

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 17-156

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

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): September 6, 2017 Filing Description: Amendments to CME Rules 8G07. and 8H07.

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: 8G07; 8H07

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:

September 6, 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 Rules 8G07. and 8H07.
CME Submission No. 17-156**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6(a), Chicago Mercantile Exchange Inc. (“CME”), a designated clearing organization (“DCO”), hereby notifies the Commission that it is self-certifying amendments to Rules 8G07. (“IRS Financial Safeguards and Guaranty Fund Deposit”) and 8H07. (“CDS Financial Safeguards and Guaranty Fund Deposit”) effective on September 21, 2017.

Pursuant to CME Rules,¹ in the event of a default of an IRS/CDS Clearing Member, non-defaulted IRS/CDS Clearing Members are required to provide trader(s) to the respective IRS/CDS Default Management Committee, based on a rotation determined by CME. These traders assist CME with the default management of a defaulted IRS/CDS Clearing Member as such traders have the most current market knowledge and experience in the assigned products. Given the importance of the traders’ participation in CME’s default management process and the reliance upon their participation, CME is proposing a penalty framework for any IRS/CDS Clearing Member who fails to provide its assigned trader(s) to the respective IRS/CDS Default Management Committee by imposing a percentage increase to such IRS/CDS Clearing Member’s respective guaranty fund contribution as follows:

IRS Penalty Framework

Subject to staff exemption based on good cause shown, an IRS Clearing Member that fails to provide its assigned trader(s) to an active rotation of the IRS Default Management Committee will be subject to a percentage increase to its IRS Guaranty Fund contribution as follows:

- 1) 50% for an attendance failure of a swaptions trader required to attend, or a trader for IRS denominated in the major currencies (USD, EUR and GBP) required to attend; and
- 2) 25% for an attendance failure of a non-swaptions trader for interest rate swaps denominated in non-major currencies (currencies other than USD, EUR or GBP) required to attend.

To ensure the penalty framework is meaningful for IRS Clearing Members with smaller IRS Guaranty Fund contributions, the penalty will be subject to a minimum equal to half of the minimum contribution requirement to the IRS Guaranty Fund specified in Rule 8G07.1(ii)(b). Such increase will be in effect for a 12-month period beginning on the first day of the IRS Cooling Off Period during which its trader failed to participate. To balance the impact of the penalty on IRS Clearing Members with large IRS

¹ See CME submission #17-155.

Clearing Member contributions, CME is also proposing a maximum penalty of the lesser of (i) 10% of the IRS Guaranty Fund and (ii) such IRS Clearing Member's contribution to the IRS Guaranty Fund.

CDS Penalty Framework

Subject to staff exemption based on good cause shown, a CDS Clearing Member that fails to provide its assigned trader(s) to an active rotation of the CDS Default Management Committee will be subject to a 50% increase to its CDS Guaranty Fund contribution for each failure of a trader required to attend for a CDS index product family as determined by the clearing house. Such increase will be in effect for a 12-month period beginning on the first day of the CDS Cooling Off Period during which its trader failed to participate. To balance the impact of the penalty on CDS Clearing Members with large CDS Clearing Member contributions, CME is also proposing a maximum penalty of the lesser of (i) 10% of the CDS Guaranty Fund and (ii) such CDS Clearing Member's contribution to the CDS Guaranty Fund.

Core Principle Review

CME reviewed the DCO core principles ("Core Principles") as set forth in the Commodity Exchange Act ("Act") and identified that the amendments may have some bearing on the following DCO Core Principles:

DCO Core Principles

- DCO Core Principle G – Default Rules and Procedures. The Rule Amendments specify the penalties for the failure of an IRS/CDS Clearing Member to provide traders for CME's default management process as required by CME Rules.
- DCO Core Principle L – Public Information. The Rule Amendments will be added to the publicly available CME Rulebook available on the CME Group website. In addition, CME will release a notice to the marketplace regarding the amendments in advance of the effective date.
- DCO Core Principle R – Legal Risk. CME has determined that the Rule Amendments are consistent with the requirement to have a well-founded, transparent and enforceable legal framework for each aspect of the activities of the DCO.

Exhibits A and B, attached hereto, set forth the Rule Amendments in blackline format.

CME certifies that proposed changes comply with the Act and regulations thereunder. There were no substantive opposing views to this action.

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 CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A – Rule Amendments to CME Chapter 8-G (blackline format)
Exhibit B – Rule Amendments to CME Chapter 8-H (blackline format)

Exhibit A

CME Rulebook

Chapter 8-G

Interest Rate Derivative Clearing

(additions underlined)

Rule 8G07. IRS FINANCIAL SAFEGUARDS AND GUARANTY FUND DEPOSIT

...(iii) Notwithstanding CME Rule 8G802.H, any IRS Clearing Member whose trader fails to attend during an Active IRS Default Management Committee related to a potential or actual default will have its IRS Guaranty Fund contribution requirement increased by the Specified Attendance Failure Amount for the 12-month period commencing the date upon which the trader was originally expected to attend the Active IRS Default Management Committee. Such increased amount will be available to be used pursuant to CME Rule 8G802 for any IRS Losses occurring during such 12-month period (including any IRS Losses related to the default for which the relevant Active IRS Default Management Committee was convened). In addition, the IRS Clearing Member may be referred to the IRS Risk Committee for further discipline. Clearing House staff may grant an exception to the increase of an IRS Clearing Member's IRS Guaranty Fund contribution provided by this Rule 8G07.1(iii) for good cause shown by the affected IRS Clearing Member.

"Specified Attendance Failure Amount" means, for an IRS Clearing Member whose trader fails to attend an Active IRS Default Management Committee, an amount equal to the product of (i) the aggregate Specified Attendance Failure Percentages for such IRS Clearing Member and (ii) such IRS Clearing Member's contribution to the IRS Guaranty Fund at the beginning of the IRS Cooling-off Period during which the relevant Active IRS Default Management Committee was convened, subject to:

- (x) a minimum amount equal to 50% of the amount specified in Rule 8G07.1(ii)(b); and
- (y) a maximum amount equal to the lesser of (i) 10% of the IRS Guaranty Fund at the beginning of the IRS Cooling-off Period during which the relevant Active IRS Default Management Committee was convened and (ii) such IRS Clearing Member's contribution to the IRS Guaranty Fund at the beginning of the IRS Cooling-off Period during which the relevant Active IRS Default Management Committee was convened.

For the avoidance of doubt, in the event the minimum amount calculated under (x) exceeds the maximum amount calculated under (y), the maximum amount as calculated under (y) shall be applied.

"Specified Attendance Failure Percentage" means:

- (x) 50%, for each failure of a swaptions trader required to attend or for each failure of a trader for interest rate swaps denominated in USD, EUR or GBP required to attend, or
- (y) 25%, for each failure of any non-swaptions trader for interest rate swaps denominated in a currency other than USD, EUR or GBP required to attend.

Exhibit B

CME Rulebook

Chapter 8-H

Credit Default Swaps Clearing

(additions underlined)

Rule 8H07. CDS FINANCIAL SAFEGUARDS AND GUARANTY FUND DEPOSIT

...(iii) Notwithstanding CME Rule 8H802.H, any CDS Clearing Member whose trader fails to attend during an Active CDS Default Management Committee related to a potential or actual default will have its CDS Guaranty Fund contribution requirement increased by the Specified Attendance Failure Amount for the 12-month period commencing the date upon which the trader was originally expected to attend the Active CDS Default Management Committee. Such increased amount will be available to be used pursuant to CME Rule 8H802 for any CDS Losses occurring during such 12-month period (including any CDS Losses related to the default for which the relevant Active CDS Default Management Committee was convened). In addition, the CDS Clearing Member may be referred to the CDS Risk Committee for further discipline. Clearing House staff may grant an exception to the increase of a CDS Clearing Member's CDS Guaranty Fund contribution provided by this Rule 8H07.1(iii) for good cause shown by the affected CDS Clearing Member.

"Specified Attendance Failure Amount" means, for a CDS Clearing Member whose trader fails to attend an Active CDS Default Management Committee, an amount equal to the product of (i) the aggregate Specified Attendance Failure Percentages for such CDS Clearing Member and (ii) such CDS Clearing Member's contribution to the CDS Guaranty Fund at the beginning of the CDS Cooling-off Period during which the relevant Active CDS Default Management Committee was convened, subject to a maximum amount equal to the lesser of (x) 10% of the CDS Guaranty Fund at the beginning of the CDS Cooling-off Period during which the relevant Active CDS Default Management Committee was convened and (y) such CDS Clearing Member's contribution to the CDS Guaranty Fund at the beginning of the CDS Cooling-off Period during which the relevant Active CDS Default Management Committee was convened.

"Specified Attendance Failure Percentage" means 50%, for each failure of a trader required to attend for a CDS index product family as determined by the Clearing House.