

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 16-131

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 24, 2016 Filing Description: Amendments to CME Chapter 900 ("Interest Rate Swaps") and Adoption of New CME Chapter 902 ("Interest Rate Swaptions Contract Terms")

**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 Chapters 900 and 902

**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 24, 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. Notification Regarding Amendments to CME Chapter 900 (“Interest Rate Swaps”) and Adoption of New CME Chapter 902 (“Interest Rate Swaptions Contract Terms”).  
CME Submission No. 16-131**

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 900 (“Interest Rate Swaps”) and the adoption of new CME Chapter 902 (“Interest Rate Swaptions Contract Terms”) in connection with the acceptance of physically-settled European-style interest rate swaptions (“Swaptions”) for clearing (collectively, the “Rule Amendments”). The Rule Amendments will be effective on Monday, April 11, 2016.

On March 3, 2015, the CFTC determined that CME Clearing is eligible to clear Swaptions.<sup>1</sup> The Rule Amendments contain the Swaption product rules and conforming amendments to existing interest rate swap rules in connection with the acceptance of Swaptions for clearing. New Chapter 902 contains Swaption product contract terms. Rule 90201 contains new definitions for Swaptions. Rule 90202 sets forth certain minimum contract terms for Swaptions, including minimum notional amount, minimum premium increments, maximum expiration date of 2 years and 10 calendar days and physical settlement. Rule 90203 established the mechanics for Swaption exercise and assignment. Rule 90204 parallels existing CME Rule 90103 (“Contract Modifications”) with respect to application of CME Rules and changes in law or regulation.

The amendments to Chapter 900 include definitions relating to the Swaptions offering as well as clarifying changes to CME Rules 90005.C and 90006.B.

Exhibit B sets forth the proposed Swaption fee schedule for customers. Swaption fees for house are the same as for non-swaption interest rate swaps.

CME will separately provide to the CFTC the information required pursuant to CFTC Regulation 39.5(b) in connection with the acceptance of Swaptions for clearing in CME Submission No. 16-132.

**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 Rule Amendments may have some bearing on the following principles:

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<sup>1</sup> See letter from Christopher J. Kirkpatrick to Christopher K. Bowen dated March 3 2015.  
<http://www.cftc.gov/ido/groups/public/@otherif/documents/ifdocs/cmewaptionsletter3-3-15.pdf>

- DCO Core Principle C – Participant and Product Eligibility. The Rule Amendments provide appropriate standards for the clearing of Swaptions.
- DCO Core Principle L – Public Information. The Rule 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. Appendix B sets forth the fees for customers clearing Swaptions. Swaptions fees for house remain the same as for non-swaption interest rate swaps.

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

Attachments: Exhibit A – Rule Amendments (blackline format)  
Exhibit B – Swaptions Customer Fee Schedule (blackline format)

## Exhibit A

### Amendments to CME Rulebook Chapter 900 and New CME Rulebook Chapter 902

(Additions are underlined. Deletions are ~~struck through~~.)

#### **Chapter 900** **Interest Rate ~~Swaps~~ Products**

##### **90001. SCOPE OF CHAPTER**

The scope of this Chapter is limited in application to IRS Products. The procedures for trading IRS Products and for clearing and settling IRS Contracts and any other matters not specifically covered herein shall be governed by the other Chapters of these Rules, including Chapter 8-F (Over-the-Counter Derivatives Clearing) and Chapter 8-G (Interest Rate Derivative Clearing), to the extent applicable.

Capitalized terms in this Chapter that are not otherwise defined in this Chapter shall have the meanings given to such terms in the other Chapters of the Rules. Capitalized terms in this Chapter that are not otherwise defined in either this Chapter or the other Chapters of the Rules shall have the meanings set forth in the ISDA Definitions.

##### **90002. DEFINITIONS**

###### **90002.A. Acceptance Conditions**

With respect to an IRS Contract, the acceptance for clearing by both IRS Clearing Members of an IRS Product submitted for clearing and the acceptance by the Clearing House of such IRS Product for clearing.

###### **90002.B. Acceptance Date**

With respect to an IRS Contract, the date on which the Acceptance Conditions are satisfied.

###### **90002.C. Acceptance Time**

With respect to an IRS Contract, the time at which the Acceptance Conditions are satisfied.

###### **90002.D. Clearing Business Day**

With respect to an IRS Contract, any day on which the Clearing House is open to process and settle IRS Contracts.

###### **90002.E. Clearing Effective Date**

With respect to an IRS Contract:

- (a) where the Acceptance Time for such IRS Contract is prior to 7.00 p.m. (Eastern Time) on a Clearing Business Day, the Acceptance Date for such IRS Contract; and
- (b) where the Acceptance Time for such IRS Contract is on or after 7.00 p.m. (Eastern Time) on a Clearing Business Day, the Clearing Business Day immediately following the Acceptance Date for such IRS Contract.

###### **90002.F. Contract Elections for IR Swaps**

~~With respect to an IRS IR Swap accepted for clearing by the Clearing House as an IR Swap Contract that is not an Underlying IR Swap Contract, each of the following elections shall be made by an IRS Participant for such IRS Contract: ~~the IR Swap~~: Effective Date, Notional Amount(s) (which may be constant or variable, including amortizing, accreting and roller coaster ~~and currency~~), Currency, Business Day(s), Business Day Convention, Termination Date and any Business Day Convention adjustment, Fixed Rate Payer Payment Dates, Fixed Rate, Fixed Rate Day Count Fraction, Floating Rate Payer Payment Dates, Floating Rate Option, Designated Maturity, Spread, Floating Rate Day Count Fraction, Compounding (Flat/None), Floating Rate for Initial Floating Rate Payer Calculation Period, initial payment amount (if any), initial amount payer (if any) and whether the IRS Clearing Participant is acting as a Floating Rate Payer or a Fixed Rate Payer, whether the Clearing House is acting as a Floating Rate Payer or a Fixed Rate Payer, Settlement Currency and Reference Currency (if any). Where IRS Participants elect a Reference Currency that is different to the Settlement Currency, IRS Participants may elect any or all of the following: Reference Currency, Reference Currency Notional Amount, Settlement Date, Valuation Date, and any Business Day Convention applicable to such Valuation Date.~~

**~~90002.G. Eligible Contract Participant (“ECP”)~~**

~~An eligible contract participant as defined in the Commodity Exchange Act.~~

**90002.G. Contract Elections for IR Swaptions and Underlying IR Swap Contracts**

With respect to an IR Swaption accepted for clearing by the Clearing House as an IR Swaption Contract, each of the following elections shall be made by an IRS Participant for such IR Swaption: Effective Date, whether such IR Swaption is a Put Swaption or a Call Swaption, whether such IR Swaption is part of an IR Swaption Straddle, IR Swaption Premium, Premium Payment Date (if applicable), Business Day Convention for Premium Payment Date (if applicable), IR Swaption Expiration Date, Business Day Convention for Expiration Date, whether Partial Exercise is applicable and whether such IRS Participant is the Seller or Buyer of such IR Swaption.

With respect to an IR Swaption accepted for clearing by the Clearing House as an IR Swaption Contract, each of the following elections shall be made by an IRS Participant for the Underlying IR Swap Contract: Effective Date, Notional Amount(s) (which may be constant or variable, including amortizing, accreting and roller coaster), Currency, Business Day(s), Business Day Convention, Termination Date and any Business Day Convention adjustment, Fixed Rate Payer Payment Dates, Fixed Rate Day Count Fraction, Floating Rate Payer Payment Dates, Floating Rate Option, Designated Maturity and Floating Rate Day Count Fraction. If the IR Swaption is part of an IR Swaption Straddle, each of the foregoing elections shall be made by an IRS Participant with respect to both Underlying IR Swap Contracts.

**~~90002.H. Interest Rate Swap (“IRS”)~~**

~~A contract that provides for the exchange, on specified payment dates, of cash payments (on a net or gross basis) determined by reference to a predetermined notional amount or notional amounts, one or both of which payments is/are based on a floating or variable reference interest rate or interest rate index.~~

**90002.H. Termination Date**

In respect of (i) any IRS designated as an IRS Product, other than an IRS that is an Underlying IR Swap Contract, the Termination Date of such IRS shall occur no later than 51 years and 10 calendar days after the Clearing Business Day on which such IRS is submitted for clearing to the Clearing House and (ii) any IRS designated as an IRS Product that is an Underlying IR Swap Contract, the Termination Date of such IRS shall occur no later than 30 years and 10 calendar days following the Effective Date for such Underlying IR Swap Contract.

**~~90002.I. IRS Clearing Member~~**

~~A Clearing Member of the Clearing House that is authorized to submit IRS Products for clearing pursuant to these Rules.~~

**90002.I. IRS**

An IR Swap or an IR Swaption.

**90002.J. IRS Contract**

An IRS Product that has been accepted for clearing by the Clearing House.

**90002.J. Interest Rate Swap ("IR Swap")**

A contract that provides for the exchange, on specified payment dates, of cash payments (on a net or gross basis) determined by reference to a predetermined notional amount or notional amounts, one or both of which payments is/are based on a floating or variable reference interest rate or interest rate index.

**90002.K. IRS Participant**

A market participant on whose behalf an IRS Clearing Member holds a position in an IRS Contract.

**90002.K. Interest Rate Swap Option ("IR Swaption")**

A contract in which the Seller grants the Buyer the right, but not the obligation, to cause the Underlying IR Swap Contract to become effective on the terms set out in accordance with this Chapter.

**90002.L. IRS Products**

An IRS that the Clearing House has designated as eligible for clearing. An IRS Product must specify a Termination Date equal to or less than 51 years and 10 calendar days after the Clearing Business Day on which such IRS Product is submitted for clearing to the Clearing House

**90002.L. IR Swaption Straddle**

An IR Swaption which comprises two Underlying IR Swap Contracts, one of which is a Put Swaption and the other of which is a Call Swaption.

**90002.M. Put Swaption**

An IR Swaption where the Buyer holds the right to cause the Underlying IR Swap Contract to be effective, in respect of which Buyer is the Fixed Rate Payer and the Seller is the Floating Rate Payer.

**90002.N. Call Swaption**

An IR Swaption where the Buyer holds the right to cause the Underlying IR Swap Contract to be effective, in respect of which Buyer is the Floating Rate Payer and the Seller is the Fixed Rate Payer.

**90002.O. IRS Clearing Member**

An IR Swap Clearing Member or an IRS Swaptions Clearing Member.

**90002.P. IR Swap Clearing Member**

A Clearing Member of the Clearing House that is authorized to submit IR Swap Products for clearing pursuant to these Rules.

**90002.Q. IR Swaption Clearing Member**

A Clearing Member of the Clearing House that is authorized to submit IR Swaption Products for clearing pursuant to these Rules.

**90002.R. IRS Contract**

An IR Swap Contract or an IR Swaption Contract.

**90002.S. IR Swap Contract**

An IR Swap Product that has been accepted for clearing by the Clearing House.

**90002.T. IR Swaption Contract**

An IR Swaption Product that has been accepted for clearing by the Clearing House.

**90002.U. IRS Participant**

A market participant on whose behalf an IRS Clearing Member holds a position in an IRS Contract.

**90002.V. IRS Product**

An IR Swap Product or an IR Swaption Product.

**90002.W. IR Swap Product**

At any time, an IR Swap that the Clearing House has designated as eligible for clearing at such time.

**90002.X. IR Swaption Product**

At any time, an IR Swaption that the Clearing House has designated as eligible for clearing, and which is exercisable into an IR Swap that the Clearing House has designated as eligible for clearing, in each case at such time.

**90002.MY. ISDA**

The International Swaps and Derivatives Association, Inc.

**90002.NZ. ISDA Definitions**

The 2006 ISDA Definitions, as published by ISDA.

**90002.OAA. FX Definitions**

The 1998 FX and Currency Option Definitions as published by ISDA, The Emerging Markets Trading Association, Inc., and the Foreign Exchange Committee.

**90002.BB. Underlying IR Swap Contract**

For a given IR Swaption, the IR Swap into which such IR Swaption is exercisable on the terms set out in accordance with this Chapter.

**90003. NOTICES**

Any notice, document, communication, filing or form to be served on, filed with, made to or provided by the Clearing House to an IRS Clearing Member pursuant to these Rules or in relation to any IRS Contract or IRS Product shall be served, filed, made or provided in accordance with these Rules and the relevant procedures set forth in the Clearing House Manual from time to time.

Any notice, document, communication, filing or form to be served on, filed with, made to or provided to the Clearing House pursuant to these Rules or in relation to any IRS Contract or IRS Product shall be served, filed, made or provided in accordance with these Rules and the relevant procedures set forth in the Clearing House Manual from time to time.

Notwithstanding any other provision of these Rules, for so long as the Clearing House is unable to receive or deliver, or an IRS Clearing Member is unable to deliver, any notice as a result of a failure, malfunction, suspension or termination of all or any part of any of the relevant Clearing House systems, the time periods for delivery of any such notice will be tolled and any applicable delivery deadlines shall be extended accordingly.

**90004. ISDA DISCLAIMER**

ISDA® bears no responsibility or liability arising from the reproduction, public display, incorporation, dissemination or reference to all or any of the 2006 ISDA Definitions. © 2006 International Swaps and Derivatives Association, Inc.

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and Derivatives Association, Inc., Emerging Markets Traders Association, The Foreign Exchange Committee.

## **90005. REGISTRATION**

### **90005.A. IRS Clearing Members**

An IRS Clearing Member must register with CME in order to clear IRS Contracts through the Clearing House. IRS Clearing Members and IRS Participants must complete all applicable on-boarding agreements required by the Clearing House to satisfy the registration process.

### **90005.B. IRS Participants**

In order for an IRS Participant to participate in the clearing of IRS Contracts through the Clearing House, such IRS Participant's IRS Clearing Member must register the account of such IRS Participant with CME prior to submitting IRS Products on behalf of such Participant for clearing by the Clearing House and shall comply with any requirements of Rule 8F.09.

### **90005.C Eligible Contract Participant**

In order to transact in IRS Contracts, an IRS Participant must be an ECP "eligible contract participant" pursuant to at least one of the applicable limbs of the definition provided in Section 1a(18) of the Commodity Exchange Act ("ECP"). An IRS Clearing Member that clears IRS Contracts must obtain a representation from each IRS Participant for which it provides clearing services that such IRS Participant is, and will be, an ECP at all times clearing services are provided for such IRS Participant. If an IRS Clearing Member becomes aware that an IRS Participant for which it provides clearing services no longer qualifies as an ECP, ~~the~~such IRS Clearing Member must notify the Clearing House and work with ~~the~~such IRS Participant to close out ~~any~~such IRS Participant's open IRS Contracts as soon as possible. Violations of this Rule may subject the relevant IRS Clearing Member to fines and other disciplinary action.

### **90005.D. Identification of IRS Contracts**

Each IRS Contract shall be identified with an account number which identifies the originator of such IRS, and which specifies whether such IRS Contract is (i) a proprietary transaction of an IRS Clearing Member duly registered with the Clearing House or (ii) a transaction by an IRS Participant duly registered with the Clearing House.

## **90006. SUBMISSION OF INTEREST RATE SWAPS PRODUCTS TO THE CLEARING HOUSE**

### **90006.A. IRS Product Submission Methods**

IRS Products ~~may~~ shall be submitted to the Clearing House for clearing through (a) the CME ClearPort GUI and API, (b) the Clearing House migration utility ~~and, or~~ (c) any other facility or trade platform approved by the Clearing House from time to time. To the extent not specified elsewhere in these Rules, the Clearing House ~~will~~ shall specify the terms and conditions under which IRS Products ~~may~~ shall be submitted to the Clearing House for clearing ~~through procedures defined in the Clearing House Manual.~~

### **90006.B. ~~Transactions Not Accepted for Clearing~~ Acceptance of IRS by the Clearing House and Creation of IRS Contract**

Any bilateral IRS (i) that is submitted to the Clearing House in accordance with the Rules and with all required elections, (ii) that satisfies the conditions in Rule 8G05, (iii) that is within the IRS product scope available on the Clearing House's website and (iv) where both IRS Clearing Members have accepted the resulting IRS Contracts, will be accepted for clearing and will result in two IRS Contracts in accordance with Rule 8G05.

Notwithstanding any provision to the contrary in the Rules or in the Exchange User License Agreement (as may be amended from time to time), the parties to a bilateral IRS transaction submitted for clearing and which has not been accepted for clearing by the Clearing House pursuant to these Rules may



separately agree that such trade is a valid, binding agreement between the parties which is un-cleared and which has no affiliation with the Clearing House.

#### **90007. INTERPRETATION**

For the purposes of any IRS Contract, references in the ISDA Definitions to:

- (a) ~~(i)~~a "Confirmation" shall be deemed to be references to the terms of the relevant IRS Contract;
- (b) ~~(ii)~~a "Swap Transaction" shall be deemed to be references to the relevant IRS Contract, where such IRS Contract is an IRS; and
- (c) a "Swaption" shall be deemed to be references to the relevant IR Swaption Contract.

#### **90008. IRS COUPON BLENDING**

In respect of eligible IRS Contracts only, the ~~The~~ Clearing House will allow IRS Participants to elect to have the Clearing House reduce the number of eligible IRS Positions Contracts of each such IRS Participant through a compression process that will replace similar cleared IRS Contracts executed at the same or different fixed rates with zero or more replacement IRS Contracts that have Fixed Rate(s) equal to the blended rate(s) determined through the coupon blending process. The coupon blending process will result in a compression of the IRS Participant's portfolio of eligible IRS Contracts by reducing the number of transactions and/or the aggregate gross notional of the combined eligible IRS Contracts. The combined cash flows of the replacement IRS Contracts will be the same as the combined cash flows of the original ~~RS~~ eligible IRS Contracts.

**Chapter 902**  
**Interest Rate Swaption Contract Terms**

**90200. SCOPE OF CHAPTER**

The terms and conditions of any IR Swaption shall be defined by this Chapter, as supplemented by the ISDA Definitions, the definitions set out in Section 90002 (*Definitions*) of Chapter 900 (*Interest Rate Products*) and the relevant Contract Elections for IR Swaptions and Underlying IR Swap Contracts, and as further supplemented and amended by the provisions of these Rules.

Capitalized terms in this Chapter that are not otherwise defined in this Chapter shall have the meanings given to such terms in the other Chapters of the Rules. Capitalized terms in this Chapter that are not otherwise defined in either this Chapter or the other Chapters of the Rules shall have the meanings set forth in the ISDA Definitions.

**90201. DEFINITIONS**

**90201.A Earliest Exercise Time**

In respect of an IR Swaption Contract denominated in US dollars, 9:00 a.m. (New York Time) on the specified Expiration Date.

**90201.B Expiration Time**

In respect of an IR Swaption Contract denominated in US dollars, 11:00 a.m. (New York Time) on the specified Expiration Date.

**90201.C CME Settlement Rate**

The par swap rate for IR Swaps in the currency in which the Underlying IR Swap Contract is denominated on the Exercise Date, as determined by the Clearing House in its sole and absolute discretion at 10:50 a.m. (New York Time).

**90202. CONTRACT TERMS**

**90202.A. Calculation Agent**

With respect to any IR Swaption Contract, the Clearing House shall be the sole Calculation Agent for all purposes, and shall not be required to consult with the parties to such IR Swaption Contract prior to making a determination.

**90202.B. Minimum Notional Amount for Clearing**

For any IR Swaption Product submitted to the Clearing House, the minimum Notional Amount of Underlying IR Swap Contract specified in the Contract Elections for such IR Swaption Product shall be one unit of the Currency of the Underlying IR Swap Contract specified in the Contract Elections for IR Swaptions. *Example:* For an IR Swaption Product exercisable into a US dollar-denominated IRS Contract, the minimum allowable notional size shall be one (1) US dollar.

**90202.C. Premium Payment Date**

The Premium Payment Date shall be specified as any calendar day that occurs (i) no earlier than the day on which such IR Swaption is submitted for clearing to the Clearing House and (ii) no later than the Clearing Business Day following the IR Swaption Expiration Date specified in the Contract Elections for such IR Swaption.

#### **90202.D. Minimum Premium Increment**

For any IR Swaption Contract, the IR Swaption Premium shall be selected in increments no less than 1/100th of the unit of Currency of the Underlying IR Swap Contract. Example: For an IR Swaption Product exercisable into an Underlying IR Swap Contract denominated in US dollars, the Minimum Premium Increment shall be \$0.01.

#### **90202.E. Expiration Date**

For any IR Swaption Contract, the IR Swaption Expiration Date shall be specified as any calendar day occurring no later than 2 years and 10 calendar days after the Clearing Business Day on which such IR Swaption is submitted to the Clearing House.

#### **90202.F. Exercise Period**

An IR Swaption Contract may be exercised on the Expiration Date at any time from and including the Earliest Exercise Time to and including the Expiration Time.

#### **90202.G. Option Style**

The Option Style for each IR Swaption Contract shall be European.

#### **90202.H. Settlement Method**

The Settlement Method for each IR Swaption Contract shall be Physical Settlement.

#### **90202.I. Expiration Time**

An IR Swaption Contract must be submitted for clearing prior to the Expiration Time for the IR Swaption Contract. After the Expiration Time, the Clearing House will no longer accept the IR Swaption Contract for clearing.

### **90203. EXERCISE AND ASSIGNMENT**

#### **90203.A. Exercise**

An IR Swaption Contract may be exercised by the Buyer at any time during the Exercise Period on the Expiration Date. To exercise an IR Swaption Contract, the Buyer shall present an irrevocable exercise notice to the Clearing House, in such form and manner as the Clearing House may prescribe, no later than the Expiration Time. In the case of a Swaption Straddle, the exercise notice shall specify whether the exercise shall apply to the Underlying IR Swap Contract that is a Call Swaption or the Underlying IR Swap Contract that is a Put Swaption.

The Fallback Exercise Procedures set out in Rule 90203.A.3 shall apply.

In respect of any IR Swaption Contract, the Clearing House shall disregard any instruction of intent to exercise or intent to abandon or exercise notice that it receives after the Expiration Time.

#### **90203.A.1. Instructions of Intent to Exercise or Abandon**

Notwithstanding the provisions of Rule 90202.F, at any time from when the Clearing House permits instructions of intent to exercise or abandon to be delivered to the Clearing House until the expiration of the Exercise Period for an IR Swaption Contract, the IRS Participant that is the Buyer in respect of the IR Swaption Contract may instruct the Clearing House that it intends to exercise or that it intends to abandon the IR Swaption Contract in such form and manner as the Clearing House may prescribe. A Buyer may change its intent to exercise or abandon by withdrawing and/or resubmitting the instruction of intent to exercise or abandon (as relevant) at any time up to and including the Expiration Time in such form and manner as the Clearing House may prescribe, and the Clearing House will only act in accordance with the last instruction provided to the Clearing House in accordance with these Rules and all prior instructions will be disregarded. If the Clearing House has received an instruction of intent to exercise prior to the expiration of the Exercise Period and no instruction of intent to abandon has been subsequently received prior to the Expiration Time, the Clearing House shall deem such instruction of intent to constitute an irrevocable exercise notice delivered by the IRS Participant immediately prior to the

Expiration Time. If the Clearing House has received an instruction of intent to abandon prior to the expiration of the Exercise Period and no instruction of intent to exercise or exercise notice has been subsequently received prior to the Expiration Time, the Clearing House shall deem the IR Swaption Contract abandoned immediately prior to the Expiration Time.

#### **90203.A.2. Partial Exercise**

Provided that Partial Exercise is elected as being applicable in the Contract Elections for an IR Swaption Contract, the buyer of such an IR Swaption Contract may elect to exercise less than all the Notional Amount of the corresponding Underlying IR Swap Contract within the specified Exercise Period, *provided that* the amount exercised must be no less than the Minimum Notional Amount for Clearing.

#### **90203.A.3. Fallback Exercise Procedures**

In respect of any IR Swaption Contract in respect of which the Clearing House is not the Buyer, Fallback Exercise procedures shall apply if the IR Swaption Contract has not been exercised or abandoned prior to the Expiration Time. If Fallback Exercise procedures apply, such IR Swaption Contract shall be exercised automatically if it is deemed by the Clearing House, in its sole discretion as the Calculation Agent, to be "in the money" by one tenth of a percentage point (0.10% or .001) or greater.

A Put Swaption shall be deemed to be "in the money" if the CME Settlement Rate exceeds the Fixed Rate for such Underlying IR Swap Contract at 10:50 a.m. (New York Time) on the Expiration Date.

A Call Swaption shall be deemed to be "in the money" if the CME Settlement Rate is less than the Fixed Rate for such Underlying IR Swap Contract at 10:50 a.m. (New York Time) on the Expiration Date.

#### **90203.B. Assignment**

IR Swaption Contracts in respect of which the Clearing House is not the Buyer that are exercised on the Expiration Date (whether by acceptance by the Clearing House of an exercise notice or by operation of the Fallback Exercise Procedures), shall be assigned solely by the Clearing House to IR Swaption Contracts in respect of which the Clearing House is the Buyer as soon as technologically practicable after the Expiration Time (i) first, to equal and opposite positions of the same IRS Swaptions Clearing Member and (ii) second, to equal and opposite positions of all other IRS Swaptions Clearing Members through a process of random selection, and such assignment shall constitute an effective exercise of such IR Swaption Contracts. A Seller whose IR Swaption Contract has been exercised in this manner shall be notified thereof by the Clearing House as soon as technologically practicable after such assignment.

Following the exercise of a Call Swaption, the Underlying IR Swap Contract shall become effective and shall constitute an IR Swap Contract, with the Clearing Effective Date of such Underlying IR Swap Contract being the Exercise Date. Where the Buyer in respect of such Call Swaption is the Clearing House, the Clearing House shall be the Floating Rate Payer and the IRS Participant shall be the Fixed Rate Payer.

Following the exercise of a Put Swaption, the Underlying IR Swap Contract shall become effective and shall constitute an IR Swap Contract, with the Clearing Effective Date of such Underlying IR Swap Contract being the Exercise Date. Where the Buyer in respect of such Put Swaption is the Clearing House, the Clearing House shall be the Fixed Rate Payer and the IRS Participant shall be the Floating Rate Payer.

### **90204. CONTRACT MODIFICATIONS**

#### **90204.A. CME Rules**

The terms of IR Swaption Contracts may be modified by CME in accordance with the Rules, with such modification to become part of these Rules and to be applicable to all IRS Swaption Contracts that are entered into subsequent to the relevant date of modification.

**90204.B. Change in Law or Regulation**

If any governmental agency or body with jurisdiction over CME issues an order, ruling, directive or law that conflicts with the requirements of these Rules, CME shall make such amendments and modifications to these Rules as it deems appropriate in its sole discretion in order to reflect the application of such order, ruling, directive or law, and such changes to these Rules shall be applicable to all IRS Swaption Contracts that are open as of, or entered into subsequent to, the relevant effective date of the order, ruling, directive or law.

## Exhibit B

### **CME CLEARED INTEREST RATE SWAPS STANDARD CUSTOMER FEE SCHEDULE SWAPTION FEE SCHEDULE**

(Additions are underlined.)

#### Clearing Fee

- Charged on all cleared trades (including new, terminations, and backloads)
- There are no transaction fees for transfers.
- Clearing fees are billed in the same currency as the swap notional, subject to the below schedule:

<u>Product Maturity</u>	<u>Rate Per Million Notional In Currency of Product</u>
<u>0 – 3 months</u>	<u>0.38</u>
<u>3+ – 6 months</u>	<u>0.75</u>
<u>6+ – 12 months</u>	<u>1.50</u>
<u>1+ – 3 years</u>	<u>3.75</u>

“Product Maturity” is calculated as the number of full months from the clearing date for the transaction to the swaption expiration date

#### Notes

- For standard fee schedule clients, the \$2.00 per trade annual maintenance fee and all quarterly volume discounts will apply to all swaptions activity.
- Upon exercise/assignment, each party will pay their standard clearing fee for the interest rate swap that results from exercise. There is no additional surcharge for exercise/assignment
- There are no charges for abandonment of a swaption.
- Each leg of a straddle is charged a fee, regardless of whether they are traded as a single line item or as two separate line items

#### **ALTERNATE FEE SCHEDULE**

- Clients on the alternate fee schedule for swaps will also be on the alternate fee schedule for options. A client’s fee schedule selection must be the same for swaps and swaptions.
- Customers on the high turnover schedule will incur a \$100.00 per ticket fee for swaptions
- The monthly charge of 10 basis points on the client’s initial margin applies to the entire portfolio