

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 20-518

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

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 12/10/20 **Filing Description:** Modifications to CME Risk Management Framework

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: See filing.

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

Official Product Name:

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:



Timothy J. Maher
Chief Compliance Officer
CME Clearing

December 10, 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, DC 20581

**RE: CFTC Regulation 40.6(a) Certification. Modifications to CME's Risk Management Framework
CME Submission No. 20-518**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission ("CFTC" or "Commission") Regulation 40.6(a), Chicago Mercantile Exchange Inc. ("CME" or "Exchange") hereby notifies the Commission that it is self-certifying modifications to the CME's Risk Management Framework effective on December 28, 2020.

Specifically, CME, as a registered derivatives clearing organization, maintains a Risk Management Framework ("RMF") pursuant to CFTC Regulation 39.13(b) that encompasses its risk management practices, procedures and methodologies. The RMF is established by CME and approved by its Board of Directors. Modifications to the RMF have been made to be consistent with the amendments adopted by the Commission to certain regulations applicable to registered derivatives clearing organizations (hereafter, "Amended Regulations"), which have a compliance date of January 27, 2021.¹ However, most of the modifications are non-substantive in nature in that they clarify current practices or alternatively, they reflect amendments to the CME Group Exchange Rules that have already been certified with the Commission.² In certain instances, modifications to the RMF for the Amended Regulations capture practices that also require the completion of systems work and/or relate to amendments to the CME Group Exchange Rules that have forthcoming effective dates. These modifications are for: i) using the terminology of "heightened risk profile" and "non-heightened risk profile" relative to customer margining practices; ii) a Clearing Member's requirement to report individual customer accounts' positions and legal entity identifiers, where available; and iii) calculating the Guaranty Funds' sizes using the portion of performance bond funds that are on deposit and required. As such, these modifications to the RMF shall become effective on the compliance date for complying with the Amended Regulations, including any extensions that the Commission may grant for such compliance.

In addition, non-substantive modifications were made to the RMF's description of the IRS products' margin model to more clearly articulate the margin model's application to portfolio margined exchange-traded interest rate options with other IRS products pursuant to CME Rule 8G831. Finally, modifications were made to codify the practices under CME Group Exchange Rules 802.E and 8G802.E, for Base and IRS products, respectively, relating to recovering losses from a defaulted Clearing Member's estate.

CME has also taken the opportunity to improve the clarity of language of the RMF.

¹ 85 FR 4800.

² See CME Submission 20-405.

CME reviewed the derivatives clearing organization core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA” or “Act”) and identified that the proposed modifications may have some bearing on the following principles:

- DCO Core Principle A – Compliance: The proposed modifications include references to the Enterprise Risk Officer.
- DCO Core Principle D – Risk Management: The proposed modifications enhance the ability of CME to manage the risks associated with discharging the responsibilities of the derivatives clearing organization.
- DCO Core Principle G – Default Rules and Procedures: The proposed modifications reflect changes made to rules designed for the efficient, fair, and safe management of events of insolvency or default events.

As described herein, the amendments consist of changes to the CME Risk Management Framework. CME has requested confidential treatment with respect to the revised framework, which has been submitted concurrently with this self-certification. CME certifies that proposed changes comply with the Act and regulations thereunder. There were no substantive opposing views to this action.

If you require any additional information regarding this submission, please contact me at 312-930-2730 or via email at timothy.maher@cmegroup.com. Please reference CME Submission No. 20-518 in any related correspondence.

Sincerely,

/s/Timothy J. Maher
Chief Compliance Officer
CME Clearing

Attachment: Exhibit A - Modified CME Risk Management Framework (attached under separate cover)
(confidential treatment requested)