

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 20-435

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

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 10/08/2020

Filing Description: Second Amended and Restated Cross-Margining Agreement and Service Level Agreement between Options Clearing Corporation and Chicago Mercantile Exchange Inc.

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: See filing.

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:

October 8, 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. Second Amended and Restated Cross-Margining Agreement and Service Level Agreement between Options Clearing Corporation and Chicago Mercantile Exchange Inc.
CME Submission No. 20-435**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6(a), Chicago Mercantile Exchange Inc. (“CME Clearing” or “Exchange”) hereby notifies the Commission that it is self-certifying revisions to the Second Amended and Restated Cross-Margining Agreement (“Proposed XM Agreement”) and the related OCC-CME Cross-Margining Service Level Agreement (“Service Level Agreement”) between Options Clearing Corporation (“OCC”) and CME Clearing. Both are filed as Exhibit A and B, respectively, under separate cover and subject to a request for confidential treatment. Pursuant to Regulation 40.6, the Proposed XM Agreement and Service Level Agreement will be effective on October 26, 2020. As a registered clearing agency, OCC must separately file the Proposed XM Agreement in a rule filing with the Securities and Exchange Commission (“SEC”). Thus, the Proposed XM Agreement and Service Level Agreement will not be executed and implemented until approval is received from the SEC or they otherwise become effective under the Securities Exchange Act of 1934.

As the Commission knows, CME Clearing and OCC have operated the cross-margining program (“XM Program”) since 1989. The XM Program was amended in 2008 and again in 2009. The Proposed XM Agreement looks to incorporate those amendments into a single agreement and update the agreement with respect to existing practices of CME Clearing and OCC in operating the XM Program. Notably, the risk management approach, operation and scope of the XM Program are not changing. CME Clearing and the OCC have updated the Proposed XM Agreement to bring it into conformity with current operational procedures, eliminate provisions that are obsolete and formally document cooperation that was previously intended. In addition, the Proposed XM Agreement consolidates redundant provisions and moves operational details that may be subject to minor modifications to adjust service levels to the stand-alone Service Level Agreement. Finally, the Clearing Member and Market Professional agreements have been streamlined and consolidated to, among other changes, reflect the current names of the participants. The primary changes contained in the Proposed XM Agreement and Service Level Agreement reflect the following concepts:

- Elimination of the need to execute a formal amendment to add products;
- Clarification as to which transactions are “Accepted Transactions” for the purpose of the XM Program;
- Creation of the Service Level Agreement to set forth the timing of certain deliverables, methods and forms of communication as well as a list of eligible collateral;
- Removal of the references to “Pledge Accounts” as such accounts are no longer used;
- Updated account titles;

- Codification of the existing margin methodology;
- Clarification of report titles and the party responsible for delivering reports;
- Formalization of processes related to any joint liquidation effort;
- Consolidation of the six clearing member and market professional agreements into three agreements; and
- Non-substantive changes to defined terms.

CME Clearing reviewed the derivatives clearing organization core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA” or “Act”) and identified that the updates to the Proposed XM Agreement and the Service Level Agreement may have some bearing on the following principles:

- DCO Core Principle B – Financial Resources: The Proposed XM Agreement sets forth a requirement that the parties enter into any agreements necessary to ensure that either party can obtain liquidity during a cross-margin clearing member default. These revisions enhance CME Clearing’s ability to manage its liquidity risk consistent with CFTC Regulation 39.11(e).
- DCO Core Principle D – Risk Management: The updates to the Proposed XM Agreement and creation of a Service Level Agreement serve to clarify and codify the operational processes of the existing XM Program with respect to margin, collateral and defaults, thus enhancing the ability of CME Clearing to manage the risks associated with discharging the responsibilities of the derivatives clearing organization through the use of appropriate procedures
- DCO Core Principle G – Default Rules and Procedures: The revisions to the Proposed XM Agreement and Service Level Agreement promote compliance with Core Principle G by setting forth with more specificity the procedures under which CME Clearing and OCC would operate in the event of a cross-margin clearing member default, including conducting joint default management drills.
- DCO Core Principle R – Legal Risk: The revisions to the Proposed XM Agreement provide legal certainty as to the operation of the XM Program by formally reflecting long-standing processes and understandings. The creation of the Service Level Agreement allows CME Clearing to keep the legal requirements of the XM program consistent with evolving operational needs and capabilities.

CME Clearing has requested confidential treatment with respect to Proposed XM Agreement and the Service Level Agreement, which have been submitted concurrently with this self-certification under separate cover. The Proposed XM Agreement includes the following as exhibits: Proprietary Cross-Margin Account Agreement and Security Agreement for Clearing Members, the Non-Proprietary Cross-Margin Account Agreement and Security Agreement and the Market Professional’s Agreement for Cross-Margining. CME Clearing certifies that proposed changes comply with the Act and regulations thereunder. There were no substantive opposing views to this proposal.

CME Clearing certifies that this submission, with the confidential documents redacted, has been concurrently posted on the CME Group website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

Should you have any questions or require more information concerning the above, please contact me at 212-299-2200 or via e-mail at CMEGSubmissionInquiry@cmegroup.com. Please reference CME Submission No. 20-435 in any related correspondence.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A – Second Amended and Restated Cross-Margining Agreement (attached under separate cover and confidential treatment requested)

Exhibit B – OCC-CME Cross-Margining Service Level Agreement (attached under separate cover and confidential treatment requested)

EXHIBIT A

(CONFIDENTIAL TREATMENT REQUESTED)

[REDACTED]

EXHIBIT B

(CONFIDENTIAL TREATMENT REQUESTED)

[REDACTED]