

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 16-126

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

Filing as a:  DCM  SEF  DCO  SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): March 18, 2016 Filing Description: Amendments to CME Rule 8G27 (IRS Risk Committee)

**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: CME Rule 8G27

**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 18, 2016

**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. Amendments to CME Rule 8G27 (IRS Risk Committee).  
CME Submission No. 16-126**

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 self-certifying amendments to CME Rule 8G27 (IRS Risk Committee), effective on Monday, April 4, 2016.

CME is proposing amendments to Rule 8G27 in order to harmonize the powers of the IRS Risk Committee (“Committee”) with those provided in the rules for the other CME risk committees: the Clearing House Risk Committee<sup>1</sup> and the CDS Risk Committee<sup>2</sup>. Specifically, the amendments specify the Committee’s disciplinary authority and power over IRS Clearing Members and its power to take actions when it determines that an IRS Clearing Member fails to meet the requirements of an IRS Clearing Member or is in a financial or operational condition which jeopardizes or may jeopardize the integrity of the CME Clearing House. In addition, the amendments prescribe the confidential nature of the information reviewed by the Committee and its deliberations and require all persons serving on the Committee to enter into a confidentiality agreement.

**Core Principle Review**

CME reviewed the derivatives clearing organization core principles (“DCO 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 H - Rule Enforceability. The amendments will enhance CME’s ability to discipline, limit, suspend, or terminate the activities of an IRS Clearing Member due to any violation by the IRS Clearing Member.
- DCO Core Principle O - Governance Fitness Standards. The amendments comport with CFTC Regulation 39.32 by specifying the role and responsibility of the Committee and assignment of responsibilities for circumstances where an IRS Clearing Member fails to meet the requirements for being an IRS Clearing Member or is in a financial or operational condition which jeopardizes or may jeopardize the integrity of the CME Clearing House.

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<sup>1</sup> See CME rule 403.A (<http://www.cmegroup.com/rulebook/CME/I/4/4.pdf>)

<sup>2</sup> See CME Rule 8H27 (<http://www.cmegroup.com/rulebook/CME/I/8H/8H.pdf>)

- DCO Core Principle L – Public Information. The amendments will be added to the publicly available CME Rulebook available on the CME Group website. In addition, CME will release a notice to the marketplace regarding the amendments in advance of the effective date.

Exhibit A, which is attached hereto, sets forth the rule amendments in blackline format.

CME certifies that the rule amendments 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 contact me at 212-299-2200 or via e-mail at [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachment: Exhibit A – Amendments to CME Rule 8G27 (blackline format)

## Exhibit A

### CME Rulebook

#### Chapter 8-G Interest Rate Derivative Clearing

(additions underlined; deletions are ~~overstruck~~)

#### **8G27. IRS RISK COMMITTEE**

There shall be an IRS Risk Committee which shall serve to provide guidance to the Clearing House on general matters relating to IRS Products including risk management policies and practices. In addition to the responsibilities set forth in these Rules, ~~t~~The IRS Risk Committee shall have the composition, responsibilities and other characteristics as set forth in its Charter.

The IRS Risk Committee may conduct investigations, issue charges and consider offers of settlement with respect to violations of these Rules as relate to IRS Clearing on its own initiative or by referral from Clearing House staff.

If the IRS Risk Committee determines that a IRS Clearing Member fails to meet the requirements for being a IRS Clearing Member or is in a financial or operational condition which jeopardizes or may jeopardize the integrity of the Clearing House, the IRS Risk Committee may, by majority vote:

1. Order the IRS Clearing Member or its customers to deposit such additional performance bond with the Clearing House as deemed appropriate to protect the integrity of open contracts;
2. Prescribe such additional capital or other financial requirements as it deems appropriate;
3. Impose position limits on IRS Clearing Members based on their regulatory capital and such other criteria as it deems appropriate;
4. Suspend a IRS Clearing Member, subject to approval of any two of the following individuals: the Chief Executive Officer, the President, the President of the Clearing House, the Chairman of the Board, the Chairman of the IRS Risk Committee or the President of Global Operations, Technology & Risk;
5. Order the IRS Clearing Member to cease and desist from the conduct found to be contrary to the best interests of the Clearing House; and/or
6. Order the liquidation or transfer of all or a portion of the open positions of the IRS Clearing Member; provided that all costs associated with any such liquidation and/or transfer shall solely be obligations of the IRS Clearing Member.

No person shall serve on the IRS Risk Committee unless he has agreed in writing that he will not publish, divulge, or make known in any manner, any facts or information regarding the business of any person or entity or any other information which may come to his attention in his official capacity as a member of the IRS Risk Committee, except when reporting to the Board or to a committee concerned with such information or to the Legal Department, financial & Regulatory Surveillance Department or Market Regulation Department, when requested by the CFTC or other governmental agency or self regulatory organization or when compelled in any judicial or administrative proceeding.

All information and documents provided to the IRS Risk Committee and all deliberations and documents related thereto shall be treated as non-public and confidential and, subject to the provisions in the previous paragraph, shall not be disclosed, except as necessary to further a Clearing House investigation or as required by law.

The IRS Risk Committee shall have jurisdiction to enforce Rules pertaining to the following:

1. Financial integrity of IRS Clearing Members; and
2. Business conduct of and compliance with Rules by IRS Clearing Members.