

July 15, 2011

Mr. David Stawick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, NW  
Washington DC 20581

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SECRETARIAT

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CFTC

**RE: CME Rules 8F004, 8F014 and 8F025  
CME Submission No. 11-279R.**

Dear Mr. Stawick:

Chicago Mercantile Exchange Inc. ("CME") pursuant to Commission Regulation 40.6 hereby submits to the Commodity Futures Trading Commission additional pages relating to CME's original submission #11-279 submitted on July 13, 2011 ("CME Submission #11-279") that were inadvertently omitted from such submission. The attached pages provide the text of the rule amendments to CME Rules 8F004, 8F014 and 8F025 referenced in the letter provided in CME Submission #11-279. This submission #11-279R compliments CME Submission #11-279. The content of CME Submission #11-279 is unchanged.

CME certifies that these rule amendments comply with the Commodity Exchange Act and regulations thereunder. The text of the rule amendments are attached in a marked version, with additions underscored and deletions lined-out. The amendments will be effective immediately.

If you have any question, please contact me at (212) 299-2228.

Sincerely,

/s/ Jason S. Silverstein  
Director and Associate General Counsel

## Rule 8F004. OTC CLEARING MEMBER OBLIGATIONS AND QUALIFICATIONS

OTC Clearing Members are subject to all relevant CME, CBOT and NYMEX Rules and the Clearing House Manual unless an exemption has been granted by staff or the Clearing House Risk Committee. OTC Clearing Members must execute all agreements and documents required by the Clearing House. The qualifications and requirements to become an OTC Clearing Member are set forth below.

A CME, CBOT, NYMEX and COMEX Clearing Member clearing OTC Derivatives must satisfy the requirements set forth below.

1. An OTC Clearing Member must be in "good standing" under each applicable regulatory regime to which it is subject at the time it applies for OTC clearing membership and it must maintain its good standing status while it is an OTC Clearing Member.
2. An OTC Clearing Member must be in compliance with all applicable regulatory capital requirements and an OTC Clearing Member must maintain minimum capital of:
  - i. \$50 million if it clears only commodity (i.e., agricultural, metals and energy) and/or foreign exchange OTC Derivatives products and/or contracts traded on Eris; <sup>1</sup>and
  - ii. \$300 million if it clears only the OTC Derivatives products listed above in section 2.i. and other OTC Derivatives products not specifically listed in this rule, excluding credit default swaps and rate swaps; and
  - iii. \$500 million if it clears credit default swaps and/or rate swaps and any other OTC Derivatives products.The Clearing House may establish separate capital requirements for other OTC Derivatives products approved by the Clearing House Risk Committee.
3. ~~[Reserved] An OTC Clearing Member with adjusted net capital less than \$5 billion must report its capital levels to the Audit Department on a daily basis unless its parent company provides CME a parent guarantee up to such \$5 billion level for all obligations (i.e., customer and house) arising out of OTC CDS transactions.~~
4. ~~[Reserved] An OTC Clearing Member that is also a hedge fund must maintain assets under management of at least \$5 billion while it is clearing OTC Derivatives.~~
5. ~~[Reserved] An OTC Clearing Member clearing credit default swaps and/or rate swaps that has adjusted net capital that is less than \$1 billion must deposit into a CME account an amount of excess margin that is equal to its guaranty fund deposit requirement.~~
6. An OTC Clearing Member and an OTC Clearing Member applicant shall be engaged in or demonstrate immediate capacity to engage in the conduct of the business of an OTC Clearing Member.
7. An OTC Clearing Member that is not also a CME, CBOT, NYMEX or COMEX Clearing Member shall maintain a membership-equivalent deposit with CME of at least \$5 million in cash or collateral, which shall be valued in the sole discretion of the Clearing House, to assure performance of all obligations arising out of OTC Derivatives submitted by it to the Clearing House.
8. An OTC Clearing Member must comply with the financial requirements set forth in CME Rule 970. However, if the OTC Clearing Member is regulated by another regulatory authority, then it shall submit to CME annual audited financial statements as well as all unaudited financial statements provided to its primary regulator within five days after such statements are provided to its regulator. All financial statements shall be in the English language.
9. The books and records of an OTC Clearing Member regarding OTC Derivatives cleared by the Clearing House shall be made promptly available for inspection upon request by CME and such books and records shall be subject to reasonable standards of confidentiality.
10. Each OTC Clearing Member that is a Futures Commission Merchant shall keep the types of information and records that are described in Section 4g of the Commodity Exchange Act and CFTC regulations thereunder including, but not limited to, Regulation 1.35, with respect to all OTC Derivatives submitted for clearing.

#### **Rule 8F014. MITIGATION OF LOSSES**

In the event of a failure of an OTC Clearing Member promptly to discharge any obligation to the Clearing House involving OTC Derivatives, all OTC Clearing Members shall work cooperatively with their counterparties and CME to mitigate any losses that may occur as a result of such failure.

OTC Clearing Members shall, upon request from the Emergency Financial Committee: 1) bid on a defaulting OTC Clearing Member's portfolio; 2) accept allocated positions of a defaulting OTC Clearing Member based on predetermined algorithms; and 3) take any other action as reasonably requested by the Emergency Financial Committee.

~~In the event of a failure by an OTC Clearing Member to promptly discharge any obligations to the Clearing House related to CDS products, the Clearing House shall work cooperatively with the Default Management Committee to manage the process of the liquidation or transfer of such defaulting OTC Clearing Member's CDS portfolio. OTC Clearing Members shall also work cooperatively with the Clearing House and the Default Management Committee on liquidating or transferring a defaulting Clearing Member's OTC portfolio.~~

**DEFINITIONS****Default Management Committee**

The Default Management Committee shall be a committee having the powers set forth in Rule 8F25

**~~Rule 8F025. DEFAULT MANAGEMENT COMMITTEE~~**

~~In the event of a default with respect to CDS products, there shall be a Default Management Committee which shall be comprised of the President of the Clearing House, the Chairman of the Clearing House Risk Committee and such clearing members as may be appointed by the Board. The purpose of this Committee shall be to advise the Clearing House with respect to issues arising from the potential or actual default of a clearing member holding CDS positions and to manage the process of the liquidation or transfer of such clearing member's CDS portfolio. Such advice may include advice on hedging and execution of a defaulting clearing member's portfolio and administration of the default auction process.~~