

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 14-393

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 23, 2014 Filing Description: Collateral Limit Exemption for Clearing Members and Qualifying Non-Financial Customers

**SPECIFY FILING TYPE**

Please note only ONE choice allowed per Submission.

**Organization Rules and Rule Amendments**

- |                                     |                                     |            |
|-------------------------------------|-------------------------------------|------------|
| <input checked="" type="checkbox"/> | Certification                       | § 40.6(a)  |
| <input type="checkbox"/>            | Approval                            | § 40.5(a)  |
| <input type="checkbox"/>            | Notification                        | § 40.6(d)  |
| <input type="checkbox"/>            | Advance Notice of SIDCO Rule Change | § 40.10(a) |
| <input type="checkbox"/>            | SIDCO Emergency Rule Change         | § 40.10(h) |

Rule Numbers: N/A

**New Product**

Please note only ONE product per Submission.

- |                          |                                       |            |
|--------------------------|---------------------------------------|------------|
| <input type="checkbox"/> | Certification                         | § 40.2(a)  |
| <input type="checkbox"/> | Certification Security Futures        | § 41.23(a) |
| <input type="checkbox"/> | Certification Swap Class              | § 40.2(d)  |
| <input type="checkbox"/> | Approval                              | § 40.3(a)  |
| <input type="checkbox"/> | Approval Security Futures             | § 41.23(b) |
| <input type="checkbox"/> | Novel Derivative Product Notification | § 40.12(a) |
| <input type="checkbox"/> | Swap Submission                       | § 39.5     |

**Official Product Name:**

**Product Terms and Conditions (product related Rules and Rule Amendments)**

- |                          |                                                         |                      |
|--------------------------|---------------------------------------------------------|----------------------|
| <input type="checkbox"/> | Certification                                           | § 40.6(a)            |
| <input type="checkbox"/> | Certification Made Available to Trade Determination     | § 40.6(a)            |
| <input type="checkbox"/> | Certification Security Futures                          | § 41.24(a)           |
| <input type="checkbox"/> | Delisting (No Open Interest)                            | § 40.6(a)            |
| <input type="checkbox"/> | Approval                                                | § 40.5(a)            |
| <input type="checkbox"/> | Approval Made Available to Trade Determination          | § 40.5(a)            |
| <input type="checkbox"/> | Approval Security Futures                               | § 41.24(c)           |
| <input type="checkbox"/> | Approval Amendments to enumerated agricultural products | § 40.4(a), § 40.5(a) |
| <input type="checkbox"/> | “Non-Material Agricultural Rule Change”                 | § 40.4(b)(5)         |
| <input type="checkbox"/> | Notification                                            | § 40.6(d)            |

Official Name(s) of Product(s) Affected:

Rule Numbers:

September 23, 2014

**VIA ELECTRONIC PORTAL**

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. Collateral Limit Exemption for Qualifying Non-Financial Customers  
CME Submission No. 14-393**

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange Inc. ("CME") hereby notifies the Commodity Futures Trading Commission ("CFTC" or "Commission") that it will introduce a limited exemption from CME limits on the value of letters of credit clearing members are eligible to deposit on behalf of qualifying customers<sup>1</sup> in satisfaction of the clearing members' core performance bond requirements (the "Exemption"), effective October 8, 2014.

The Exemption is narrowly tailored to mitigate adverse impacts to certain non-financial customers and their clearing members resulting from recent changes to CME limits on letters of credit eligible to be posted as performance bond collateral. Under the recent changes, a clearing member is permitted to post letters of credit up to the lesser of (a) 25% of a total clearing member's collateral on deposit for its core performance bond requirement ("core requirement") or (b) US\$500 million ("Non-exempt Limit"). The Exemption increases the value of letters of credit a clearing member may post in satisfaction of the clearing member's core requirement to two times the lesser of: (a) 25% of a total clearing member's collateral on deposit for its core requirement; or (b) US\$500 million ("Exemption Limit"); provided that, any letter of credit deposits above the Non-exempt Limit may only be used to margin qualifying customers. By way of example, a clearing member with a US\$600 million core requirement would normally be able to deposit up to US\$150 million in letters of credit as performance bond. Under the Exemption, the clearing member would be able to use up to US\$300 million in letters of credit to meet its core requirement so long as all amounts above US\$150 million were deposited on behalf of qualifying customers or affiliates of qualifying customers that meet the Exemption requirements. A clearing member with greater than US\$2 billion in performance bond on deposit for its core requirement would be limited to two times the US\$500 million limit, or US\$1 billion under the Exemption.

The allocation of the excess letter of credit capacity to qualifying customers under the Exemption will be at the sole discretion of the clearing member and the Exemption Limit is capped at two times the clearing member's CME Clearing-designated letter of credit limit, no matter how many qualifying customers utilize the Exemption. CME Clearing, at its sole discretion, may terminate the Exemption upon reasonable notice to the clearing member and its qualifying customer(s).

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<sup>1</sup> A "qualifying customer" is a customer of a clearing member or an affiliate of such customer that certifies to CME Clearing and the clearing member that it is not a "financial entity," as defined in §2(h)(7)(C) of the Commodity Exchange Act.

CME reviewed the derivatives clearing organization (“DCO”) core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA” or “Act”). During the review, staff identified that the exemption may have some bearing on the following Core Principles:

Risk Management: The Exemption will not impact CME’s ability to manage risk in regard to its qualifying customers and their clearing members. CME determined the amount of letters of credit eligible to be posted under the Exemption reflect an appropriate limitation on the concentration of assets posted as initial margin. Further, limiting the Exemption’s availability to non-financial entities minimizes the potential for wrong-way risk that could result from financial entities posting additional letters of credit.

Public Information: This CME Submission No. 14-393 will be posted on CME’s website in satisfaction of this Core Principle.

Participant and product eligibility: The criteria for Exemption eligibility are objective, publicly-disclosed and risk-based.

CME certifies that its adoption of the Exemption complies with the Act and regulations thereunder. There were no opposing views to this proposal.

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 have any questions regarding this submission, please contact Suzanne Sprague, Executive Director of Collateral and Risk at 312-930-3260 or via e-mail at [Suzanne.Sprague@cmegroup.com](mailto:Suzanne.Sprague@cmegroup.com). Alternatively, you may contact me at 312-930-8167 or via e-mail at [Sean.Downey@cmegroup.com](mailto:Sean.Downey@cmegroup.com). Please reference CME Submission No. 14-393 in any related correspondence.

Sincerely,

/s/ Sean Downey  
Senior Director & Associate General Counsel