

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional):17-342 (3 of 5)

Organization: The Board of Trade of the City of Chicago, Inc. ("CBOT")

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 8/17/2017

Filing Description: Amendments to CME/CBOT/NYMEX/COMEX Rule 901.

**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: 901

**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:

August 17, 2017

**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. Notification Regarding Amendments to CME, CBOT, NYMEX and COMEX Rule 901. (“General Requirements and Obligations”).**

**CBOT Submission No. 17-342 (3 of 5)**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6(a), Chicago Mercantile Exchange Inc. (“CME”) The Board of Trade of the City of Chicago, Inc. (“CBOT”), New York Mercantile Exchange, Inc. (“NYMEX”), and Commodity Exchange, Inc. (“COMEX”) (collectively, the “Exchanges”) hereby notify the Commodity Futures Trading Commission (“CFTC” or “Commission”) that they are self-certifying amendments to CME/CBOT/NYMEX/COMEX Rule 901. (“General Requirements and Obligations”) effective on September 1, 2017.

The Exchanges are amending Rule 901. by eliminating the requirement for a parent guarantee as a specified condition to becoming a clearing member. The requirement was adopted in 1988 as an incentive for parent company supervision of house trading. Over the following decades, both clearing organizations and clearing members have been subject to more stringent financial, reporting and risk management regulations. Given the improvements in risk management technology and default management rules, the Exchanges do not actively consider the existence of a parent guarantee when managing risk or monitoring capital.

As such the Exchanges propose to delete section L of Rule 901. requiring the guaranty as a pre-condition of membership but leaving discretion with the Exchanges to later require a guaranty where it determines it is appropriate in Rule 970 (“Financial Requirements”).

The Exchanges reviewed the derivatives clearing organization core principles (“DCO Core Principles”) and the designated contract market core principles (“DCM 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 principles:

- DCM Core Principle 2 – Compliance with Rules: The rule amendment refines the access requirements as applicable to all clearing members.
- DCM Core Principle 7 – Availability of General Information: The rule amendments will be posted publicly on the CME Group website in satisfaction of this core principle.

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- DCO Core Principle B – Financial Resources: No change is being made to the overall financial resources available to the DCO. The changes will only eliminate a possible future recovery claim. The Exchanges reserve the right to ask for a guarantee if deemed appropriate or necessary.
- DCO Core Principle C – Participant and Product Eligibility: CME has determined the rule remains consistent with the participant eligibility requirements being objective, publicly disclosed and risk based. The revision is meant to reflect current practice.
- DCO Core Principle L – Public Information: The rule amendments will be posted publicly on the CME Group website in satisfaction of this core principle. In addition, the change will be reflected in the Clearing Membership Requirements on the CME Group website.

Exhibits A and B are attached hereto, and set forth the applicable amendment to the rules, with additions underscored and deletions ~~overstruck~~.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchanges certify that the rule amendments comply with the Act and regulations thereunder. There were no substantive opposing views to this proposal.

The Exchanges certify 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 Maureen Guilfoile at 312.930.8141 or you may contact us by email at [CFTCSUBMISSIONINQUIRY@cmegroup.com](mailto:CFTCSUBMISSIONINQUIRY@cmegroup.com).

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A: Amendment to CBOT/NYMEX/COMEX Rule 901.  
Exhibit B: Amendment to CME Rule 901.

## EXHIBIT A

### CBOT/NYMEX/COMEX Rulebook

#### Chapter 9

#### General Requirements and Obligations

(additions are underscored; deletions are ~~everstruck~~)

#### 901. GENERAL REQUIREMENTS AND OBLIGATIONS

Membership in the Clearing House is a privilege and license granted by the Board and may be withdrawn by the Board for cause at any time. Clearing House staff may grant exemptions to the General Requirements and Obligations set forth below for Clearing Members if it is determined that such an exemption will not jeopardize the financial integrity of the Clearing House. Subject to such exemptions, each applicant for qualification as a clearing member must satisfy the following requirements:

A. It shall be a corporation (defined by the Rules of the Exchange to include a limited liability company), partnership or other entity approved by Exchange staff. It shall agree to: 1) abide by all Exchange Rules and to cooperate in their enforcement; 2) be responsible, even after it has withdrawn as a clearing member, for any violations of Exchange Rules committed by it while it was a clearing member; and 3) continue to meet all requirements applicable to clearing members, including all financial requirements provided by these rules;

B. It shall have an authorized representative (i.e., officer, principal, or partner) who shall represent the clearing member before the Exchange and its committees. Such authorized representative shall be responsible to the Exchange for any representations made to the Exchange as if such person were a member as defined by Rule 400.

C. It shall be qualified to do business in the State of Illinois or the State of New York or have a valid agency agreement with an entity qualified to do business in the State of Illinois or the State of New York;

D. It shall be engaged in or demonstrate immediate capacity to engage in the conduct of the business of a clearing member;

E. It shall demonstrate such fiscal and moral integrity as would justify the Clearing House's assumption of the risks inherent in clearing its trades;

F. It shall demonstrate financial capitalization commensurate with Exchange requirements as set by the Clearing House Risk Committee;

G. If any person directly or indirectly controls, owns 10% or more of, or has the right to 10% or more of the profits of two or more clearing members, then each such clearing member shall guarantee the obligations of the others to the Clearing House and shall execute a written guarantee to the Clearing House on a form approved by the Clearing House.

H. It shall notify the Exchange prior to any significant business transaction or significant change in operations which shall include, but is not limited to the following:

1. The merger, combination or consolidation between the clearing member and another person or entity;
2. The assumption or guarantee by the clearing member of all or substantially all of the liabilities of another in connection with a direct or indirect acquisition of all or substantially all of that person's or entity's assets;
3. The sale by the clearing member of a significant part of its business and/or assets to another person or entity;

4. A change in the direct or indirect beneficial ownership of 20% or more of the clearing member;
5. Any change in the system provider used by the clearing member to process its trades; and
6. A significant increase in the number of members that a clearing member qualifies.

Additionally, a clearing member that qualifies members must provide fifteen days notice to the Exchange of any proposal to terminate such business or any material part of such business. The Clearing House Risk Committee or Exchange staff, upon such notice, may disapprove or approve, subject to certain conditions, such changes in structure or operations if it determines that the proposed change could jeopardize the financial or operational integrity of the Exchange or the Clearing House.

I. It shall agree to guarantee and assume complete responsibility for the financial obligations attendant to:  
1) all trades and orders executed or accepted for execution by a member it qualifies, including trades and orders executed, or which such member fails to execute, negligently, fraudulently or in violation of Exchange rules; 2) an unpaid arbitration award issued by a panel of the Arbitration Committee against a member it qualifies in circumstances where the dispute is related to a matter described in number 1) above; 3) an unpaid restitution order issued against a member it qualifies by a panel of the Business Conduct Committee, the Clearing House Risk Committee or a hearing panel of the Board of Directors; and 4) unpaid Exchange disciplinary fines imposed upon a member it qualifies if the member is also an employee of the clearing member or its affiliate, subject to a determination by the sanctioning entity.

J. It shall notify the Financial and Regulatory Surveillance Department in a timely manner of any material change in key personnel who are responsible to act on behalf of the clearing member.

K. [Reserved]

~~L. [Reserved] It shall submit to the Clearing House a written guarantee, on a form provided by the Clearing House, from each person or entity owning 5% or more of the equity securities of the clearing member, that shall guarantee all obligations of the clearing member to the Clearing House arising out of accounts cleared by the clearing member that are:~~

~~non-customer accounts, including proprietary accounts as defined by CFTC Regulation 1.3(y); and accounts carried by another futures commission merchant if such accounts would be considered non-customer accounts, including proprietary accounts as defined by CFTC Regulation 1.3(y), of the clearing member, if carried directly by the clearing member.~~

~~Notwithstanding anything herein to the contrary, the guarantee required by this Rule 901.L. shall not apply to any obligations of the clearing member to pay an assessment to the Clearing House pursuant to Rule 802-B.~~

~~Each clearing member must submit and maintain with the Financial and Regulatory Surveillance Department a current list of every person or entity which is directly, or indirectly through intermediaries, the beneficial owner of 5% or more of any class of equity security of the clearing member. If such person or entity owns the clearing member indirectly through intermediaries, all intermediaries must be listed including, if a corporation, all shareholders who own 5% or more of any class of equity security, or, if a partnership, all general and any limited or special partners who have contributed 5% or more of the partnership's capital. If the intermediary's shareholders or partners are not individuals, the clearing member must include the chain of ownership of 5% shareholders, general partners and 5% limited or special partners until individuals are listed.~~

~~If a corporation directly or indirectly owns 5% or more of the equity securities of the clearing member, the written guarantee shall be signed by an appropriate officer of the corporation, and a resolution granting such officer authority to sign the guarantee shall also be submitted to the Clearing House. Clearing House staff may also require each person or entity owning 5% or more of the equity securities of such parent corporation, or of parents of such parent corporation, to execute guarantees.~~

~~For purposes of this Rule 901.L., the term "equity security" shall include any stock, partnership interest or similar security; or any security convertible, with or without consideration, into such a security, or carrying any warrant or right to subscribe to or purchase such a security; or any such warrant or right; or any other security that Clearing House staff shall deem to be of similar nature and consider necessary or appropriate to treat as an equity security.~~

Remainder of rule left unchanged.

## **EXHIBIT B**

### **CME Rulebook**

#### **Chapter 9**

#### **General Requirements and Obligations**

(additions are underscored; deletions are ~~overstruck~~)

#### **901. GENERAL REQUIREMENTS AND OBLIGATIONS**

Membership in the Clearing House is a privilege and license granted by the Board and may be withdrawn by the Board for cause at any time. Clearing House staff may grant exemptions to the General Requirements and Obligations set forth below for Clearing Members if it is determined that such an exemption will not jeopardize the financial integrity of the Clearing House. Subject to such exemptions, each applicant for qualification as a clearing member must satisfy the following requirements:

A. It shall be a corporation (defined by the Rules of the Exchange to include a limited liability company), partnership or other entity approved by Exchange staff. It shall agree to: 1) abide by all Exchange Rules and to cooperate in their enforcement; 2) be responsible, even after it has withdrawn as a clearing member, for any violations of Exchange Rules committed by it while it was a clearing member; and 3) continue to meet all requirements applicable to clearing members, including all financial requirements provided by these rules;

B. It shall have an authorized representative (i.e., officer, principal, or partner) who shall represent the clearing member before the Exchange and its committees. Such authorized representative shall be responsible to the Exchange for any representations made to the Exchange as if such person were a member as defined by Rule 400.

C. It shall be qualified to do business in the State of Illinois or the State of New York or have a valid agency agreement with an entity qualified to do business in the State of Illinois or the State of New York;

D. It shall be engaged in or demonstrate immediate capacity to engage in the conduct of the business of a clearing member;

E. It shall demonstrate such fiscal and moral integrity as would justify the Clearing House's assumption of the risks inherent in clearing its trades;

F. It shall demonstrate financial capitalization commensurate with Exchange requirements as set by the Clearing House Risk Committee;

G. If any person directly or indirectly controls, owns 10% or more of, or has the right to 10% or more of the profits of two or more clearing members, then each such clearing member shall guarantee the obligations of the others to the Clearing House and shall execute a written guarantee to the Clearing House on a form approved by the Clearing House.

H. It shall notify the Exchange prior to any significant business transaction or significant change in operations which shall include, but is not limited to the following:

1. The merger, combination or consolidation between the clearing member and another person or entity;
2. The assumption or guarantee by the clearing member of all or substantially all of the liabilities of another in connection with a direct or indirect acquisition of all or substantially all of that person's or entity's assets;
3. The sale by the clearing member of a significant part of its business and/or assets to another person or entity;

4. A change in the direct or indirect beneficial ownership of 20% or more of the clearing member;
5. Any change in the system provider used by the clearing member to process its trades; and
6. A significant increase in the number of members that a clearing member qualifies.

Additionally, a clearing member that qualifies members must provide fifteen days notice to the Exchange of any proposal to terminate such business or any material part of such business. The Clearing House Risk Committee or Exchange staff, upon such notice, may disapprove or approve, subject to certain conditions, such changes in structure or operations if it determines that the proposed change could jeopardize the financial or operational integrity of the Exchange.

I. It shall agree to guarantee and assume complete responsibility for the financial obligations attendant to:  
1) all trades and orders executed or accepted for execution by a member it qualifies, including trades and orders executed, or which such member fails to execute, negligently, fraudulently or in violation of Exchange rules; 2) an unpaid arbitration award issued by a panel of the Arbitration Committee against a member it qualifies in circumstances where the dispute is related to a matter described in number 1) above; 3) an unpaid restitution order issued against a member it qualifies by a panel of the Business Conduct Committee, the Clearing House Risk Committee or a hearing panel of the Board of Directors; and 4) unpaid Exchange disciplinary fines imposed upon a member it qualifies if the member is also an employee of the clearing member or its affiliate, subject to a determination by the sanctioning entity.

J. It shall notify the Financial and Regulatory Surveillance Department in a timely manner of any material change in key personnel who are responsible to act on behalf of the clearing member.

K. [Reserved]

~~L. [Reserved] It shall submit to the Clearing House a written guarantee, on a form provided by the Clearing House, from each person or entity owning 5% or more of the equity securities of the clearing member, that shall guarantee all obligations of the clearing member to the Clearing House arising out of accounts cleared by the clearing member that are:~~

~~non-customer accounts, including proprietary accounts as defined by CFTC Regulation 1.3(y); and accounts carried by another futures commission merchant if such accounts would be considered non-customer accounts, including proprietary accounts as defined by CFTC Regulation 1.3(y), of the clearing member, if carried directly by the clearing member.~~

~~Notwithstanding anything herein to the contrary, the guarantee required by this Rule 901.L. shall not apply to any obligations of the clearing member to pay an assessment to the Clearing House pursuant to Rule 802-B.~~

~~Each clearing member must submit and maintain with the Financial and Regulatory Surveillance Department a current list of every person or entity which is directly, or indirectly through intermediaries, the beneficial owner of 5% or more of any class of equity security of the clearing member. If such person or entity owns the clearing member indirectly through intermediaries, all intermediaries must be listed including, if a corporation, all shareholders who own 5% or more of any class of equity security, or, if a partnership, all general and any limited or special partners who have contributed 5% or more of the partnership's capital. If the intermediary's shareholders or partners are not individuals, the clearing member must include the chain of ownership of 5% shareholders, general partners and 5% limited or special partners until individuals are listed.~~

~~If a corporation directly or indirectly owns 5% or more of the equity securities of the clearing member, the written guarantee shall be signed by an appropriate officer of the corporation, and a resolution granting such officer authority to sign the guarantee shall also be submitted to the Clearing House. Clearing House staff may also require each person or entity owning 5% or more of the equity securities of such parent corporation, or of parents of such parent corporation, to execute guarantees.~~



~~For purposes of this Rule 901.L., the term "equity security" shall include any stock, partnership interest or similar security; or any security convertible, with or without consideration, into such a security, or carrying any warrant or right to subscribe to or purchase such a security; or any such warrant or right; or any other security that Clearing House staff shall deem to be of similar nature and consider necessary or appropriate to treat as an equity security.~~

Remainder of rule left unchanged.