

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 17-545

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

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 12/12/17 Filing Description: Decommission of the Manual of Operations for CME Cleared Interest Rate Swaps

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:

December 12, 2017

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 – Decommission of Manual of Operations for CME Cleared Interest Rate Swaps (“IRS Manual of Operations”)
CME Submission No. 17-545**

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 revisions to CME Rules 808.G, 808.K, 8G01, 8G04, 8G28, 8G802.B.2, 8G930.A. The revisions remove references to the IRS Manual of Operations. The references are removed to complete the decommissioning of the IRS Manual of Operations. The revision to CME Rule 8G04 clarifies obligations of IRS Clearing Members.

Specifically, CME Clearing has maintained an IRS Manual of Operations since the launch of the clearing service for OTC interest rate swaps. The IRS Manual of Operations served as a useful description of the IRS clearing service, but it included elements of the service beyond information contained in a traditional operations manual and information contained in other clearing documentation. For instance, the IRS Manual of Operations included chapters on clearing membership criteria, the products eligible for clearing, and IRS margining. Such information is available on the CME Group web site. Further, CME Clearing maintains a separate operational manual for the IRS clearing service – the OTC IRS Clearing and Bookkeeping Specification. Thus, it was determined that the IRS Manual of Operations was duplicative. CME then initiated an effort to decommission the IRS Manual of Operations. The effective date of these rule revisions is December 29, 2017.

The revisions to CME Rules 808.G, 808.K, 8G01, 8G04, 8G28, 8G802.B.2, 8G930.A. are reflected in Exhibit A, which is attached hereto, with additions underlined and deletions ~~struck through~~.

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 I – Systems Safeguards: The proposed modifications result in a single document which describes the daily processing and settlement of IRS swap transaction activities of clearing members by means of current and concise descriptions of CME Clearing functions, systems and procedures.

CME certifies that proposed changes comply with the Act and regulations thereunder. There were no substantive opposing views to this action.

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 require any additional information regarding this submission, please e-mail CMEGSubmissionInquiry@cmegroup.com or contact Timothy J. Maher at 312-930-2730 or via email at timothy.maher@cmegroup.com. Please reference CME Submission No. 17-545 in any related correspondence.

Sincerely,

/s/Christopher Bowen
Managing Director and Chief Regulatory
Counsel

Attachment: Exhibit A – Proposed revisions to CME Rules 808.G, 808.K, 8G01, 8G04, 8G28, 8G802.B.2, 8G930.A.

EXHIBIT A

Chapter 8 Clearing House and Performance Bonds

(Additions underlined; deletions ~~struck~~)

808.G – ESTABLISHMENT OF AUTHORIZED COMMODITIES AND ACCOUNT RISK LIMITS(S)

With the exception of Credit Default Swap (“CDS”) and Interest Rate Swap (“IRS”) Transactions, for each account number that has been registered with the Exchange pursuant to Section F. of this Rule, a Clearing Member must also input into the CME Account Manager system an authorization identifying the specific commodities for which a Transaction may be submitted to the Exchange pursuant to this Rule and the account risk limit(s) assigned by the Clearing Member for Transactions for that account. ~~Requirements for CDS and IRS Transactions are set forth in the applicable sections of the Clearing House Manual of Operations for these products.~~

808.K – TRADE SUBMISSION DEADLINES

With the exception of CDS, IRS and FX Spot, Forward and Swaps Transactions, all other Transactions that are submitted, confirmed and accepted for clearing, as further provided by Section L. of this rule, prior to 5:15 p.m. New York time on an Exchange Business Day will be included by the Exchange for clearing for that Business Day. The Exchange reserves the right to modify these business hours without notice at any time. The CME ClearPort Facilitation Desk will generally be available to assist users 24 hours a day on all Exchange Business Days. ~~Trade submission deadlines for CDS, IRS and FX Spot, Forward and Swaps Transactions are set forth in the applicable sections of the Clearing House Manual of Operations for these products.~~

Chapter 8-G Interest Rate Derivative Clearing

(Additions underlined; deletions ~~struck~~)

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.~~

8G04 - IRS CLEARING MEMBER OBLIGATIONS AND QUALIFICATIONS

IRS Clearing Members shall be subject to the requirements for IRS Clearing Members set forth in Chapter 8G and Rule 8F04, all CME Rules applicable to IRS Products, and the Clearing House Manual of Operations and the IRS Manual unless an exemption has been granted by the Clearing House Risk Committee or the IRS Risk Committee, as applicable. In addition, IRS Clearing Members are subject to all CME, CBOT and NYMEX Rules, as applicable, when clearing products traded on, or subject to the rules of, CME, CBOT or NYMEX. IRS Clearing Members must execute all agreements and documents required by the Clearing House.

An IRS Clearing Member must satisfy the requirements set forth below:

1. An IRS Clearing Member must be in compliance with all applicable regulatory capital requirements and it must maintain minimum capital (as defined in CFTC Regulation 39.12(a)(2)) of \$50 million. For an IRS Clearing Member that is a bank, "capital" shall mean Tier 1 Capital (as defined in accordance with regulation applicable to the relevant bank and acceptable to the Clearing House or, in the absence of any such regulation, as defined by the Basel Committee on Banking Supervision of the Bank for International Settlements).
2. The capital requirement with respect to the participation of an IRS Clearing Member in the Clearing House shall be scalable to the risks posed by such IRS Clearing Member. Accordingly, an IRS Clearing Member must maintain capital (as defined in 8G04.1 above) at least equal to 20% of the aggregate performance bond requirement for its proprietary and customer IRS Contracts.
3. An IRS Clearing Member and any applicant for IRS clearing membership shall be engaged in or demonstrate immediate capacity to engage in the conduct of the business of a IRS Clearing Member and to perform all other obligations of a IRS Clearing Member as described or referenced in these Rules ~~or in the IRS Manual~~; provided that, including the ability to properly risk manage IRS Products, monitor IRS Product exposures and comply with default management obligations. In the event that a IRS Clearing Member does not have the capabilities to perform such responsibilities or obligations, such IRS Clearing Member may contract with a third party (including an Affiliate) to fulfill certain operational or risk requirements; provided that all agreements relating to such service shall be subject to the prior review and approval by the Clearing House staff and consultation with the IRS Risk Committee. The Clearing House may impose limitations on IRS Clearing Member utilization of service providers, including limitations on the number of IRS Clearing Members to which a service provider may provide services. Notwithstanding the above, each IRS Clearing member remains liable to the Clearing House for failure to comply with the obligations of an IRS Clearing Member.
4. Upon Clearing House request, each IRS Clearing Member shall submit nominations for an Independent Member of the IRS Risk Committee.
5. When required by the rotation established by the Clearing House, each IRS Clearing Member shall make at least one trader per IRS Product Category available to the Clearing House to participate in the IRS Default Management Committee immediately upon notice from the Clearing House that it is convening the IRS Default Management Committee for (i) a potential or actual default of an IRS Clearing Member or (ii) for IRS default drill exercises. Upon acceptance as an IRS Clearing Member and upon any update request by the Clearing House, each IRS Clearing Member shall provide a list of traders (at least one primary and one backup per IRS Product Category) that the IRS Clearing Member nominates for the IRS Default Management Committee. Any such trader shall have a title at the level of Vice President (or equivalent title) or above and/or shall have the minimum level of experience the Clearing House deems necessary for the relevant IRS Product Category. IRS Clearing Members shall make traders available for each IRS Product Category as requested by the Clearing House until the later of (i) the end of the relevant default management process or drill or (ii) the end of such traders' rotation.
6. Each IRS Clearing Member shall bid in auctions of a defaulted IRS Clearing Member's IRS Contracts as required by the Clearing House. Each IRS Clearing Member shall participate in IRS default drill exercises as prescribed by the Clearing House. Each IRS Clearing Member shall have the ability to provide quotations to CME for hedging

transactions for the IRS portfolio of a defaulted IRS Clearing Member.

7. Each IRS Clearing Member shall use systems and appropriate procedures to track accurately, and to provide to the Clearing House accurately, the IRS positions and collateral of each of its cleared swaps customers.

8G28 - WIND UP OF IRS CLEARING OPERATIONS

The Exchange may wind-up clearing operations for IRS Products in the following situations:

- (a) As a result of a default in which the IRS financial safeguards package is exceeded, producing an IRS Termination Event, as defined in Rule 8G802.B.2. In such case, the Clearing House shall close out all open IRS Contracts in accordance with the provisions of Rule 8G802.B.3.
- (b) Following a default, during an IRS Cooling Off Period, as defined in Rule 8G802.H. In such case, the Clearing House shall provide such advance notice of termination as it determines to be reasonable and may establish other risk-reducing requirements, in both cases in consultation with the IRS Risk Committee. In such case, the Clearing House shall work with the IRS Risk Committee and IRS Clearing Members to provide for bulk porting of IRS Contracts and collateral to another clearing house that is willing to receive such positions, liquidation and/or termination of IRS Contracts, to the extent practicable under the circumstances. The final close-out of any open IRS Contracts on the termination date shall be conducted as set forth below.
- (c) Upon the determination of the Exchange to cease providing clearing services for IRS Products for any reason. In such case, the Clearing House shall provide not less than 90 days written notice to IRS Clearing Members and market participants of the final date of termination. The Clearing House shall work with IRS Clearing Members to ensure an orderly termination process, including providing for bulk porting of IRS Contracts and collateral to another clearing house that is willing to receive such positions, and liquidation and/or termination of IRS Contracts. The final close-out of any open IRS Contracts on the termination date shall be conducted as set forth below.

If clearing services for IRS Products are terminated pursuant to paragraphs (b) or (c) above, on the effective date of termination specified in the notice, the Clearing House shall fix a U.S. dollar amount (the "Close-out Value") to be paid to or received from the Clearing House in respect of all IRS Contracts to be terminated, by conducting a special settlement cycle to determine a final settlement price for all open IRS Contracts, ~~as further detailed in the IRS Manual~~. Using such Close-out Value, the Clearing House shall determine for each IRS Clearing Member its total net pay obligation to, or net collect expectation from, the Clearing House in respect of its terminated proprietary and customer positions in IRS Contracts, if any. The Clearing House shall make payment to each IRS Clearing Member with a net collect, and each IRS Clearing Member with a net pay shall pay such amount to the Clearing House. The Clearing House may require pays from IRS Clearing Members to be funded immediately prior to making payment on collects. If any IRS Clearing Member fails to make a final payment to the Clearing House pursuant to this Rule 8G28, it shall be declared in default and the Clearing House shall process the default in accordance with Rule 8G802 as part of the final termination process. Promptly following the termination of all open IRS Contracts pursuant to this Rule 8G28 the Clearing House shall release to IRS Clearing Members their contributions to the IRS Guaranty Fund.

8G802B.2 – SATISFACTION OF CLEARING HOUSE OBLIGATIONS

Protection of the Clearing House In the event the IRS Collateral, IRS Customer Collateral and the IRS Priority of Payments are insufficient to cover the IRS Loss, IRS Clearing Members and the holders of IRS Contracts shall have no recourse to any other funds or any other entity, including without limitation the guaranty funds that support clearing of other products, CME, CME Group Inc. or any of its affiliates. If at any time following a default: (a)

the Clearing House is unable to cover a settlement variation payment obligation when due and has no expectation of accessing funds to permit it to cover such payment obligation (for example through access to credit lines or assessment funds), (b) the Clearing House determines (after consultation with the IRS Risk Committee) that the available IRS Collateral and the IRS Priority of Payments will be insufficient to satisfy auction bid results for the defaulted IRS Clearing Member's portfolio, (c) the Clearing House otherwise determines (after consultation with the IRS Risk Committee) the IRS Loss will exceed the available IRS Collateral and IRS Priority of Payments, or (d) a Bankruptcy Event of the Exchange (each an "IRS Termination Event"), then all IRS Contracts shall be terminated and the IRS Collateral and IRS Priority of Payments shall be distributed in accordance with Rule 8G802.B.3 below. If the IRS Customer Collateral attributable to a cleared swaps customer of the defaulted IRS Clearing Member is sufficient to satisfy any IRS Loss associated with such cleared swaps customer, the IRS Customer Collateral shall be so applied and any remaining IRS Customer Collateral shall remain in such customer account class the Clearing House shall, in a manner that is consistent with the requirements of the Commodity Exchange Act and the regulations adopted thereunder (including, without limitation Part 190 of the Regulations, if applicable) fix a U.S. dollar amount (the "IRS Close-Out Value") to be paid to or received from the Clearing House in respect of all IRS Contracts to be terminated by conducting a special settlement cycle to determine a final settlement price for all open IRS Contracts, as further detailed in the IRS Manual.

8G930.A. – PERFORMANCE BOND SYSTEM

A Performance Bond System will be adopted by the Exchange and specified in the IRS Manual. Performance bond systems other than the Exchange adopted system may be used to meet Exchange performance bond requirements if the IRS Clearing Member can demonstrate that its system will always produce a performance bond requirement equal to or greater than the CME Clearing performance bond requirements.