list of CMECE products, please see the CMECE DCO List of Products document in Exhibit C-2, for which CMECE requests confidential treatment. The list includes both cash and physically settled contracts.

Format of Application

This Application demonstrates how CMECE is able to comply with the Core Principles for DCOs set out in Section 725(c) of the Dodd-Frank Act as amended by Section 5b(c)(2) CEA.

This application is comprised of:

- Completed Form DCO
- Index of Exhibits showing which documents comprise each Exhibit
- Documents comprising the Exhibits

CMECE requests confidential treatment of each Exhibit, and any document referenced within, identified by the words “Confidential Treatment Requested by CME Clearing Europe Limited”. CMECE is submitting a separate FOIA Confidential Treatment Request pursuant to CFTC Regulation 145.9 covering the confidential documents.

CMECE also requests confidential treatment for the following sections in this covering letter: “Timing”, “Portfolio Margining” and certain paragraphs under “Scope of FCM Clearing”. We attach a redacted version of this covering letter to this application.

Rules

Pursuant to CFTC Regulation 39.4, CMECE requests approval of the CMECE Clearing Rules applicable to FCM Clearing Members, including specifically the Rules in Chapter 3B, and the CMECE Clearing Procedures, including specifically the provisions in the FCM Clearing Procedure Chapter. The CMECE Clearing Rules and CMECE Clearing Procedures are included as documents and in Exhibits A-2.1 and A-2.2.

[REDACTED]

Timing

Where possible, CMECE would like to start clearing for US Clearing Members and Clients that are US Persons from June 2015.

Scope of FCM clearing

CMECE will create a new class of clearing members known as FCM Clearing Members, with other Clearing Members (including self-clearing Clearing Members) becoming Non-FCM Clearing Members. Each such FCM Clearing Member will have to comply with all CMECE's membership criteria and, in addition, will have to be registered as a futures commission merchant under the CEA, be a member in good standing of the NFA and be organized under the laws of a state or territory of the US.

FCM Clearing Members will, for the most part, be subject to the same obligations as Non-FCM Clearing Members as these have been designed to ensure compliance with EMIR. However, the obligations will differ to the extent necessary to ensure compliance with CMECE's obligations as a DCO and to accommodate the legal and regulatory obligations of the FCM Clearing Members and their Clients. In particular, FCM Clearing Members will enter into CMECE's English law governed Clearing Membership Agreement and will be bound to CMECE's Rules, which will also be English law governed save for a single chapter of each of the Rulebook and the Procedures which will apply only to FCM Clearing Members and be governed by US federal law and New York law.



CMECE will create a series of new accounts for FCM Clearing Members. In relation to Client Accounts, these will include an LSOC Client Account for swaps, which can be set up as either "with excess" or "without excess," a DCM Futures Client Account for DCM Futures and an FBOT Futures Account for FBOT Futures.

The way in which CMECE takes Collateral as margin will be adjusted for FCM Clearing Members so that they can grant a security interest, under New York law, over the Eligible Securities they provide in relation to their LSOC Client Accounts and Futures Client Accounts. FCM Clearing Members will, like other Clearing Members, provide Collateral relating to their House Accounts and Contributions to their Guarantee Funds on a title transfer basis under English law.

[REDACTED]

CMECE's arrangements for Client Accounts in the event of a Non-FCM Clearing Member default have been designed to comply with EMIR and cannot be used in relation to LSOC Client Accounts and Futures Client Accounts without modification. There are therefore separate porting provisions for Client Accounts of FCM Clearing Members as set out in the Rules.

Further information

CMECE would be pleased to provide the CFTC with further information about the way it is organised, its operations and arrangements, both as they stand today and as they will be adapted if it is granted registration as a DCO, and both insofar as they are common to all Clearing Members or specific to either FCM or Non-FCM Clearing Members. Much of this information is provided in the Exhibits but CMECE would be pleased to help navigate, explain or supplement that information as needed.

Should you have any questions regarding this Application, please feel free to contact Huong Hauduc at +44 (0) 203.379.3764 or by email at huong.hauduc@cmegroup.com or Katie Trkla at (312) 832-5179 by email at ktrkla@foley.com.

Yours sincerely,

Lee Betsill
Chief Executive Officer
Duly authorised on behalf of CME Clearing Europe Ltd

Enclosures

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