



December 31, 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) Submission. Clarifying change to CME Rule 8G802.B.2 (IRS Product Limited Recourse)  
CME Submission No. 13-590.**

Dear Ms. Jurgens:

Pursuant to Commodity Futures Trading Commission (the "Commission") Regulation 40.6(a), Chicago Mercantile Exchange Inc. ("CME") hereby notifies the Commission of a conforming change to CME Rule 8G802.B.2 (IRS Product Limited Recourse). The proposed change will be effective on January 16, 2014.

CME is proposing a clarifying change in order to harmonize CME's rules across its interest rate swap ("IRS") and credit default swap ("CDS") offerings. Currently CME's Chapter 8H rules providing for limited recourse for CDS provide that a CME Bankruptcy Event (as defined in the Rules) is also a CDS Termination Event (as defined in CME Rule 8H802.B.2). CME's Chapter 8G rules providing for limited recourse for IRS inadvertently do not similarly include a CME Bankruptcy Event as an IRS Termination Event (as defined in CME Rule 8H802.B.2). The intent under both chapters is for the limited recourse provisions to work similarly in the event of a CME Bankruptcy Event. In order to harmonize the provisions, CME is proposing the attached changes to CME Rule 8G802.B.2.

CME reviewed the derivatives clearing organization core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA"). During the review, CME identified the following Core Principle as potentially being impacted:

**Default Rules and Procedures.** The proposed change provides certainty that the IRS limited recourse provisions will apply in the event of an IRS clearing member default that results in a CME Bankruptcy Event consistent with the corresponding rules for CDS products.

**Legal Risk Considerations.** The proposed change provides legal certainty that a CME Bankruptcy Event would be included as an IRS Termination Event.

The text of the proposed changes is reflected on the attached Exhibit, with additions underlined and deletions ~~stricken through~~.

CME certifies that the above rules and rule amendments comply with the CEA and the regulations thereunder. There were no substantive opposing views.

Notice of this submission has been concurrently posted on CME Group's website at <http://www.cmegroup.com/market-regulation/rule-filings.html>

If you require any additional information regarding this submission, please contact me at 212-299-2228 or Jason.Silverstein@cmegroup.com. Please reference our CME Submission No. 13-590 in any related correspondence.

Sincerely,

/s/ Jason Silverstein  
Executive Director & Associate General Counsel

**Attachment: Exhibit 1**

## EXHIBIT 1

### CME Rule 8G802.B.2 (IRS Product Limited Recourse)

If a default occurs, IRS Collateral, IRS Customer Collateral and the IRS Priority of Payments shall be the sole source of payments to cover the IRS Loss until the default is fully and finally resolved. In the event the IRS Collateral, IRS Customer Collateral and the IRS Priority of Payments are insufficient to cover the IRS Loss, IRS Clearing Members and the holders of IRS Contracts shall have no recourse to any other funds or any other entity, including without limitation the guaranty funds that support clearing of other products, CME, CME Group Inc. or any of its affiliates. If at any time following a default: (a) the Clearing House is unable to cover a settlement variation payment obligation when due and has no expectation of accessing funds to permit it to cover such payment obligation (for example through access to credit lines or assessment funds), (b) the Clearing House determines (after consultation with the IRS Risk Committee) that the available IRS Collateral and the IRS Priority of Payments will be insufficient to satisfy auction bid results for the defaulted IRS Clearing Member's portfolio, ~~or~~ (c) the Clearing House otherwise determines (after consultation with the IRS Risk Committee) the IRS Loss will exceed the available IRS Collateral and IRS Priority of Payments, ~~or~~ (d) a Bankruptcy Event of the Exchange (each an "IRS Termination Event"), then all IRS Contracts shall be terminated and the IRS Collateral and IRS Priority of Payments shall be distributed in accordance with Rule 8G802.B.3 below. If the IRS Customer Collateral attributable to a cleared swaps customer of the defaulted IRS Clearing Member is sufficient to satisfy any IRS Loss associated with such cleared swaps customer, the IRS Customer Collateral shall be so applied and any remaining IRS Customer Collateral shall remain in such customer account class the Clearing House shall, in a manner that is consistent with the requirements of the Commodity Exchange Act and the regulations adopted thereunder (including, without limitation Part 190 of the Regulations, if applicable) fix a U.S. dollar amount (the "IRS Close-Out Value") to be paid to or received from the Clearing House in respect of all IRS Contracts to be terminated by conducting a special settlement cycle to determine a final settlement price for all open IRS Contracts, as further detailed in the IRS Manual.