

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 20-327

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

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date: 07/17/20 Filing Description: Modifications to CME Clearing's Schedule of Acceptable Performance Bond

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

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:

July 17, 2020

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. Chicago Mercantile Exchange Inc.'s Clearing Advisory Notice Regarding Modifications to CME Clearing's Schedule of Acceptable Performance Bond

CME Submission No. 20-327

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange Inc. ("CME" or "CME Clearing"), pursuant to Commodity Futures Trading Commission (the "Commission") Regulation 40.6(a), hereby self-certifies the attached draft CME Clearing Advisory Notice which sets forth modifications to CME Clearing's Schedule of Acceptable Performance Bond Collateral, effective August 3, 2020.

The CME Clearing Advisory Notice informs clearing members and market participants that, effective August 3, 2020, CME Clearing will modify its Schedule of Acceptable Performance Bond Collateral in the following manner:

- CME Clearing currently accepts foreign sovereign debt issued by Canada, France, Germany, and the United Kingdom to meet performance bond requirements up to \$1 billion USDE per clearing member (and affiliates). CME Clearing will increase this limit to \$1.4 billion USDE per clearing member (and affiliates).
- CME Clearing currently accepts foreign sovereign debt issued by Singapore to meet performance bond requirements up to \$100 million USDE per clearing member (and affiliates). CME Clearing will increase this limit to \$150 million USDE billion per clearing member (and affiliates).
- CME Clearing currently accepts select U.S. government agency mortgage-backed securities issued by Fannie Mae, Freddie Mac, and Ginnie Mae to meet performance bond requirements up to \$1 billion. CME Clearing will increase this limit to \$1.4 billion per clearing member (and affiliates).
- CME Clearing currently limits the aggregate amount of money market mutual funds, Canadian provincial debt, corporate bonds, exchange-traded funds, stock, COMEX gold warrants, London gold bullion, supranational debt, and foreign sovereign debt (other than sovereign debt issued by Canada, France, Germany, and the United Kingdom) to meet performance bond requirements to \$5 billion USDE per clearing member (and affiliates). Money market mutual funds deposited as performance bond via CME Clearing's IEF2 program will no longer be included in this \$5 billion USDE aggregate limit. This change is consistent with the concentration limit in CME's existing \$7 billion committed credit facility. The IEF2 limit per clearing member (and affiliates) will remain unchanged at \$5 billion.

CME conducts ongoing qualitative and quantitative analysis of accepted collateral classes and establishes appropriate concentration limits. The proposed changes are intended to diversify CME Clearing's collateral holdings.

In connection with these changes, CME reviewed the derivatives clearing organization core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA"). During this 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 foreign sovereign debt and agency mortgage-backed securities specified above satisfy this requirement in that CME's \$7 billion committed credit facility permits CME to pledge such debt to secure a draw on the facility.

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 believes that the assets described above satisfy this requirement. While the current limits on the use of certain foreign sovereign debt and agency mortgage-backed securities as performance bond will increase, CME believes that this increase will not materially affect risk management due to the liquidity of these assets, the haircut applied, and the fact that these assets are eligible to be pledged as collateral under CME's committed credit facility.

The text of the draft CME Clearing Advisory Notice, which provides additional information on the changes, is attached hereto as Exhibit A.

CME certifies that the above rules and rule amendments comply with the CEA and the regulations thereunder. There were no substantive opposing views.

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 (212) 299-2200 or via e-mail at CMEGSubmissionInquiry@cmegroup.com. Please reference our CME Submission No. 20-327 in any related correspondence.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachment: Exhibit A – CME Clearing Advisory Notice

Exhibit A



TO: Clearing Member Firms
Chief Financial Officers
Back Office Managers

FROM: CME Clearing

ADVISORY #: [TO BE DETERMINED]

SUBJECT: Collateral Limit Modifications

DATE: July 17, 2020

Effective August 3, 2020, CME Clearing (CME) will implement the following changes to its schedule of acceptable performance bond collateral:

- CME currently accepts foreign sovereign debt issued by Canada, France, Germany, and the United Kingdom to meet performance bond requirements up to \$1 billion USDE per clearing member (and affiliates). CME will increase this limit to \$1.4 billion USDE per clearing member (and affiliates).
- CME currently accepts foreign sovereign debt issued by Singapore to meet performance bond requirements up to \$100 million USDE per clearing member (and affiliates). CME will increase this limit to \$150 million USDE billion per clearing member (and affiliates).
- CME currently accepts select U.S. government agency mortgage-backed securities issued by Fannie Mae, Freddie Mac, and Ginnie Mae to meet performance bond requirements up to \$1 billion. CME will increase this limit to \$1.4 billion per clearing member (and affiliates).
- CME currently limits the aggregate amount of money market mutual funds, Canadian provincial debt, corporate bonds, exchange-traded funds, stock, COMEX gold warrants, London gold bullion, supranational debt, and foreign sovereign debt (other than sovereign debt issued by Canada, France, Germany, and the United Kingdom) to meet performance bond requirements to \$5 billion USDE per clearing member (and affiliates). Money market mutual funds deposited as performance bond via CME's IEF2 program will no longer be included in this \$5 billion USDE aggregate limit. The IEF2 limit per clearing member (and affiliates) will remain unchanged at \$5 billion.

For collateral acceptance criteria as well as information regarding limits and haircuts, please see the [Standard Acceptable Collateral and Resources website](#).

For information related to non-cash collateral fees, please see the [Cash Interest Rates and Non-Cash Collateral Fees website](#).

For further information related to collateral, please contact CME Credit Risk at CreditRisk@cmegroup.com.