

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 17-155

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

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 09/08/2017 Filing Description: Amendments to CME Rules 8G02.; 8G04.; 8G14.; 8G25.; 8G802.; 8H02.; 8H04.; 8H14.; 8H26.; 8H802.

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: 8G02.; 8G04.; 8G14.; 8G25.; 8G802.; 8H02.; 8H04.; 8H14.; 8H26.; 8H802.

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 8, 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 8G02.; 8G04.; 8G14.; 8G25.; 8G802.; 8H02.;
8H04.; 8H14.; 8H26.; 8H802.
CME Submission No. 17-155**

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 CME Rules 8G02. (“Definitions”); 8G04. (“IRS Clearing Member Obligations and Qualifications”); 8G14. (“Mitigation of IRS Loss”); 8G25. (“IRS Default Management Committee”); 8G802. (“Protection of Clearing House”); 8H02 (“Definitions”); 8H04 (“CDS Clearing Member Obligations and Qualifications”); 8H14. (“Mitigation of CDS Loss”); 8H26. (“CDS Default Management Committee”); 8H802. (“Protection of Clearing House”) (collectively, the “Rule Amendments”), effective on September 25, 2017.

Rules 8G04.5. and 8H04.10. will codify the requirement for IRS/CDS Clearing Members to nominate at least two traders per IRS/CDS Product Category (as defined in the Rule Amendments) to be available to participate in the IRS/CDS Default Management Committee when required by the rotation established by CME. The nomination requirements in Rule 8G04.4. and Rule 8H04.9. are accordingly being deleted. Rule 8H04.12., which was required while CME was registered as a clearing agency with the Securities and Exchange Commission, is also being deleted.

Rules 8G04.6. and 8H04.11. will codify the requirement for IRS/CDS Clearing Members to bid in auctions of a defaulted IRS/CDS Clearing Member’s portfolio and participate in IRS/CDS default management drills.

Rule 8G14. and Rule 8H14. are being amended to delete the second sentence as an IRS/CDS Default Management Committee will be convened by clearing house staff.

Rule 8G25. and Rule 8H26. are being amended to reflect the revised composition of such committee to be traders nominated by IRS/CDS Clearing Members as approved by clearing house staff.

Rule 8G802.A.1.a. is being amended to: (i) clarify the actions CME may take in the event of an IRS Clearing Member default and (ii) codify the obligation to maintain IRS default management guidelines. Rule 8G802.B.6. is being amended to more accurately reflect the clearing house’s consultation with the IRS Default Management Committee in implementing its default management actions.

Rule 8H802.A.1.a. is being amended to clarify the actions CME may take in the event of a CDS Clearing Member default. The language at the beginning of Rule 8H802.A.1.c. has been moved to Rule 8H802.A.1.a.

Finally, “IRS Product Category” and “CDS Product Category” are being added as definitions to Rule 8G02. and Rule 8H02., respectively.

Core Principle Review

The Exchanges have 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 clarify the obligations of CME and its IRS Clearing Members and CDS Clearing Members in managing defaults.
- 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, which are attached hereto, set forth the Rule Amendments in blackline format.

CME certifies that the 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; deletions are overstruck)

8G02. DEFINITIONS

IRS PRODUCT CATEGORY

Each category and sub-category of IRS as determined by the Clearing House for default management purposes.

8G04 IRS CLEARING MEMBER OBLIGATIONS AND QUALIFICATIONS

~~...4. Each IRS Clearing Member shall nominate at least two officers or employees to be members to the IRS Default Management Committee~~ Upon Clearing House request, each IRS Clearing Member shall submit nominations for an Independent Member of the IRS Risk Committee.

5. When required by the rotation established by the Clearing House, each IRS Clearing Member shall make at least one trader per IRS Product Category available to the Clearing House to participate in the IRS Default Management Committee immediately upon notice from the Clearing House that it is convening the IRS Default Management Committee for (i) a potential or actual default of an IRS Clearing Member or (ii) for IRS default drill exercises.

Upon acceptance as an IRS Clearing Member and upon any update request by the Clearing House, each IRS Clearing Member shall provide a list of traders (at least one primary and one backup per IRS Product Category) that the IRS Clearing Member nominates for the IRS Default Management Committee. Any such trader shall have a title at the level of Vice President (or equivalent title) or above and/or shall have the minimum level of experience the Clearing House deems necessary for the relevant IRS Product Category. IRS Clearing Members shall make traders available for each IRS Product Category as requested by the Clearing House until the later of (i) the end of the relevant default management process or drill or (ii) the end of such traders' rotation.

6. Each IRS Clearing Member shall bid in auctions of a defaulted IRS Clearing Member's IRS Contracts as required by the Clearing House. Each IRS Clearing Member shall participate in IRS default drill exercises as prescribed by the Clearing House. Each IRS Clearing Member shall have the ability to provide quotations to CME for hedging transactions for the IRS portfolio of a defaulted IRS Clearing Member.

75. Each IRS Clearing Member shall use systems and appropriate procedures to track accurately, and to provide to the Clearing House accurately, the IRS positions and collateral of each of its cleared swaps customers

8G14. MITIGATION OF IRS LOSS

In the event of a default by an IRS Clearing Member, all IRS Clearing Members shall work cooperatively with their customers, other IRS Clearing Members and the Clearing House to administer the mitigation of any losses that may occur as a result of such default and shall ensure that resources required to be provided by IRS Clearing Members to the IRS Default Management Committee are promptly made available. ~~In the event of a default by an IRS Clearing Member, the Clearing House shall work cooperatively with the IRS Risk Committee to convene the IRS Default Management Committee to manage the process of the liquidation and risk mitigation of such defaulted IRS Clearing Member's IRS Contracts.~~ IRS Clearing Members shall work cooperatively with the Clearing House, the IRS Risk Committee and the IRS Default Management Committee to (i) mitigate any losses that may occur as a result of a default, (ii) liquidate the defaulted IRS Clearing Member's IRS Contracts, (iii) bid in an auction of the defaulted IRS Clearing Member's IRS Contracts and (iv) take any other action reasonably requested by the IRS Risk Committee.

8G25. IRS DEFAULT MANAGEMENT COMMITTEE

In the event of a potential or actual default with respect to IRS Contracts, an IRS Default Management Committee shall be convened which shall be comprised of ~~the President of the Clearing House, the President of Global Operations, Technology & Risk, the Chairman of the IRS Risk Committee and representatives of such traders nominated by IRS Clearing Members and approved by the Clearing House~~ as may be appointed by the Board. The purpose of this committee shall be to advise the Clearing House with respect to issues arising from the potential or actual default of an IRS Clearing Member and to manage the process of the liquidation and/or transfer of such IRS Clearing Member's portfolio of IRS Contracts. Such advice may include advice on hedging the risk associated with a defaulted IRS Clearing Member's portfolio, structuring the defaulted IRS Clearing Member's portfolio for liquidation or transfer, and administration of the default auction process.

8G802. PROTECTION OF CLEARING HOUSE

8G802.A. Default by IRS Clearing Member

The Clearing House shall establish a separate guaranty fund for IRS Contracts (the "IRS Guaranty Fund"). Each IRS Clearing Member shall contribute to the IRS Guaranty Fund in accordance with the requirements of Rule 8G07. A non-defaulted IRS Clearing Member's deposit to the IRS Guaranty Fund may be applied by the Clearing House in accordance with this Rule 8G802 to mitigate any loss to the Clearing House attributable to IRS Contracts and will not be applied to losses in any other product classes.

1. Default by IRS Clearing Member

(a) If an IRS Clearing Member (i) fails to promptly discharge any obligation to the Clearing House or (ii) becomes subject to any bankruptcy, reorganization, arrangement, insolvency, moratorium, or liquidation proceedings, or other similar proceedings under U.S. federal or state bankruptcy laws or other applicable law, the Clearing House may declare such IRS Clearing Member to be in default. If an Affiliate of an IRS Clearing Member fails to discharge any obligation to the Clearing House and the Clearing House determines that the default by such Affiliate is likely to cause a default of the IRS Clearing Member, the Clearing House may declare such IRS Clearing Member to be in default.

Upon a default, the Clearing House shall act promptly to mitigate any loss caused by such default. The Clearing House may engage in any commercially reasonable transaction to eliminate or reduce the risk created by the default, including but not limited to, entering into hedges, liquidating positions in the market, auctioning or selling a portion or all of the portfolio of the defaulting firm and, if applicable, its customers. ~~take all actions permitted by this Rulebook in the event of a default. The Clearing House may engage in any commercially reasonable transaction to eliminate or reduce the risk created by the default and a~~ The Clearing House shall maintain procedures for managing the default of an IRS Clearing Member (such procedures, the "IRS Default Management Guidelines").

All obligations, costs and expenses incurred ~~thereby~~ shall be an obligation of the defaulted IRS Clearing Member to the Clearing House.

(~~b~~ii) Defaults by different IRS Clearing Members will each be considered a separate default event. After an IRS Clearing Member has been declared in default, subsequent failures by such defaulted IRS Clearing Member to discharge any obligation shall be considered part of the same original default and shall not be considered separate default events, unless and until the original default has been fully resolved and such IRS Clearing Member has been restored to good standing or is no longer an IRS Clearing Member.

(~~c~~iii) ~~The Clearing House shall act promptly to mitigate any loss caused by a default. It may hedge, liquidate in the ordinary course, or sell all or any portion of the portfolio of the defaulting firm and its customers, if applicable.~~ The defaulted IRS Clearing Member shall not take any action that would interfere with the ability of the Clearing House to mitigate the loss or to apply the assets of the defaulted IRS Clearing Member to offset any loss. The defaulted IRS Clearing Member shall not file any action in any court seeking to stay the actions of the Clearing House with respect to the default.

(~~d~~iv) A defaulted IRS Clearing Member shall immediately make up any deficiencies in its IRS Guaranty Fund deposit resulting from such default and in any event no later than the close of business on the banking day following demand by the Clearing House.

8G802.B. Satisfaction of Clearing House Obligations

.....

6. Details of Implementation

While adherence to the provisions of this Rule 8G802.B shall be mandatory, the detailed implementation of the process of finalizing an IRS Loss with respect to a default, including the liquidation, auction or sale of positions or assets of the defaulted IRS Clearing Member, shall be conducted by the Clearing House in consultation with the IRS RiskDefault Management Committee.

Exhibit B

CME Rulebook

Chapter 8-H

Credit Default Swaps Clearing

(additions underlined; deletions are overstruck)

8H02. DEFINITIONS

CDS PRODUCT CATEGORY

Each category and sub-category of CDS as determined by the Clearing House for default management purposes.

8H04. CDS CLEARING MEMBER OBLIGATIONS AND QUALIFICATIONS

~~...9. Each CDS Clearing Member shall nominate at least two officers or employees to be members to the CDS Default Management Committee. Upon Clearing House request, each CDS Clearing Member shall submit nominations for an Independent Member of the CDS Risk Committee.~~

10. When required by the rotation established by the Clearing House, each CDS Clearing Member shall make at least one trader per CDS Product Category available to the Clearing House to participate in the CDS Default Management Committee immediately upon notice from the Clearing House that it is convening the CDS Default Management Committee for (i) a potential or actual default of an CDS Clearing Member or (ii) for CDS default drill exercises.

Upon acceptance as a CDS Clearing Member and upon any update request by the Clearing House, each CDS Clearing Member shall provide a list of traders (at least one primary and one backup per CDS Product Category) that the CDS Clearing Member nominates for the CDS Default Management Committee. Any such trader shall have a title at the level of Vice President (or equivalent title) or above and/or shall have the minimum level of experience prescribed by the Clearing House from time to time in the relevant CDS Product Category. CDS Clearing Members shall traders available for each CDS Product Category as requested by the Clearing House until the later of (i) the end of the relevant default management process or drill or (ii) the end of such traders' rotation.

11. Each CDS Clearing Member shall bid in auctions of a defaulted CDS Clearing Member's CDS Contracts as required by the Clearing House. Each CDS Clearing Member shall participate in CDS default drill exercises as prescribed by the Clearing House. Each CDS Clearing Member shall have the ability to provide quotations and shall provide such quotations as requested by the Clearing House for hedging transactions for the CDS portfolio of a defaulted CDS Clearing Member.

1240. Each CDS Clearing Member must demonstrate, at all times, either directly or through a approved service provider in accordance with Rule 8H04.4, the operational capabilities and infrastructure necessary to facilitate physical settlement of CDS Products cleared by such CDS Clearing Member.

1344. Each CDS Clearing Member shall use systems and appropriate procedures to track accurately, and to provide to the Clearing House accurately, the CDS positions and collateral of each of its cleared swaps customers.

~~12. The Clearing House may, and in cases in which the Securities and Exchange Commission by order directs, shall, deny CDS Clearing Membership to any person subject to a statutory disqualification, as such term is defined in the Securities Exchange Act of 1934.~~

8H14. MITIGATION OF CDS LOSS

In the event of a default by a CDS Clearing Member, all CDS Clearing Members shall work cooperatively with their customers, other CDS Clearing Members and the Clearing House to administer, the mitigation of any losses that may occur as a result of such default and shall ensure that nonfinancial resources required to be provided by CDS Clearing Members to the CDS Default Management Committee are promptly made available. ~~In the event of a default by a CDS Clearing Member, the Clearing House shall work cooperatively with the CDS Risk Committee to convene the CDS Default Management Committee to manage the process of the liquidation and risk mitigation of such defaulted CDS Clearing Member's CDS Contracts in accordance with the CDS Default Management Plan.~~ CDS Clearing Members shall work cooperatively with the Clearing House, the CDS Risk Committee and the CDS Default Management Committee, to (i) mitigate any losses that may occur as a result of a default, (ii) liquidate the defaulted CDS Clearing Member's CDS Contracts, (iii) bid in an auction of the defaulted CDS Clearing Member's CDS Contracts and (iv) take any other action reasonably requested by the CDS Risk Committee.

8H26. CDS DEFAULT MANAGEMENT COMMITTEE

~~The CDS Default Management Committee shall be comprised of the President of the Clearing House, the President of Global Operations, Technology & Risk, the Chairman of the CDS Risk Committee and representatives of such CDS Clearing Members as may be appointed by the Board.~~ In the event of a potential or actual default with respect to CDS Contracts, a CDS Default Management Committee shall be convened, which shall be comprised of traders nominated by CDS Clearing Members and approved by Clearing House staff. The purpose of the committee shall be to provide the Clearing House with advice regarding such potential or actual default of a CDS Clearing Member and the management of the liquidation and/or transfer of such CDS Clearing Member's portfolio of CDS Contracts, including advice relating to the hedging of risk associated with such CDS Clearing Member's portfolio, the structuring of such CDS Clearing Member's portfolio for liquidation or transfer, and the administration of the related default auction process.

In the event of an actual or potential default of a CDS Clearing Member, the Clearing House will undertake a series of processes to protect itself and its counterparties as further set forth in the CDS Manual (such processes, the "CDS Default Management Plan"), as amended from time to time in consultation with the CDS Default Management Committee and the CDS Risk Committee.

8H802. PROTECTION OF CLEARING HOUSE

8H802.A. Default by CDS Clearing Member

The Clearing House shall establish the CDS Guaranty Fund as a separate guaranty fund for CDS Contracts. Each CDS Clearing Member shall contribute to the CDS Guaranty Fund in accordance with the requirements of Rule 8H07. A non-defaulted CDS Clearing Member's deposit to the CDS Guaranty Fund may be applied by the Clearing House in accordance with this Rule 8H802 to mitigate any loss to the Clearing House attributable to CDS Contracts and will not be applied to losses in any other product classes.

1. Default by CDS Clearing Member

- a. If a CDS Clearing Member or its parent guarantor (i) fails to promptly discharge any obligation to the Clearing House or (ii) becomes subject to any bankruptcy, reorganization, arrangement, insolvency, moratorium, or liquidation proceedings, or other similar proceedings under U.S. federal or state bankruptcy laws or other applicable law, the Clearing House may declare such CDS Clearing Member to be in default. Upon a default, the Clearing House shall act promptly to mitigate any loss caused by such default ~~may, in consultation with the CDS Default Management Committee and the CDS Risk Committee, take any or all actions permitted by these Rules.~~ The Clearing House may engage in any commercially reasonable transaction to eliminate or reduce the risk created by the default, including but not limited to, entering into hedges, liquidating positions in the market, auctioning or selling a portion or all of the portfolio of the defaulting firm, and if applicable, its customers. ~~and a~~

All obligations, costs and expenses incurred thereby shall be an obligation of the defaulted CDS Clearing Member to the Clearing House.

- b. Defaults by different CDS Clearing Members will each be considered a separate default event. After a CDS Clearing Member has been declared in default, subsequent failures by such defaulted CDS Clearing Member to discharge any obligation shall be considered part of the same default and shall not be considered separate default events, unless and until the original default has been fully resolved and such CDS Clearing Member has been restored to good standing.
- c. ~~The Clearing House in consultation with the CDS Default Management Committee shall act promptly to mitigate any loss caused by a default.~~ The Clearing House may (i) hedge, liquidate in the ordinary course, or sell all or any portion of the portfolio of the defaulting CDS Clearing Member and its customers, if applicable and (ii) to the extent permitted by applicable law, transfer open customer positions in CDS Contracts and associated performance bond collateral with respect to any customer account class in which there is no default on payment obligations to one or more other non-defaulted CDS Clearing Members that agree to such transfer. The Clearing House may mitigate or eliminate the risks incurred by it as a result of offsetting or terminating such open CDS Contracts by any one or more of the following means: 1) replace all or a portion of the CDS Contracts of the defaulting clearing member by entering into a transaction with a solvent clearing member(s); 2) replace all or a portion of the CDS Contracts of the defaulting CDS Clearing Member by entering into CDS Contracts for its own account in the open market; and/or 3) enter into CDS Contracts (or exchange-traded contracts) to hedge the economic risks imposed on it as a result of offsetting or terminating such CDS Contracts by any commercially reasonable means. The Clearing House may also replace any CDS Contracts it enters into to replace or hedge economic risks from any terminated transaction by substituting a transaction with a solvent clearing member(s) that offsets the original terminated transaction. Any amount incurred by the Clearing House in liquidating, transferring and establishing, adjusting and/or replacing positions resulting from the defaulted CDS Clearing Member's default will be deducted from the defaulting CDS Clearing Member's collateral held by CME. In the event the collateral of the defaulting CDS Clearing Member is not sufficient to satisfy such amounts, the unsatisfied costs will be a claim by the Clearing House against the defaulting CDS Clearing Member. The defaulted CDS Clearing Member shall not take any action that would interfere with the ability of the Clearing House to mitigate the loss or to apply the assets of the defaulted CDS Clearing Member to offset any loss. The defaulted CDS Clearing Member shall not file any action in any court seeking to stay the actions of the Clearing House with respect to the default.

- d. Following the default of a CDS Clearing Member, the Clearing House has the right to (i) liquidate any or all open CDS Contracts and collateral of cleared swaps customers of the defaulting CDS Clearing Member, and (ii) apply all proceeds of the liquidation of a cleared swaps customer's positions in CDS Contracts and collateral to any CDS Loss in the customer cleared swaps account attributable to such customer. The Clearing House may combine CDS Contracts from multiple cleared swaps customers in an auction or liquidation in any manner it determines and allocate any costs or losses associated with such auction or liquidation on a pro rata basis as determined by the Clearing House.
- e. A defaulted CDS Clearing Member shall immediately make up any deficiencies in its CDS Guaranty Fund deposit resulting from such default and in any event no later than the close of business on the Business Day following demand by the Clearing House.