

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 20-405 (1 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): 09/29/20 Filing Description: Amendments to CME, CBOT, NYMEX/COMEX Rulebook Chapters 8 and 9.

**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: 802, 930, 980, 982

**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 29, 2020

**VIA ELECTRONIC PORTAL**

Mr. Christopher J. Kirkpatrick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

**Re: CFTC Regulation 40.6(a) Certification. Notification Regarding Rule Amendments to CME, CBOT, NYMEX/COMEX Rulebook Chapters 8 and 9. CME Submission No. 20-405 (1 of 5)**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6(a), Chicago Mercantile Exchange Inc. (“CME”), in its capacities as both a designated contract market (“DCM”) and a derivatives clearing organization (“DCO” or “CME Clearing”), The Board of Trade of the City of Chicago, Inc. (“CBOT”), New York Mercantile Exchange, Inc. (“NYMEX”) and Commodity Exchange, Inc. (“COMEX”) in their capacities as DCMs, (each an “Exchange” and collectively, the “Exchanges”) hereby certify amendments to the Exchanges’ Rulebook Chapters 8 (“Clearing House and Performance Bonds”), and 9 (“Clearing Members”) to the Commission. On January 27, 2021, the Commission will adopt amended regulations that impact DCOs and their Clearing Members (the “Amended Regulations”), necessitating revisions to the Exchanges’ Rulebooks (the “Rule Amendments”) as discussed below. The Rule Amendments will be effective on January 27, 2021.

Amended Regulation 39.19(c)(1)(i) will require DCOs to report individual customer-level account data to the CFTC on a daily basis. CME Clearing must rely on Clearing Members to provide information that facilitates reporting of those items. The Exchanges are amending Rule 980 (“Required Records and Reports”) to require Clearing Members to report enumerated items and any other information required by CME Clearing, which will assist CME Clearing in meeting future regulatory reporting obligations.

Amended Regulation 39.13(g)(8)(ii) will require Clearing Members to collect performance bond from customers at a level not less than 100% of CME Clearing’s requirement and commensurate with the risk presented by each customer account. This Amended Regulation further requires each Clearing Member to determine which customer accounts it carries present a ‘heightened risk profile’. The Amended Regulation retains the current allocation of responsibilities for assessing risk and establishing margin requirements for customer accounts – Clearing Members remain responsible for assessing and categorizing the risk profile of accounts they carry, including determining which present a heightened risk profile, while CME Clearing remains responsible for establishing minimum performance bond requirements applicable to the differently categorized accounts. The Exchanges are codifying these respective responsibilities in amendments to Exchange Rules 930.I and 982. The reference to ‘non-hedge’ positions in current Regulation 39.13(g)(8)(ii) is absent from the Amended Regulation, necessitating changes to Exchange Rule 930.I (“Hedge Positions”). Lastly, the Exchanges are removing outdated language from Rule 930.J (“Omnibus Accounts”).

Amended Regulation 39.16(c)(2)(ii) will require each DCO to have rules that provide for public notice of a Clearing Member default on its website. The Exchanges are amending Rule 802.A.1 (“Default by Clearing Member or Other Participating Exchanges”) to meet this requirement.

The Rule Amendments are provided in Exhibit 1 below in blackline format.

The Exchanges reviewed the DCO Core Principles and the DCM Core Principles (collectively, the “Core Principles”) as set forth in the Commodity Exchange Act (“CEA”) and identified that the Rule Amendments may have some bearing on the following Core Principles.

### **DCO Core Principles**

- DCO Core Principle D – Risk management: Amended CFTC Regulation 39.13(g)(8)(ii) will establish new customer account categories for margining purposes while retaining the current allocation of responsibility between Clearing Members and DCOs with respect to margining customer accounts. The revisions to Exchange Rules 930.I, 930.J and 982 codify the respective responsibilities of CME Clearing and the Clearing Members under the Amended Regulations.
- DCO Core Principle G - Default rules and procedures: Amended CFTC Regulation 39.16(c)(2)(ii) will require each DCO to have rules that provide for public notice of a Clearing Member default on its website. The Exchanges are adopting revisions to Rule 802.A.1. to meet this requirement.
- DCO Core Principle J - Reporting: Amended CFTC Regulation 39.19(c)(1) will require DCOs to report certain individual account-level information to the Commission on a daily basis. CME Clearing must rely on its Clearing Members to provide information to meet these new requirements. As such the Exchanges are adopting revisions to Rule 980 to require Clearing Members to provide CME Clearing with all necessary information.
- DCO Core Principle L - Public information: The Rule Amendments will be incorporated into the Exchanges’ publicly available rulebook. In addition, a CME Clearing advisory will be posted publicly on the CME Group website.

### **DCM Core Principles**

- DCM Core Principle 7 - Availability of general information: The Rule Amendments will be incorporated into the Exchanges’ publicly available rulebook. In addition, a CME Clearing advisory will be posted publicly on the CME Group website.

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

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

If you require any additional information regarding this submission, please contact the undersigned at 212.299.2200 or via email at [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachment: Exhibit 1 – Amendments to CME, CBOT, NYMEX/COMEX Rulebook

[300 Vesey Street](#) [New York, NY 10282](#) [T 212 299 2200](#) [F 212 301 6445](#) [christopher.bowen@cmegroup.com](mailto:christopher.bowen@cmegroup.com) [cmegroup.com](#)

## Exhibit 1

### Amendments to CME, CBOT, NYMEX/COMEX Rules (additions underlined; deletions ~~overstruck~~)

#### CME, CBOT, NYMEX/COMEX Rulebook Chapter 8 CLEARING HOUSE AND PERFORMANCE BONDS

#### 802. PROTECTION OF CLEARING HOUSE

##### 802.A. Default by Clearing Member or Other Participating Exchanges

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###### 1. Default by Clearing Member

If a clearing member of CME, CBOT, NYMEX, COMEX, or an OTC Clearing Member (i) fails promptly to 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 clearing member to be in default. The Clearing House will post notice of a default declaration on CME Group Inc.'s public website. For purposes of this Rule 802, each default by a clearing member will be considered a separate default event, provided that if a clearing member has been declared in default, subsequent failures to pay by such defaulting clearing member shall not be considered separate default events unless and until the original default has been fully resolved and such clearing member has been restored to good standing.

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#### CME, CBOT, NYMEX/COMEX Rulebook Chapter 9 CLEARING MEMBERS

#### 930. PERFORMANCE BOND REQUIREMENTS: ACCOUNT HOLDER LEVEL

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##### 930.I. ~~Hedge Positions~~Risk Profile of Accounts

~~Clearing members shall have reasonable support to classify positions as bona-fide hedge and risk management positions, as defined by Rule 559, that are afforded hedge performance bond rates. A Clearing Member must determine a risk profile for each account it carries, consistent with its risk management policies and procedures and the requirements of Rule 982.A.7, and collect performance bond in an amount commensurate with the account's risk profile. Each account that the Clearing Member determines to have a heightened risk profile shall be subject to initial performance bond requirements established by the Exchange. For each account that does not have a heightened risk profile the initial performance bond requirement shall equal the maintenance performance bond requirement established by the Exchange. A Clearing Member may call for additional performance bond at its discretion as set forth in this Rule.~~

##### 930.J. Omnibus Accounts

1. Clearing members shall collect performance bond on a gross basis for positions held in domestic and foreign omnibus accounts.

2. ~~For omnibus accounts, initial performance bond requirements shall equal maintenance performance bond requirements.~~

3. ~~Clearing members shall obtain and maintain written instructions~~ and/or documentation from domestic and foreign omnibus accounts for positions which are entitled to spread or hedge performance bond rates ~~available performance bond offsets or credits.~~

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## 980. REQUIRED RECORDS AND REPORTS

- A. Each clearing member shall prepare, maintain and keep current those books and records required by the rules of the Exchange, the Commodity Exchange Act and the Regulations thereunder. Such books and records shall be open to inspection and promptly provided to the Exchange upon request.
- B. Each clearing member shall maintain an adequate accounting system, internal accounting controls, and procedures for safeguarding customer and firm assets. This includes, but is not limited to, the following:
  - 1. Preparation and maintenance of complete and accurate reconciliations for all accounts;
  - 2. Resolution of reconciling items in a timely manner; and
  - 3. Prevention of a material inadequacy as defined in CFTC Regulation 1.16(d)(2).
- C. A clearing member must file any information requested by the Exchange within the time period specified in the request.
- D. Each clearing member shall maintain at all times the ability to provide to the Exchange in an acceptable form a complete set of equity systems reports (including, at a minimum, the equity run, open position listing, day trade listing, cash adjustments listing and performance bond call and debit equity listing). Such reports shall be available to the Exchange in Chicago no later than 8:00 a.m. Chicago time on the business day following the report date.
- E. Each clearing member shall maintain at all times the ability to provide to the Exchange a listing of each customer's method of access to [CME/CBOT/NYMEX] markets, including front end applications and network connections.
- F. Exchange staff may impose administrative fees upon clearing members for late submissions of reports and other information required to be submitted to the Financial and Regulatory Surveillance Department by Exchange Rules. The administrative fees permitted by this Rule 980.F. shall not exceed \$1,000 for the initial late submission, plus \$1,000 for each additional business day that such report or information is not submitted. Where the late submission of reports or other information may be due to insufficient internal accounting controls or procedures, the Clearing House Risk Committee may impose disciplinary sanctions in lieu of, or in addition to, the administrative fees.
- G. [Each Clearing Member must submit daily reports that include all information required by the Clearing House, including but not limited to legal entity identifiers, where available, and end-of-day gross positions by each house origin, by each customer origin and by each individual customer-level account within each customer origin. Daily reporting of individual customer-level account information pursuant to this paragraph does not oblige a clearing FCM to look through an omnibus account that it clears for a carrying broker to the underlying customer account.](#)

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## CME/CBOT Rulebook Chapter 9 CLEARING MEMBERS

## 982. RISK MANAGEMENT

All clearing members must have written risk management policies and procedures in place to ensure they are able to perform certain basic risk and operational functions at all times. At a minimum, the following areas must be considered in the firm's policies and procedures, depending on the firm's size and its business and product mix:

- A. Trade Submission and Account Monitoring. Clearing members must have procedures in place to demonstrate compliance in the following areas for trades executed through both electronic platforms and open outcry:
  - 1. Monitoring the credit risks of accepting trades, including give-up trades, of specific customers.
  - 2. Monitoring the risks associated with proprietary trading.
  - 3. Limiting the impact of significant market moves through the use of tools such as stress testing

or position limits.

4. Maintaining the ability to monitor account activity on an intraday basis, including overnight.
5. Ensuring order entry systems include the ability to set automated credit controls or position limits or requiring a firm employee to enter orders.
6. Defining sources of liquidity for increased settlement obligations.
7. [Determining a risk profile for each account it carries, including whether such account presents a heightened risk profile.](#)

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## NYMEX/COMEX Rulebook Chapter 9 CLEARING MEMBERS

### 982. RISK MANAGEMENT

All clearing members must have written risk management policies and procedures in place to ensure they are able to perform certain basic risk and operational functions at all times. At a minimum, the following areas must be considered in the firm's policies and procedures, depending on the firm's size and its business and product mix.

A. Trade Submission and Account Monitoring. Clearing members must have procedures in place to demonstrate compliance in the following areas for trades executed through electronic platforms:

1. Monitoring the credit risks of accepting trades, including give-up trades, of specific customers.
2. Monitoring the risks associated with proprietary trading.
3. Limiting the impact of significant market moves through the use of tools such as stress testing or position limits.
4. Maintaining the ability to monitor account activity on an intraday basis, including overnight.
5. Ensuring order entry systems include the ability to set automated credit controls or position limits or requiring a firm employee to enter orders.
6. Defining sources of liquidity for increased settlement obligations.
7. [Determining a risk profile for each account it carries, including whether such account presents a heightened risk profile.](#)

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