

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 22-233

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

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 06/09/22 Filing Description: Modifications to CME's Risk Management Policies

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:

June 9, 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 CME's Risk Management Policies
CME Submission No. 22-233**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission ("CFTC" or "Commission") Regulation 40.6(a), Chicago Mercantile Exchange Inc. ("CME" or "Clearing House"), as a derivatives clearing organization ("DCO"), certifies to the Commission modifications to the CME's Risk Management Framework ("RMF"), Liquidity Risk Management Framework ("LRMF"), Model Validation Framework ("MVF"), Credit Policy, Collateral Policy, and Investment Policy (collectively, "the Policies") effective on June 27, 2022 (collectively, the "Amendments").

The Policies are maintained by the Clearing House. As described below, the Policies are each reviewed and approved on at least an annual basis. The Amendments were approved as part of the annual review process.

RMF

The RMF, maintained in accordance with CFTC Regulation 39.13(b), is approved by CME's Board of Directors ("Board") and the Clearing House Oversight Committee ("CHOC") (i.e., committee established by the Board) at least annually. The Amendments covered in this year's annual approval of the RMF primarily include:

- Updating the description of the critical function previously referred to as "Clearing Compliance" (now, "Clearing Policy & Compliance") in the RMF, reflecting organizational changes.
- While no changes have been made with respect to the role and responsibilities of the Financial and Regulatory Surveillance department, updating the RMF to more clearly recognize that pursuant to CFTC Regulation 1.52, the department also performs an exchange function.
- Updating the RMF with respect to the Clearing House's counterparty risk management practices, including: i) to provide that CME may use external or internal methodologies and analysis to measure and assess sovereign risk; and ii) the categories for entities rated as a part of the Clearing House's internal credit rating methodology.
- While no changes were made to the margin methodologies for IRS and FX swaps products, updating the descriptions of these methodologies in the RMF to conform with the phrasing used in the RMF to describe the SPAN 2 methodology.¹

¹ CME Submission, No. 21-499 (Nov. 2021), available at https://www.cmegroup.com/content/dam/cmegroup/market-regulation/rule-20_S_Wacker_Drive_Chicago_IL_60606_T_312_930_8167_Sean.Downey@cmegroup.com_cmegroup.com

LRMF

The LRMF is approved by the Board, CHOC, and Clearing House Risk Committee (“CHRC”) at least annually. The Amendments covered in this year’s annual approval of the LRMF primarily include:

- Updating the LRMF to reflect the CHOC’s review of key liquidity risk metrics.
- While no changes have been made to the Clearing House’s liquidity stress testing practices, updating LRMF to describe the Clearing House’s scenario selection process for stress testing.

MVF

The MVF is approved by the CHOC at least annually. The Amendments covered in this year’s annual approval of the MVF primarily include:

- Updating the MVF to more clearly describe the different aspects of the general model review process, including the existing roles and responsibilities of the Clearing Policy & Compliance function and the Clearing House’s internal Model Risk Committee.
- While no changes have been made with respect to the practices for addressing findings and observations as an output of model validations, updating the MVF to codify the process that is followed by the Clearing House throughout the life cycle of remediating any findings and observations.

Credit Policy

The Credit Policy is approved by the CHRC and CHOC (subject to the Amendments described below) at least annually. The Amendments covered in this year’s annual approval of the Credit Policy primarily include:

- Updating the Credit Policy to provide that CHOC reviews and approves the Credit Policy at least annually and following any substantive changes thereto.
- Consistent with the RMF, updating the Credit Policy with respect to CME’s management of sovereign risk, including to provide that CME may use external or internal methodologies and analysis to measure and assess sovereign risk.
- Updating the Credit Policy to codify the Clearing House’s practices for monitoring counterparty limits, particularly the process for the review and approval of limits, including on an *ad hoc* basis.

Collateral Policy

The Collateral Policy is approved by the CHRC and CHOC at least annually. The Amendments covered in this year’s annual approval of the Collateral Policy primarily include:

- While unlikely to occur, updating the Collateral Policy to reference the potential use of a back-up service provider for obtaining pricing data for valuing collateral on deposit.
- Updating the Collateral Policy to further describe the Clearing House’s ongoing monitoring of collateral (e.g., cross-currency haircuts).

Investment Policy

The Investment Policy is approved by the CHOC at least annually. The Amendments covered in this year’s annual approval of the Investment Policy primarily include, consistent with an updated policy approach, removing language from the Investment Policy describing practices that are still pending regulatory review.

Amendments Applicable to All of the Policies

The Clearing House also took the opportunity to correct for grammatical errors and amend the language in the Policies to provide clarity without changing the meaning (including updates consistent with CME

Rules and CFTC Part 39 Regulations), where appropriate. Additionally, the Policies were updated to detail the governance that would be followed where rules filed with the CFTC are subject to minor modification in that review process.

DCO Core Principle Review

CME reviewed the DCO 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 D – Risk Management: The Amendments further describe the Clearing House’s risk management practices and enhance the ability of the Clearing House to effectively manage the risks associated with discharging the responsibilities of the DCO.
- DCO Core Principle F – Treatment of Funds: The Amendments further describe the Clearing House’s management of funds, while promoting the minimization of the risk of loss or delay in access to funds.
- DCO Core Principle O – Governance Fitness Standards: The Amendments more clearly articulate the Clearing House’s governance arrangements.

CME has requested confidential treatment with respect to the revised Policies, 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. 22-233 in any related correspondence.

Sincerely,

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

Attachments: Exhibit A – Modified Risk Management Framework (attached under separate cover) (confidential treatment requested)
Exhibit B – Modified Liquidity Risk Management Framework (attached under separate cover) (confidential treatment requested)
Exhibit C – Modified Model Validation Framework (attached under separate cover) (confidential treatment requested)
Exhibit D – Modified Credit Policy (attached under separate cover) (confidential treatment requested)
Exhibit E – Modified Collateral Policy (attached under separate cover) (confidential treatment requested)
Exhibit F – Modified Investment Policy (attached under separate cover) (confidential treatment requested)