

April 5, 2013

VIA E-MAIL

Ms. Melissa Jurgens
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

**RE: Rule 40.6(a) Certification. LSOC with Excess.
CME Submission No. 13-132**

Dear Ms. Jurgens:

Chicago Mercantile Exchange Inc. ("CME") pursuant to Commodity Futures Trading Commission (the "Commission") Regulation 40.6 hereby notifies the Commission of proposed new rules to permit futures commission merchants ("FCMs") to transmit collateral of Cleared Swaps Customers to CME that is in excess of the CME requirement for such customer. CME intends to implement such amendments on April 22, 2013.

On November 14, 2012, CME implemented the Legally Segregated Operationally Commingled ("LSOC") regime for the protection of Cleared Swap Customers in accordance with Part 22 of the Commission Regulations. At such time, LSOC was implemented in a "no excess" mode whereby any collateral value deposited by an FCM with a derivatives clearing organization ("DCO") in excess of the aggregate client minimum performance bond margin requirement, to the extent it is not been explicitly identified by the FCM as being provided by the firm, is treated as unallocated cleared swap customer value without attribution to a specific cleared swaps customer. In the "no excess model, the LSOC value for each cleared swaps customer is presumed to be its performance bond requirement at the last settlement cycle and any collateral on deposit at the DCO in excess of such requirement aggregate of the customer initial margin requirements, is not used by the DCO for any purpose after an FCM default.

In cooperation with industry participants, CME is proposing rules to offer FCMs and their cleared swaps customers the option to transmit collateral specifically attributed to a cleared swap customer under an "LSOC with excess" model. Commission Regulation 22.13(c) (*Additions to Cleared Swaps Customer Collateral*) provides requirements for FCMs to transmit such excess. Specifically, 22.13(c) states that:

"(c) A futures commission merchant may transmit to a derivatives clearing organization any collateral posted by a Cleared Swaps Customer in excess of the amount required by the derivatives clearing organization if: (1) the rules of the derivatives clearing organization expressly permit the futures commission merchant to transmit collateral in excess of the amount required by the derivatives clearing organization; and (2) the derivatives clearing organization provides a mechanism by which the futures commission merchant is able to, and maintains rules pursuant to which the futures commission merchant is required to, identify each Business Day, for each Cleared Swaps Customer, the amount of collateral posted in excess of the amount required by the derivatives clearing organization"

Accordingly, CME is proposing to adopt new CME Rules 821, 8G821 and 8H821 which would expressly permit FCMs to transmit excess cleared swap customer collateral to CME and would require that they identify each Business Day, for each cleared swaps customer, the value of performance bond posted in excess of the amount required for such cleared swaps customer. See Exhibit 1 for the text of the proposed rules.

Additionally, CME has provided clearing member firms with a description of the mechanics required by each clearing member firm to account for such excess in Advisory Notice No 13-064 (the "Advisory Notice"), dated February 7, 2013 and filed with the Commission in CME Clearing Submission No. 13-050¹ and attached hereto as Exhibit 2. The Advisory Notice details the principles for the timing, procedures and mechanisms of collateral value reporting at a minimum once per clearing business day, including collateral value report specifications².

FCMs will not be required to transmit excess collateral to CME by adoption of this rule but will be given the option to do so. Additionally, FCMs currently operating in the "no excess" mode will be allowed to continue in such mode as further detailed in the Advisory Notice.

The text of the proposed new rules are attached as Exhibit 1. The proposed rules comport with DCO Core Principle F (*Treatment of Funds*) and Commission Regulation 39.15 (*Treatment of Funds*) promulgated thereunder by setting forth the standards and procedures for FCMs to transmit excess cleared swap customer collateral to CME consistent with Regulation 22.13.

No substantive opposing views regarding these proposed rule revisions were expressed to CME. CME certifies that this submission has been concurrently posted on CME Group's website at <http://www.cmegroup.com/market-regulation/rule-filings.html>. CME further certifies that these rule amendments comply with the Commodity Exchange Act and regulations promulgated thereunder.

Should you have any questions regarding this submission, please contact Ed Gogol, Managing Director Bus Architecture & Innovation at (312) 648-3674 or via email at Ed.Gogol@cmegroup.com; or me at (212) 299-2228 or via e-mail at Jason.Silverstein@cmegroup.com.

Please reference our Submission No. 13-132 in any related correspondence.

Sincerely,

/s/ Jason Silverstein
Executive Director & Associate General Counsel

Attachments: Exhibit 1
Exhibit 2

¹ See <http://www.cmegroup.com/market-regulation/files/13-050.pdf>

² The specifications can be found at <http://www.cmegroup.com/clearing/files/lsoc-cvr-fixml-examples.pdf>

EXHIBIT 1

821. EXCESS PERFORMANCE BOND OF CLEARED SWAPS CUSTOMERS

Pursuant to CFTC Regulation 22.13(c), the Clearing House will permit a Clearing Member to transmit performance bond of its cleared swaps customers in excess of the amount required by the Clearing House for such cleared swaps customers positions. Each Clearing Member transmitting such excess shall identify each Business Day, for each cleared swaps customer, the value of performance bond posted in excess of the amount required for such cleared swaps customer.

8G821. EXCESS PERFORMANCE BOND OF IRS CLEARED SWAPS CUSTOMERS

IRS Clearing Members are permitted to transmit performance bond of its cleared swaps customers for IRS Products in excess of the amount required by the Clearing House in accordance with CME Rule 821.

8H821. EXCESS PERFORMANCE BOND OF CDS CLEARED SWAPS CUSTOMERS

CDS Clearing Members are permitted to transmit performance bond of its cleared swaps customers for CDS Products in excess of the amount required by the Clearing House in accordance with CME Rule 821.

EXHIBIT 2

(Please see attached)