

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 24-088

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

Filing as a:  DCM  SEF  DCO  SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 01/24/24 Filing Description: Amendments to the Credit Risk Management Assessment Methodology and Counterparty Exposure Methodology

**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

**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:**

**Rule Numbers:**

January 24, 2024

**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. Amendments to the Credit Risk Management Assessment Methodology and Counterparty Exposure Methodology.  
CME Submission No. 24-088**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6(a), Chicago Mercantile Exchange Inc. (“CME” or the “Clearing House”), a derivatives clearing organization (“DCO”), certifies to the Commission amendments to the Credit Risk Management Assessment Methodology (“CAM”) and Counterparty Exposure Methodology (“CEM”) (collectively, the “Methodologies”) (collectively, the “Amendments”) effective on February 8, 2024.

The Methodologies are maintained by the Clearing House. As described below, the Methodologies are each reviewed and approved on at least an annual basis. The majority of the Amendments were approved as part of the annual review process.

*CAM*

The CAM was approved, as part of the annual review process, by CME’s Clearing House Oversight Committee (“CHOC”) (i.e., committee established by the Board) on December 5, 2023. Amendments to the CAM covered in this year’s annual approval relate to the following area:

- **Scorecards:** The Clearing House maintains scorecards that are used to assess and rate different types of counterparties based on business profile and updates were made to these scorecards, primarily with respect to their quantitative categories to reflect the use of more recent data.<sup>1</sup> In the case of the bank scorecard, this resulted in adjustments to and replacement of certain measures in the categories relating to liquidity, capital, asset quality, and profitability. Additionally, the bank scorecard’s qualitative considerations were amended to further emphasize the importance of considering depositor concentration and unrealized losses on a bank’s securities portfolio. With respect to the qualitative considerations for the bank, asset manager, futures commission merchant/broker-dealer, and non-financial corporate scorecards, amendments were made to emphasize the importance of considering the location(s) where counterparties provide services relative to considering their operating environment.

*CEM*

The CEM was approved, as part of the annual review process, by the CHOC on December 5, 2023. Amendments to the CEM covered in this year’s annual approval relate to the following areas:

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<sup>1</sup> In line with the use of more recent data, where applicable, the backtesting results included in the CAM were also updated.

- **Counterparty Types:** In order to improve clarity regarding current practices, the description of practices for counterparty exposure types that the Clearing House never operationalized was removed from the CEM.
- **Tolerance Thresholds:** While the Clearing House’s practice of assigning tolerance thresholds for monitoring the activity of Clearing Members has not changed, a description of these practices was included in the CEM to recognize the relationship between these practices and those described in the CEM.
- **General Documentation:** Terminology was amended to distinguish more clearly between the value resulting from the limit calculation (i.e., capacity) and the operational limit applied with the former generally being referred to in the context of capacity under the Amendments. To eliminate redundancy and enhance clarity, the description of the ways the Clearing House could monitor counterparty exposure by applying various stress factors to current exposures was removed due to overlap with other risk management practices described elsewhere and to reflect current practices.

*Conforming Amendments Applicable to Both Methodologies*

The Clearing House also took the opportunity to correct for grammatical errors and amend the language in the Methodologies to provide clarity without changing the meaning, where appropriate.

**DCO Core Principle Review**

CME reviewed the DCO core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA” or “Act”) and identified that the Amendments may impact the following core principle:

- **DCO Core Principle D – Risk Management:** The Amendments further describe the Clearing House’s risk management practices with respect to assessing and managing counterparty risk and enhance the ability of the Clearing House to effectively manage the risks associated with discharging the responsibilities of the DCO.

CME has requested confidential treatment with respect to the Methodologies, which have been submitted concurrently with this certification. Exhibits A and B provide the CAM and CEM, respectively, in blackline format under separate cover.

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

CME certifies that this submission has been concurrently posted on the CME Group website at <http://www.cmegroup.com/market-regulation/rule-fillings.html>.

Should you have any questions concerning the above, please contact the undersigned at (312) 930-8167 or [sean.downey@cmegroup.com](mailto:sean.downey@cmegroup.com).

Sincerely,

/s/ Sean Downey  
 Managing Director – Clearing Chief Compliance  
 Officer, Enterprise Risk Officer & Policy  
 CME Clearing

Attachments: Exhibit A – Amendments to Credit Risk Management Assessment Methodology (blackline format) (attached under separate cover) (confidential treatment requested)  
 Exhibit B – Amendments to Counterparty Exposure Methodology (blackline format) (attached under separate cover) (confidential treatment requested)

**Exhibits A & B**  
**CONFIDENTIAL TREATMENT REQUESTED**

(ATTACHED UNDER SEPARATE COVER)