

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 17-043

Organization: Chicago Mercantile Exchange Inc. ("CME")

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 02/08/17 Filing Description: Notification Regarding Revisions to the Concentration Margin Program

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

- Certification § 40.6(a)
- Approval § 40.5(a)
- Notification § 40.6(d)
- Advance Notice of SIDCO Rule Change § 40.10(a)
- SIDCO Emergency Rule Change § 40.10(h)

Rule Numbers: See filing.

New Product

Please note only ONE product per Submission.

- Certification § 40.2(a)
- Certification Security Futures § 41.23(a)
- Certification Swap Class § 40.2(d)
- Approval § 40.3(a)
- Approval Security Futures § 41.23(b)
- Novel Derivative Product Notification § 40.12(a)
- Swap Submission § 39.5

Official Product Name:

Product Terms and Conditions (product related Rules and Rule Amendments)

- Certification § 40.6(a)
- Certification Made Available to Trade Determination § 40.6(a)
- Certification Security Futures § 41.24(a)
- Delisting (No Open Interest) § 40.6(a)
- Approval § 40.5(a)
- Approval Made Available to Trade Determination § 40.5(a)
- Approval Security Futures § 41.24(c)
- Approval Amendments to enumerated agricultural products § 40.4(a), § 40.5(a)
- "Non-Material Agricultural Rule Change" § 40.4(b)(5)
- Notification § 40.6(d)

Official Name(s) of Product(s) Affected:

Rule Numbers:

February 8, 2017

VIA ELECTRONIC PORTAL

Mr. Christopher J. Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

**RE: CFTC Regulation 40.6(a) Certification. Notification Regarding Revisions to the Concentration Margin Program.
CME Submission No. 17-043**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6(a), Chicago Mercantile Exchange Inc. (“CME”) hereby notifies the Commission that it is replacing the Excess Adjusted Net Capital with Adjusted Net Capital (“ANC”) as one of the threshold for the application of concentration margin. The revisions will be effective on February 24, 2017.

To enhance the stability of concentration margin charges, CME has deemed it appropriate to enhance the current program to apply an ANC threshold rather than an Excess ANC¹ threshold. Concentration margin tiered add-ons are presently determined by assessing the calculated stress loss relative to Excess ANC, average historical variation margin payments, and an absolute dollar value threshold. The change to an ANC threshold will mute any potential procyclical impacts of the concentration margin charge. Excess ANC has the tendency to fluctuate substantially over time, making the concentration margin charge more variable and difficult to anticipate. To mitigate these potential negative outcomes, CME plans to utilize ANC as the threshold for concentration margin charges. There will be a negligible impact on the amount of concentration margin on deposit as a result of this change.

The current tiered concentration margin program structure is as follows:

Tier	1	2	3	4	5	6	7	8	9
Add-On	10%	15%	20%	25%	30%	35%	40%	45%	50%
Absolute Stress Loss	500M	750M	1B	1.5B	2B	2.5B	3B	4B	5B
Excess ANC	1x	1.5x	2x	2.5x	3.0x	3.5x	4.0x	4.5x	5.0x

Following the enhancement to the current program, stress loss will be measured against an ANC threshold, rather than an Excess ANC threshold, when determining the tier used to calculate a clearing member’s concentration margin requirement.

¹ Excess ANC is the amount above a given clearing member’s total minimum capital requirement, whereas ANC is the total amount of capital held by the clearing member. The minimum capital requirement is derived using the greater of the capital required under CFTC Regulation 1.17 or in Rule 970.A of the CME Rulebook.

The proposed tiered concentration margin program structure is as follows:

Tier	1	2	3	4	5	6	7	8	9
Add-On	10%	15%	20%	25%	30%	35%	40%	45%	50%
Absolute Stress Loss	500M	750M	1B	1.5B	2B	2.5B	3B	4B	5B
ANC	1x	1.5x	2x	2.5x	3.0x	3.5x	4.0x	4.5x	5.0x

This modification has no impact on any other aspect of the concentration margin program. The current logic, where the high pay threshold must be met to be subject to a charge and the greater of the absolute or ANC thresholds being used to determine the tier applied, will be maintained.

Core Principle Review

CME reviewed the derivatives clearing organization core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA” or “Act”) and identified that the proposed revisions may have some bearing on the following Core Principles:

- DCO Core Principle B – Financial Resources. In accordance with this Core Principle, each DCO must possess financial resources that exceed the total amount that would enable the DCO to meet its financial obligations to its members and participants notwithstanding a default by the member or participant creating the largest financial exposure in extreme but plausible market conditions. Although the proposed revisions may result in a minor decrease in the aggregate concentration margin requirements depending on market conditions, the projected decrease represents less than 0.1% of total Base margin.
- DCO Core Principle D – Risk Management. The proposed revisions do not impact CME’s measurement and monitoring of exposures. CME will continue to employ its panoply of risk control mechanisms to limit exposures to the DCO arising from member and participant defaults, as well as to ensure the continuity of operation and protection of non-defaulting members and participants. CME uses its primary margin model to calculate margin requirements to sufficiently cover potential future exposures pursuant to CFTC Regulation 39.13 and risk management best practices. The proposed revisions solely impact the concentration margin program, which acts as an additional source of protection for large or directional portfolios.
- DCO Core Principle F – Treatment of Funds. CME has determined that the proposed revisions are consistent with the requirement under this Core Principle to establish standards and procedures designed to protect and ensure the safety of member and participant funds and assets.
- DCO Core Principle L – Public Information. CME will release a Clearing House Advisory Notice (“CHAN”) to the marketplace regarding the revisions to the concentration margin program in advance of the effective date. The CHAN will be publically available on the CME Group website.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), CME certifies that the proposed revisions comply with the Act and regulations thereunder. There were no substantive opposing views to this action.

CME certifies that this submission has been concurrently posted on the CME Group website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

If you require any additional information regarding this submission, please e-mail CMEGSubmissionInquiry@cmegroup.com or contact Sean Downey at (312) 930-8167 or via email at Sean.Downey@cmegroup.com.

Sincerely,

/s/Christopher Bowen
Managing Director and Chief Regulatory Counsel