

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 18-390 (2 of 5)

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

Filing as a:  DCM  SEF  DCO  SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 9/14/2018 Filing Description: Adoption of New CME/CBOT/NYMEX/COMEX Rule 832. ("Foreign Currency Market Disruption")

**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: 832.

**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:**

September 14, 2018

**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. Adoption of New  
CME/CBOT/NYMEX/COMEX Rule 832. (“Foreign Currency Market  
Disruption”).  
CME Submission No. 18-390 (2 of 5)**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6(a), Chicago Mercantile Exchange Inc., in its capacities as both a designated contract market (“DCM”) (“CME”) and a derivatives clearing organization (“DCO”) (“Clearing House”), The Board of Trade of the City of Chicago, Inc. (“CBOT”), New York Mercantile Exchange, Inc. (“NYMEX”) and Commodity Exchange, Inc. (“COMEX”), each in their capacities as a DCM (each an “Exchange” and collectively, the “Exchanges”), hereby notify the Commission that they are adopting new CME/CBOT/NYMEX/COMEX Rule 832. (“Foreign Currency Market Disruption”) (the “Proposed Rule”) effective on Monday, October 1, 2018.

Given the potential for political uncertainty in international jurisdictions that issue currency used to settle CME-cleared products—including, for example, energy, agriculture, foreign exchange and interest rate swap contracts—the Exchanges are adopting the Proposed Rule to allow the Clearing House the flexibility to convert foreign currency settlement obligations to U.S. dollars during circumstances when government action impairs the ability of the Clearing House and/or its Clearing Members to transact settlement obligations in a foreign currency. The Exchanges determined that the adoption of a rule authorizing the Clearing House to convert settlement obligations to U.S. dollars would best enable the Exchanges and the Clearing House to respond effectively and efficiently in the event of adverse government action which may disturb the Clearing House’s and Clearing Members’ ability to settle obligations denominated in foreign currencies. A Clearing Member’s obligation to settle in U.S. dollars would be effective upon notice from the Clearing House that such action is required.

In addition to converting settlement obligations to U.S. dollars in a narrowly prescribed set of circumstances, the Proposed Rule provides that completion of settlement in U.S. dollars under the Proposed Rule would fully discharge each of the Clearing Member’s and Clearing House’s settlement obligations for that foreign currency and settlement cycle. If the Proposed Rule is triggered and applied, the amount of settlement obligation will not be changed, merely converted to its U.S. dollar equivalent at a rate determined by the Clearing House. The rate in which the Clearing House will convert foreign

currency to U.S. dollars pursuant to the Proposed Rule will be published on the CME Group website. All existing Exchange Clearing Members are capable of meeting their settlement obligations in U.S. dollars, which mitigates operational risk arising from invocation of the Proposed Rule. All funds used to settle such obligations will continue to be held in the appropriate origin (i.e., customer or proprietary) at the Clearing House, in accordance with the relevant regulations.

Attached hereto as Exhibit A, is the Proposed Rule in blackline format.

The Exchanges reviewed the designated contract market (“DCM”) core principles and the derivatives clearing organization (“DCO”) core principles (collectively, the “Core Principles”), as set forth in the Commodity Exchange Act (“Act”) and identified that the Proposed Rule may have some bearing on the following Core Principles:

#### **DCM Core Principle**

- DCM Core Principle 7 - Availability of General Information. The Proposed Rule will be added to the publicly available Exchange Rulebooks available on the CME Group website. In addition, the Exchanges will release a notice to the marketplace regarding the Proposed Rule in advance of the effective date which will also be posted on the CME Group website.

#### **DCO Core Principles**

- DCO Core Principle D - Risk Management. Invoking the Proposed Rule may give rise to operational risk since the clearing member may use a different settlement bank for U.S. dollars than the impacted currency, or funding risk from the Clearing Member sourcing U.S. dollar to cover a foreign currency-denominated obligation. However, all Clearing Members routinely settle in U.S. dollars with CME so operational risk at settlement should be minimal. Funding risk is also expected to be de minimis given the fact that the primary currency of settlement at CME is U.S. dollar and the size of exposure in products that settle in foreign currencies foreseeably impacted by the type of government action contemplated in the Proposed Rule is minimal.
- DCO Core Principle E -Settlement Procedures. Each Clearing Member and settlement bank has the capacity to settle in U.S. dollars. The Proposed Rule provides for settlement finality upon the completion of settlement in U.S. dollars.
- DCO Core Principle F -Treatment of funds. The funds associated with the settlement obligations will continue to be held in the appropriate origin.
- DCO Core Principle L - Public Information. The Proposed Rule will be added to the publicly available Exchange Rulebooks available on the CME Group website. In addition, the Exchanges will release a notice to the marketplace regarding the Proposed Rule in advance of the effective date which will also be posted on the CME Group website.

The Exchanges hereby certify that this submission has been concurrently posted on the Exchanges’ website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

Should you have any questions concerning the above, please contact the undersigned at (212) 299-2200 or via e-mail at [CMESubmissionInquiry@cmegroup.com](mailto:CMESubmissionInquiry@cmegroup.com)

Sincerely,

/s/Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachment: Exhibit A – Proposed New CME/CBOT/NYMEX/COMEX Rule 832. (“Foreign Currency Market Disruption”)

**EXHIBIT A**  
**CME/CBOT/NYMEX/COMEX Rulebook**  
**Chapter 8**  
**(“Clearing House and Performance Bonds”)**  
(additions underlined)

**832. Foreign Currency Market Disruption**

In the event a Foreign Currency Market Disruption impacts the ability of the Clearing House and its Clearing Members to meet settlement variation or final settlement obligations in any non-U.S. dollar currency for any product cleared by the Clearing House (each, an “Impacted Currency”), the Clearing House and its Clearing Members may transact settlement obligations for each Impacted Currency in U.S. dollars.

The requirement to settle an Impacted Currency obligation in U.S. dollars shall be effective upon notice from the Clearing House. Completion of settlement for an Impacted Currency under the rules of this Chapter will fully discharge each of the Clearing Member’s and Clearing House’s settlement obligations for that Impacted Currency and settlement cycle. The U.S. dollar rate of exchange shall be based on exchange rates as determined by the Clearing House with reference to exchange rates in the relevant market. The Clearing House will publish the applicable exchange rate on CME Group’s website.

A Foreign Currency Market Disruption exists when (i) events not within the Clearing House’s control make it illegal or impossible to transact in a foreign currency, (ii) authoritative action such as the adoption of capital controls, asset freezes, imposition of sanctions, nationalization or any other similar action by any governmental entity impedes or is likely to impede the Clearing House’s ability to effect settlement transactions in any foreign currency, or (iii) any event with similar effect to the foregoing occurs.

Nothing in this Rule 832 shall in any way limit the authority of the Board, other committees, or other appropriate officials to act in an emergency situation as defined by these Rules.

**8323.-849. [RESERVED]**