

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 15-228R

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

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 06/08/2015 Filing Description: Self-certification of CME Clearing Advisory Notice Expanding Performance Bond Collateral Program to Include Australian Government Debt

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: N/A

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:

June 8, 2015

VIA ELECTRONIC PORTAL

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. Self-certification of CME Clearing Advisory Notice Expanding Collateral Program to Include Australian Government Debt
CME Submission No. 15-228R

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6(a), Chicago Mercantile Exchange Inc. (“CME”) hereby self-certifies the attached CME Clearing Advisory Notice regarding the expansion of its performance bond collateral program for Base, IRS and CDS Guaranty Fund products to include certain Australian Government Bonds-discount bills, notes and bonds issued by the Australian Government (collectively, “AGBs”), to be effective July 20, 2015.

Please note that CME Submission No. 14-228R amends CME Submission No. 14-228 pursuant to requests for additional information received from CFTC staff. Specifically, descriptions of the AGBs and risk committee responsible for approving the proposed expansion are being revised, and a reference to “JPY IRS” in Section C is being corrected to “JPY debt”. There are no other amendments being made to the original submission.

A. Diversification

CME continues to seek diversification of both its clearing member and collateral bases where appropriate. Acceptance of AGBs will diversify CME’s performance bond collateral base and enable posting of high-quality assets widely held by participants in Australia, where CME obtained local regulatory authorization to offer direct clearing services. CME’s credit team evaluated AGBs as eligible performance bond collateral pursuant to requests from market participants and recommended their acceptance to CME’s clearing house risk committee (“CHRC”). The decision to accept AGBs is reflective of the global nature of the IRS swaps market as these instruments are likely to be held by, or accessible to, AUD IRS participants. We believe high quality foreign sovereign debt subject to prudent limits will increase the likelihood that high quality financial institutions from foreign jurisdictions will consider clearing membership at CME. Additional clearing members from foreign jurisdictions will add an increased element of geographic diversification to CME’s membership base and potentially mitigate the negative impact of systemic events through reduced geographic concentration.

B. Liquidity Risk

CME deemed AGBs with a time to maturity of 10 years or less as eligible collateral after reaching a favorable determination regarding these instruments’ liquidity profile in a stressed market environment. The AGBs will be category 4 assets for products supported by the Base and IRS guaranty funds and Category 3 assets for products supported by the CDS guaranty fund. Assets in these categories are capped per clearing firm at a level established to ensure such assets are convertible into cash on a same-day basis via pledge to CME’s credit facility. To better ensure liquidity is available to CME in times of market stress, the AGBs are further subject to a sub-limit restricting clearing firms from posting more than \$250 million of

AGBs at any one time.

C. Concentration Risk

All clearing members will be eligible to post AGBs as performance bond but CME expects such collateral to originate primarily if not exclusively from Australian market participants in OTC IRS markets due to their natural access to AGBs. Currently, CME has a limited number of indirect Australian IRS participants and no direct Australian IRS participants. As such, the per-clearing member cap on AGBs should result in these instruments accounting for a *de minimis* portion of CME's overall collateral holdings. As a comparative example, CME accepts as performance bond debt instruments issued by the Japanese government with per-firm limits at four times than the proposed limits for AGBs (i.e., up to \$1B per clearing member for JPY debt). Currently, only 0.5% of the overall limit for JPY ~~IRS debt~~ is being utilized. Initially, we expect similarly *de minimis* amounts of AGBs.

D. Collateral Risk

Acceptance of AGBs 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 analysis indicates the AGBs satisfy each of the characteristics for high-quality liquid assets the Bank for International Settlements (BIS) has created for collateral evaluation, and thus exhibit minimal credit, market and liquidity risk. The risk profile and haircut schedule for AGBs are consistent with those for similarly rated foreign-issued debt accepted by CME as performance bond collateral.

In connection with the proposed expansion of eligible collateral, CME reviewed the derivatives clearing organization core principles ("Core Principles") and the subpart C regulations applicable to systemically important derivatives clearing organizations ("SIDCOs"), as set forth in the Commodity Exchange Act ("CEA") and CFTC regulations. During the review, CME identified the following Core Principles and subpart C regulations as potentially being impacted:

- **Risk Management:** Regulation 39.13(g)(10) requires each derivatives clearing organization to limit the assets it accepts as initial margin to those that have minimal credit, market and liquidity risk. The proposed expansion serves to diversify the resources available to CME in the event of a clearing member default and to reduce potential concentration of CME's collateral holdings and thereby mitigate market and liquidity risk in a stressed market environment. The AGBs are capped at a per-firm level that conservatively accounts for anticipated same-day liquidity available for the instruments if sold in a stressed market and are eligible for pledge to CME's syndicated credit facility in case of a liquidity need. CME's ~~Clearing's risk committees~~ CHRC deemed AGBs eligible after examining the credit, market and liquidity risks of the instruments against international standards for collateral evaluation and CME's credit risk criteria. The AGBs will be monitored daily for price changes and will be subject to periodic eligibility review.

The text of CME Clearing Advisory Notice 15-142 is attached hereto as Exhibit A. A redline document showing relevant changes to CME Group's acceptable performance bond collateral for its Base, IRS and CDS Guaranty Fund products¹ is set forth in Exhibit B.

Pursuant to Section 5c(c) of the CEA and CFTC Regulation 40.6(a), CME certifies that the proposed expansion of its collateral program complies with the CEA and regulations thereunder. CME solicited input from market participants to determine the potential impact of the proposed changes. There were no substantive opposing views to this proposal.

¹ Charts showing acceptable performance bond collateral, haircuts and other information for each of the Base, IRS and CDS Guaranty Funds are accessible on the CME Group website via tabs on the following page: <http://www.cmegroup.com/clearing/financial-and-collateral-management/>.

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 me at (312) 930-8167 or Sean.Downey@cmegroup.com. Alternatively, you may contact John McKinlay at (312) 930-3028 or John.McKinlay@cmegroup.com.

Sincerely,

/s/ Sean Downey
Executive Director & Associate General Counsel

Attachment: Exhibit A: CME Clearing Advisory Notice 15-142
 Exhibit B: Updates to CME Group's Acceptable Performance Bond Collateral Charts for
 Base, IRS and CDS Guaranty Fund Products (attached under separate cover)

EXHIBIT A



TO: Clearing Member Firms
Chief Financial Officers
Back Office Managers

FROM: CME Clearing

SUBJECT: Canadian provincial debt, Australian sovereign debt and Singapore sovereign debt

DATE: May 27, 2015

CME Clearing (CME) announces the addition of Australia and Singapore to our list of acceptable foreign sovereign debt. CME also announces the addition of Canadian provincial debt from Ontario and Quebec. Australian and Singapore sovereign debt, and Canadian provincial debt are acceptable for Base, CDS, and IRS performance bond requirements and are part of Category 4 assets for Base and IRS and Category 3 assets for CDS. These additions to our acceptable collateral list will be effective July 20, 2015, pending regulatory approval. Please see the applicable haircuts and limits below.

Asset Class	Description	Haircut Schedule		Notes
		Time to Maturity		
		0 to ≤ 5 years	>5 to ≤10 years	
Foreign Sovereign Debt	Discount Bills from the following countries: <ul style="list-style-type: none"> Australia Singapore 	5%	--	<ul style="list-style-type: none"> Australian debt is capped at \$250 million USDE per clearing member Singapore debt is capped at \$100 million USDE per clearing member
	Notes and Bonds from the following countries: <ul style="list-style-type: none"> Australia Singapore 	6%	7.5%	
Canadian Provincials	Discount Bills from the following provinces: <ul style="list-style-type: none"> Ontario Quebec 	25%	--	<ul style="list-style-type: none"> Canadian Provincial debt is capped at \$100 million USDE per clearing member Provincials that exceed 5 years time to maturity
	Notes and Bonds from the following provinces: <ul style="list-style-type: none"> Ontario Quebec 	25%	--	

				are not acceptable
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For questions regarding these new collateral types, please contact the Financial Unit at (312) 207-2594 or Collateral Services at (312) 648-3775.

EXHIBIT B

(Attached under separate cover)