

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 14-477R (1 of 2)

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

Filing as a: DCM SEF DCO SDR Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 11/12/14 **Filing Description:** Clarifying Amendments to Rule 818.C; 8G01; 8H01
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: 818.C; 8G01; 8H01

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: _____

November 12, 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. Clarifying Amendments to CME Rule 818.C, 8G01, and 8H01
CME Submission No. 14-477R (1 of 2)**

Dear Mr. Kirkpatrick:

Pursuant to Commission Regulation 40.6(a), Chicago Mercantile Exchange Inc. (“CME” or “Exchange”) is notifying the Commodity Futures Trading Commission (“Commission” or “CFTC”) that it is adopting clarifying amendments to CME Rule 818.C (Netting and Offset) and CME Rules 8G01 and 8H01. The proposed effective date for the amendments is November 28, 2014.

Please note that this revised submission, CME Submission No. 14-477R, simply removes all references to the Rulebooks for The Board of Trade of the City of Chicago, Inc., New York Mercantile Exchange, Inc., and Commodity Exchange, Inc. as no amendments are being made to those Rulebooks. No other revisions are being made to the original submission.

Rule 818.C provides for the master netting agreement that applies in the event of a CME Bankruptcy Event (as defined in Rule 818) or default (as described in Rule 818). The proposed amendments clarify that netting will occur separately for each of the proprietary accounts, futures customer accounts, and clearing swap customer accounts of each Clearing Member at the time of close-out. The proposed amendments add sub-clauses to clarify that the relevant account classes will be closed out separately consistent with CFTC Regulations and §4d of the Commodity Exchange Act (“Act” or “CEA”)—Clearing Member’s proprietary, futures customer, and cleared swaps customer account classes will be closed out separately from one another, and cleared swaps customers will be closed out on an individual customer basis. Further, the proposed amendments add a provision clarifying that in the event of Bankruptcy Event that is preceded by (or occurs simultaneously with) a limited recourse event in Interest Rate Swaps (“IRS”) and Credit Default Swaps (“CDS”), the amount of any variation margin haircut that is applied as a result of the limited recourse Rules (CME Rule 8G802.B for IRS and CME Rule 8H802.B for CDS) will not be available for netting with losses from products subject to other financial safeguards under Rule 818.C.

CME is also amending Rules 8G01 and 8H01 to further clarify that Rule 818 (Close-Out Netting) will apply for all products in the event of a CME Bankruptcy Event or default and will not be superseded by the conflict of rules provisions of Rules 8G01 and 8H01, respectively.

CME reviewed the derivatives clearing organization core principles (“Core Principles”), as set forth in the CEA, and identified the following Core Principles as potentially impacted:

- *Treatment of Funds* – The proposed amendments comport with Core Principle F (Treatment of Funds) by maintaining the segregation of different account classes by clarifying that they separately net in the event of a Bankruptcy Event or default; existing account classes will be

preserved, and Clearing Members will be closed out based on their respective account class (i.e., proprietary, futures and cleared swaps).

- *Legal Risk Considerations* – These amendments comport with Core Principle R (Legal Risk) by clarifying the legal netting procedures that occur in the event of a CME insolvency that is preceded by (or occurs simultaneously with) a limited recourse event in IRS and CDS, the amount of any variation margin haircut that is applied as a result of such limited recourse Rules will not be available for netting with losses from other financial safeguards under Rule 818.C.

The text of the amendments is attached, with deletions ~~overstruck~~ and additions underlined.

The Exchange certifies that the amendments comply with the CEA and regulations promulgated thereunder. No substantive opposing views regarding these proposed rule amendments were expressed to the Exchange.

The Exchange certifies that this submission has been concurrently posted on its 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) 299-2228 or via e-mail at Jason.Silverstein@cmegroup.com.

Sincerely,

/s/ Jason Silverstein
Executive Director and Associate General Counsel

Attachment: Exhibit A – Amendments to CME Rule 818.C; CME Rules 8G01 and 8H01

EXHIBIT A

Amendments to CME Rule 818.C

(deletions ~~everstruck~~ and additions underlined)

CME Rule Chapter 8 Clearing House and Performance Bonds

818.C Netting and Offset

1 At such time as a Clearing ~~Member's~~Member's positions are closed:

(i) the obligations of the Clearing House to asuch Clearing Member in respect of ~~all of its~~the Clearing Member's proprietary positions, accounts, collateral and ~~deposits to the~~ guaranty fund deposits shall be netted, ~~in accordance with the Bankruptcy Code, the Commodity Exchange Act and the regulations adopted thereunder in each case,~~ against the obligations of ~~that~~such Clearing Member to the Clearing House and to the Exchange in respect of its proprietary positions, accounts, collateral, ~~its obligations as guarantor~~guarantees of the performance of its customers and ~~its then matured obligations to the guaranty fund to the Clearing House and to the Exchange. For clarity all of the property in a Clearing Member's proprietary account or accounts on deposit with the Clearing House, shall be deemed to be subject to a single master netting agreement with the result that any excess which is on deposit with obligations to guarantee funds without respect to any product category shall be applied to reduce any deficiency of ("Proprietary Netting");~~

(ii) the ~~Clearing Member in any other product category. All~~ obligations of the Clearing House to athe Clearing Member in respect of ~~its customers~~such Clearing Member's customers' futures positions, futures accounts, and futures collateral shall be ~~separately~~ netted against the obligations of the Clearing Member to the Clearing House in respect of the futures positions, futures accounts and futures collateral of ~~its~~such customers ~~without regard to product category in accordance with the requirements ("Futures Customer Netting"); and~~

(iii) the obligations of the Clearing House to the Clearing Member in respect of such Clearing Member's individual customers' swap positions, swap accounts, and swap collateral shall be netted against the obligations of the ~~Bankruptcy Code, Clearing Member to the Commodity Exchange Act and Clearing House in respect of the Regulations adopted thereunder in each case. At the time~~swap positions, swap accounts and swap collateral of each individual customer, on an individual customer by customer basis ("Swap Customer Netting").

Notwithstanding the foregoing, the amount of any proprietary or customer claim extinguished as a result of the application of the terminating and netting procedures set forth in either Rule 8G802.B (with respect to IRS Products) or Rule 8H802.B (with respect to CDS Products), shall not be available for netting in Proprietary Netting, Futures Customer Netting or Swap Customer Netting, as applicable. Proprietary Netting, Futures Customer Netting and Swap Customer Netting shall be performed in accordance with the Bankruptcy Code, the Commodity Exchange Act and the regulations promulgated thereunder. Rule 818 shall be deemed to be (i) a master netting agreement for Proprietary Netting; (ii) a master netting agreement for Futures Customer Netting and (iii) a master netting agreement for Swap Customer Netting.

2 After a Bankruptcy Event takes place, the authority of the Clearing House, pursuant to Rule 802, to make new assessments and/or require a Cclearing mMember to cure a deficiency in its guaranty fund deposit, arising after the Bankruptcy Event, shall terminate.

3 All positions open immediately ~~prior to the close out~~before being closed in accordance with this Rule shall be valued in accordance with the procedures of Paragraph D of this Rule.

Amendments to CME Rule 8H01 (additions underlined)

8G01. SCOPE OF CHAPTER

This chapter sets forth the rules governing clearing and settlement of all IRS Products. In the event there is a conflict between a rule in this Chapter 8G and another rule in the Rulebooks, the Rule in this Chapter 8G shall supersede the conflicting rule with respect to IRS Contracts. Rules 8F02, 8F05, 8F06, 8F07, 8F14, 8F25, 802, 813, 816, 913, 930 and 975 shall not apply to IRS Contracts, except for Rule 818 which shall supersede the rules in this chapter 8G. Chapter 6 shall be modified for IRS Contracts as set forth below. The Clearing House shall adopt, establish, publish and amend from time to time a Clearing House Manual of Operations for CME Cleared Interest Rate Swaps (the "IRS Manual"). The IRS Manual shall contain, among other things, information and directions for preparing trade data, completing prescribed memoranda and meeting other Clearing House requirements for IRS Products. The IRS Manual and amendments thereto shall constitute part of the Rules. With respect to IRS Products, in the event of any conflict between the IRS Manual and the Clearing House Manual of Operations, the IRS Manual will govern.

Amendments to CME Rule 8H01 (additions underlined)

8H01. SCOPE OF CHAPTER

This chapter sets forth the rules governing clearing and settlement of all CDS Products. In the event there is a conflict between a Rule in this Chapter 8H and another Rule in the Rulebooks, the Rule in this Chapter 8H shall supersede the conflicting Rule with respect to CDS Contracts, except for Rule 818 which shall supersede the rules in this chapter 8H. Rules 8F01-8F25 and 802, 804, 808, 813, 816, 824, 912, 913, 930 and 975 shall not apply to CDS Contracts. Chapter 6 shall be modified for CDS Contracts as set forth below. The Clearing House shall adopt, establish, publish and amend from time to time a Clearing House Manual of Operations for CME Cleared Credit Default Swaps (the "CDS Manual"). The CDS Manual shall contain, among other things, information and directions for preparing trade data, completing prescribed memoranda and meeting other Clearing House requirements for CDS Products. The CDS Manual and amendments thereto shall constitute part of the Rules. In the event of conflict between the Rules applicable to CDS Products or CDS Clearing Members acting in their capacity as such and the CDS Manual, such Rules will govern.