

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 22-119

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

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 03/14/22 **Filing Description:** Modifications to the CME Operational Risk Management Framework

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:

March 14, 2022

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. Modifications to the CME Operational Risk Management Framework. CME Submission No. 22-119

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6(a), Chicago Mercantile Exchange Inc. (“CME” or “Clearing House”) certifies to the Commission modifications to the CME’s Operational Risk Management Framework (“ORMF”) effective on March 29, 2022 (collectively, the “Amendments”).

Specifically, CME, as a registered derivatives clearing organization, maintains an ORMF consistent with CFTC Regulation 39.18(b) that establishes its practices to identify and minimize sources of operational risk, which could arise from its core clearing processes. The ORMF is approved by CME’s Board of Directors (“Board”) and the Risk Committee (“Committee”) of the Board at least annually. The Amendments to the ORMF primarily include:

- The ORMF has been updated to make references to the responsibilities of the Board and Committee with respect to the ORMF consistent with other documents adopted by the Board (e.g., the Committee’s charter). The descriptions for the Senior Management of CME Clearing, Chief Risk Officer of CME Clearing, and Chief Compliance Officer of CME Clearing were also made consistent with the Clearing House’s Risk Management Framework.¹
- While the practice has not changed, the ORMF has been updated to incorporate a description of the method for determining the inherent risk rating and residual risk rating for the controls that are identified in the Clearing House’s risk and control assessment. Additionally, it has been clarified that these controls are subject to independent testing, as well as who conducts these tests.
- Where applicable, the ORMF has been updated to recognize the practices employed by the enterprise risk management team.
- While the practice has not changed, the ORMF has been updated to incorporate a description of the categories that are in place for determining a risk’s likelihood.
- While the management of physical delivery risk has not changed, the ORMF has been updated to specifically recognize that physical delivery risk, particularly due to processing disruptions with respect to physically deliverable contracts, could impact the Clearing House’s core clearing processes. Additionally, the ORMF has been updated to make clear the practices that are in place

¹ CME Submission, No. 21-499 (Nov. 2021), available at <https://www.cmegroup.com/content/dam/cmegroup/market-regulation/rule-filings/2021/11/21-499.pdf>.

for managing physical delivery risk.

The Clearing House has also taken the opportunity to correct for grammatical errors and amend the language to provide clarity without changing the meaning, where appropriate.

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 Amendments may have some bearing on the following principles:

- DCO Core Principle A – Compliance: The Amendments include references to standards considered relative to enterprise risk management and the Clearing House’s enterprise risk officer.
- DCO Core Principle D – Risk Management: The Amendments enhance the ability of CME to manage the risks associated with discharging the responsibilities of the derivatives clearing organization.
- DCO Core Principle I – System Safeguards: The Amendments reflect changes to the program of risk analysis and oversight with respect to clearing operations and minimize sources of clearing operational risk.
- DCO Core Principle O – Governance Arrangements: The Amendments reflect a clearer articulation of the governance of the ORMF.

As described herein, the Amendments consist of changes to the ORMF. CME has requested confidential treatment with respect to the revised ORMF, which has been submitted concurrently with this self-certification. CME certifies that the Amendments comply with the Act and regulations thereunder. There were no substantive opposing views to this action.

If you require any additional information regarding this submission, please contact me at 312-930-8167 or via email at sean.downey@cmegroup.com. Please reference CME Submission No. 22-119 in any related correspondence.

Sincerely,

/s/Sean Downey
Chief Compliance Officer & Head of Policy
CME Clearing

Attachment: Exhibit A - Modified CME Operational Risk Management Framework (attached under separate cover)
(confidential treatment requested)