

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 18-250

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

Filing as a:  DCM  SEF  DCO  SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): June 7, 2018 Filing Description: Amendment to List of Acceptable Collateral

**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:**

**Rule Numbers:**



Christopher Bowen  
Managing Director and Chief Regulatory Counsel  
Legal Department

June 7, 2018

**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) Submission. Notification Regarding Amendment to List of Acceptable Collateral  
CME Submission No. 18-250**

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange Inc. ("CME"), pursuant to Commodity Futures Trading Commission (the "Commission") Regulation 40.6(a), is hereby self-certifying the draft CME Clearing Advisory Notice which modifies CME's list of acceptable collateral, effective June 21, 2018.

Exhibit 1, the CME Clearing Advisory Notice, informs clearing members and market participants that, effective June 21, 2018, CME Clearing will modify its list of acceptable collateral that is currently published on the CME website to include certain fixed-rate bonds and discount notes issued by the International Bank for Reconstruction and Development (collectively, "IBRD Debt"). Under this proposal, CME will accept USD-denominated IBRD Debt with a time to maturity of less than 10 years for house, customer segregated, and customer cleared swaps performance bond requirements. IBRD Debt will be subject to a limit of \$250 million USDE per clearing member (and affiliates). In addition, any single IBRD instrument will have a limit of 10% of its issuance size (per clearing member and affiliates) and fixed-rate instruments must have a minimum issuance size of \$1 billion to be accepted by CME.

The proposed change is intended to diversify CME's performance bond collateral base and increase flexibility for clearing members by expanding the type of collateral that CME accepts as performance bond. Furthermore, the proposed change will require no change to CME's existing \$7 billion credit facility as the instruments are already included in the acceptable collateral schedule.

In connection with these changes, CME reviewed the designated clearing organization core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA"). During the review, CME identified the following Core Principles as potentially being impacted:

**Financial Resources:** Regulation 39.33 provides in relevant part that a derivatives clearing organization's ("DCO") qualifying liquid resources may include highly marketable collateral, so long as these assets are readily available and convertible into cash pursuant to prearranged and highly reliable funding arrangements under extreme but plausible market conditions. The IBRD Debt specified above satisfies this liquidity requirement in that CME's \$7 billion syndicated committed credit facility permits CME to pledge such debt to secure a draw on the facility. In addition, the change described above will not impact a clearing member's total margin requirement.

**Risk Management:** Regulation 39.13(g)(10) requires each DCO to limit the assets it accepts as initial margin to those that have minimal credit, market and liquidity risk. CME's analysis indicates that eligible IBRD Debt satisfies each characteristic for high-quality liquid assets for collateral evaluation as prescribed by the Bank for International Settlements (BIS), and thus satisfies these requirements. The change proposed above serves to further diversify the resources available to CME in the event of a clearing member default and reduces potential concentration of CME's collateral holdings, thus mitigating market and liquidity risk in a stressed market environment. Further, by limiting performance bond credit to \$250 million per clearing member (and affiliates), IBRD Debt should only account for a minimal portion of CME's overall collateral holdings. Acceptance of IBRD Debt will not impact the overall nature and level of risk presented by CME as the level of margin collected will remain the same; only the constitution of CME's collateral holdings may change.

CME certifies that proposed changes comply with the CEA and regulations thereunder. There were no substantive opposing views.

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 [Christopher.Bowen@cmegroup.com](mailto:Christopher.Bowen@cmegroup.com). Please reference CME Submission No. 18-250 in any related correspondence.

Sincerely,

/s/Christopher Bowen  
Managing Director and Chief Regulatory Counsel

# Exhibit 1

## CME Clearing Advisory Notice



TO: Clearing Member Firms  
Chief Financial Officers  
Back Office Managers

FROM: CME Clearing

Advisory #:

SUBJECT: Amendment to List of Acceptable Collateral

DATE: [insert date], 2018

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Effective [insert date], CME Clearing (CME) is amending its list of acceptable collateral to include certain debt instruments issued by the International Bank for Reconstruction and Development ("IBRD Debt"). IBRD Debt will be accepted by CME for house, customer segregated, and customer cleared swaps performance bond requirements denominated in any currency, subject to the cross-currency haircut schedule listed on [our website](#).

CME will utilize the following criteria and limits for acceptance of IBRD Debt:

- \$250 million limit, per clearing member (and affiliates)
- USD-denominated securities
- Time to maturity of less than 10 years
- Limit of 10% the issuance size, per clearing member (and affiliates)
- \$1 billion minimum issuance size for fixed-rate instruments
- Discount notes are allowed

The haircuts for IBRD Debt are listed in the table below:

Asset Class	Haircut Schedule			Limit
	Time to Maturity			
	0 to ≤ 3 yrs	>3 to ≤5 yrs	>5 to ≤10 yrs	
IBRD Debt	3%	4%	5%	\$250m

For collateral acceptance criteria, as well as information regarding limits and haircuts, please see

the [Standard Acceptable Collateral and Resources website](#).

For questions, please contact Credit Risk at [CreditRisk@cmegroup.com](mailto:CreditRisk@cmegroup.com).