

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 19-178

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

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): April 16, 2019 **Filing Description:** Amendments to CME Rule 8G930.C. ("Acceptable Performance Bond Deposits for IRS Products")

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: 820; 8G930.C.

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:

April 16, 2019

VIA ELECTRONIC PORTAL

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

**Re: CFTC Regulation 40.6(a) Certification. Notification Regarding Amendments to CME Rule 8G930.C. (“Acceptable Performance Bond Deposits for IRS Products”).
CME Submission 19-178**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6(a), Chicago Mercantile Exchange Inc., in its capacity as a derivatives clearing organization (“DCO”) (“CME Clearing”) is self-certifying amendments to CME Rule 8G930.C. (“Acceptable Performance Bond Deposits for IRS Products”) (the “Rule Amendments”) to prohibit IRS clearing members from accepting as performance bond securities that have been sponsored or guaranteed by their account holders effective on trade date May 1, 2019.

Currently, CME Rule 8G930.C. prohibits IRS clearing members from accepting as performance bond securities that have been issued by their account holders. Specifically, CME Clearing is proposing to amend CME Rule 8G930.C. to provide that in addition, IRS clearing members cannot accept securities as performance bond from an account holder that has been sponsored or otherwise guaranteed by the account holder or affiliate of the account holder unless the clearing member files a petition with and receives permission from CME Clearing staff. The Rule Amendments will make CME Rule 8G930.C. consistent with CME Rule 930.C. (“Acceptable Performance Bond Deposits”) which is applicable to CME Group Exchanges. The Rule Amendments are attached hereto as Exhibit A in blackline format.

Core Principle Review

CME Clearing has reviewed the DCO core principles (“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 Core Principles:

- DCO Core Principle D – Risk Management - Regulation 39.13(f) requires each DCO to limit its exposure to potential losses from defaults by its clearing members. The Rule Amendment are consistent with this requirement in that it generally limits clearing members from accepting assets as performance bond from account holders when there may be an adverse correlation between the credit quality of such assets and the credit quality of the account holder. This mechanism should reduce the potential losses under a clearing member default by minimizing their exposure to the adverse correlation risk noted above.
- DCO Core Principle L – Public Information - The Rule Amendments will be publicly available on the CME Group website. In addition, CME Clearing will release a notice to the marketplace regarding the Rule Amendments in advance of the effective date.

- DCO Core Principle R – Legal Risk - CME Clearing has determined that the Rule Amendments are consistent with the requirement to have a well-founded, transparent, and enforceable legal framework for each aspect of the activities of the DCO.

CME Clearing certifies that the Rule Amendments comply with the CEA and regulations thereunder. There were no substantive opposing views to this action.

Notice of this submission has been concurrently posted on CME Group's website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

If you require any additional information regarding this submission, please contact the undersigned at 212-299-2200 or via e-mail at CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/ Christopher Bowen
Managing Director & Chief Regulatory Counsel

Attachment: Exhibit A – CME Rule 8G930.C. (“Acceptable Performance Bond Deposits for IRS Products”) (blackline format)

EXHIBIT A

CME Rulebook Chapter 8G ("Interest Rate Derivative Clearing")

(additions underlined)

8G930.

IRS PERFORMANCE BOND REQUIREMENTS

8G930.C. Acceptable Performance Bond Deposits for IRS Products

IRS Clearing Members may accept from their account holders as performance bond cash currencies of any denomination, readily marketable securities (as defined by SEC Rule 15c3-1(c)(11) and applicable SEC interpretations), money market mutual funds allowable under CFTC Regulation 1.25, bank-issued letters of credit, and "London Good Delivery" gold, as defined by the London Bullion Market Association.

IRS Clearing Members shall not accept as performance bond from an account holder securities that have been issued, sponsored or otherwise guaranteed by the account holder or an affiliate of the account holder unless the IRS Clearing Member files a petition with and receives permission from Clearing House staff.

Unless permitted (either not restricted or specifically authorized) by OFAC and/or any Sanctioning Body, as applicable, IRS Clearing Members may not accept from their account holders as performance bond any debt or equity issued by Sanctioned Parties as defined in Rule 543, assets in which Sanctioned Parties have an interest, or any other assets that are or would be subject to blocking restrictions or sectoral sanction restrictions imposed by the U.S. Department of Treasury's Office of Foreign Assets Control or are subject to similar restrictions imposed by another Sanctioning Body.

Bank-issued letters of credit must be in a form acceptable to the Clearing House. Such letters of credit must be drawable in the United States. IRS Clearing Members shall not accept as performance bond from an account holder letters of credit issued by the account holder, an affiliate of the account holder, the clearing member, or an Affiliate of the clearing member.

All assets deposited by account holders to meet performance bond requirements must be and remain unencumbered by third party claims against the depositing account holder. Except to the extent that Clearing House staff shall prescribe otherwise, cash currency performance bond deposits shall be valued at market value. All other performance bond deposits other than letters of credit shall be valued at an amount not to exceed market value less applicable haircuts as set forth in SEC Rule 240.15c3-1.
