

**SUBMISSION COVER SHEET**

**IMPORTANT:** Check box if Confidential Treatment is requested

**Registered Entity Identifier Code (optional):** 17-083 (5 of 5)

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

**Filing as a:**  DCM  SEF  DCO  SDR

**Please note - only ONE choice allowed.**

**Filing Date (mm/dd/yy):** 3/13/17 **Filing Description:** Amendments to CME/CBOT/NYMEX/COMEX Rule 770. ("Delivery Obligation Transfer Procedures")

**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:** 770

**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:**

March 13, 2017

**VIA ELECTRONIC PORTAL**

Mr. Christopher J. Kirkpatrick  
Office of the Secretariat  
Commodity Futures Trading Commission  
3 Lafayette Center  
1155 21<sup>st</sup> Street NW  
Washington, DC 20581

**Re: CFTC Regulation 40.6(a) Amendments to CME/CBOT/NYMEX/COMEX Rule 770.  
("Delivery Obligation Transfer Procedures").  
CME Submission No. 17-083 (5 of 5)**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission ("CFTC" or "Commission") Regulation 40.6(a), Chicago Mercantile Exchange Inc. ("CME"), The Board of Trade of the City of Chicago, Inc. ("CBOT"), New York Mercantile Exchange, Inc. ("NYMEX"), Commodity Exchange, Inc. ("COMEX") (collectively, the "Exchanges") and the clearing house division of CME ("CME Clearing") hereby notify the Commission that they are self-certifying amendments to CME/CBOT/NYMEX/COMEX Rule 770. ("Delivery Obligation Transfer Procedures") effective on Tuesday, March 28, 2017.

Specifically, the Exchanges and CME Clearing are amending Rule 770, to eliminate the requirement that a party must be unable to fulfill the delivery obligation in order to request a transfer under the Rule.

Rule 770. is intended to mitigate the risk of a delivery default in circumstances where a clearing member has an open position in a physically-delivered futures contract after the contract has expired where the open position results from a party's error, omission or outtrade. Rule 770. currently permits an open futures position to be transferred to an account with different beneficial ownership provided that the clearing member, with the assistance of CME Clearing, is able to identify a party willing to accept the position and assume the corresponding delivery obligation.

Currently, Rule 770. requires that the party wishing to transfer the delivery obligation be unable to make or take delivery of the physical product. However, there are certain circumstances where market participants have had the ability to make or take delivery of the product, but for valid commercial reasons have requested to be able to transfer the delivery obligation pursuant to Rule 770 as a result of an error, omission or outtrade. Elimination of this requirement will not create any issues or otherwise materially affect the delivery process and will allow transfers as an option to any market participant who, as a result of an error, omission or outtrade, has an unwanted delivery obligation.

Amendments to Rule 770. are set forth in Exhibit A, with additions underscored and deletions overstruck.

The Exchanges and CME Clearing have reviewed the designated contract market ("DCM") core principles and the designated derivatives clearing organization ("DCO") core principles ("Core Principles"), respectively, as set forth in the Commodity Exchange Act ("Act") and identified that the amendments may have some bearing on the following DCM and DCO Core Principles:

## **DCM Core Principles**

Prevention of Market Disruption: Rule 770. is expressly designed to provide a mechanism for a party with a delivery obligation resulting from an error, omission or outtrade discovered on or after the last day of trading to transfer to transfer the obligation to another party willing to accept the transfer. The Rule is a protection against a disruption in the delivery process for physically-delivered contracts.

Availability of General Information: The Exchanges will update the rulebooks on the effective date of the rule amendments. In addition, as required by this Core Principle, market participants will be apprised of the amendments to Rule 770. via the issuance of a Special Executive Report (“SER”) in advance of the revisions becoming effective. The SER will also be posted on the CME Group website.

## **DCO Core Principle**

Public Information: The amendments will be updated in the Exchanges’ and CME Clearing’s Rulebook. In addition, as required by this Core Principle, market participants will be apprised of the revisions via the aforementioned issuance of a SER. The SER will also be posted on the CME Group website.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchanges and CME Clearing certify that the amendments comply with the Act and regulations thereunder. There were no substantive opposing views to this proposal.

The Exchanges certify that this submission has been concurrently posted on the Exchanges’ and CME Clearing’s website at <http://www.cmegroup.com/market-regulation/rule-fillings.html>.

Should you have any questions concerning the above, please contact the undersigned at 212.299.2200 or [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachment: Exhibit A: CME/CBOT/NYMEX/COMEX Rule 770. (“Delivery Obligation Transfer Procedures”) (blackline format)

## **Exhibit A**

(Additions are underscored; deletions are ~~overstruck~~.)

### **CME/CBOT/NYMEX/COMEX Chapter 7 Delivery Facilities and Procedures**

#### **770. DELIVERY OBLIGATION TRANSFER PROCEDURES**

A clearing member ~~that~~who carries a futures position in a physically delivered contract that has expired, as the result of any party's~~an~~ error, omission or outrade discovered on or after the last day of trading, ~~carries a position in a contract which has expired and for which the position holder is unable to fulfill the obligation to make or take physical delivery in that contract~~ may, with the consent of the account owner(s) or controller(s), transfer such position to an account with different beneficial ownership; provided, however, that the parties to an error or outrade must exercise the utmost diligence to resolve the error or outrade.

Notice of delivery obligation transfers must be made to the Clearing House. Such transfers require that the Clearing House receive acceptance from an account(s) with different beneficial ownership and confirmation of the agreed upon transfer by the initiating party. Such confirmation must be submitted in writing on the form specified by the Clearing House. All positions transferred pursuant to this Rule shall take place at the final settlement price of the contract; however this requirement does not prohibit cash adjustments between the parties to the transfer.

Clearing member firms representing accounts that have transferred a trade pursuant to this Rule must correctly report the change in open interest to the Clearing House pursuant to the schedule established by the Exchange.

In the event a delivery obligation transfer notification does not result in a trade transfer, delivery shall take place as required under Exchange rules.

Nothing in this Rule relieves a clearing member of its responsibilities with respect to open positions in an expiring contract month in a physically delivered contract as set forth in Rule 716.