

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 23-548

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

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 12/28/23 Filing Description: Notice of Emergency Action – Modification to BRL-CDI IRS Holiday Calendar and Fixed Rate

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

- | | | |
|--------------------------|-------------------------------------|------------|
| <input 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:

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 checked="" 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 28, 2023

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)(6) Emergency Rule Certification.
Notification of Emergency Action – Modification to BRL-CDI IRS Holiday Calendar
and Fixed Rate.
CME Submission No. 23-548**

Dear Mr. Kirkpatrick:

Pursuant to Chicago Mercantile Exchange Inc. (“CME Clearing” or “Clearing House”) Rule 403.C. (“Emergency Actions”), the Clearing House Risk Committee took emergency action based on a request from CME Clearing staff effective immediately on December 28, 2023. The emergency action consists of modifying the holiday calendar and the fixed rate for Brazilian Real CDI interest rate swaps (“BRL-CDI IRS”) and making any necessary adjustments to the present-value notional of BRL-CDI IRS to maintain the future-value notional of those instruments. This action was prompted by the Brazil national government’s adoption of a new national holiday.

CME Rulebook Chapter [901](#) provides terms for cleared BRL-CDI IRS. Uniquely among the IRS cleared by the Clearing House, the calculations for BRL-CDI IRS cash flows are based on local business days rather than calendar days. The adoption of a new, annual holiday thus removes one business day per year and impacts the swap’s cash flows.

Background

On Friday, December 22, 2023, the Brazilian President signed into law a bill to establish a new national holiday (“Black Awareness Day”), to be celebrated on November 20th of each subsequent year. Adoption of the new holiday, and resultant cash flow impacts on BRL-CDI IRS swaps that expire after November 20, 2024, occurred on December 26, 2023. CME Clearing determined that immediate action was necessary in order to mitigate financial and operational impacts from this implementation of the new holiday by market participants and trade platforms. CME adopted the updated holiday calendar to ensure its ability to clear new trades by primary trade submission platforms. This step also provided consistency with the onshore market (Brasil Bolsa Balcao, or B3) to facilitate hedging.

Market Outreach

The adoption of the new holiday necessarily impacted the BRL-CDI IRS cash flows. CME Clearing engaged market participants in determining the best approach for addressing those cash flow impacts. Following this consultation, CME Clearing determined to maintain all economic terms of the legacy BRL-CDI IRS unchanged except for the fixed rate, which was adjusted to account for any additional holidays that occur during the swap term. The fixed rate has been updated to a precision level of seven (7) decimal places. Given these rounding constraints, minimal adjustments were made to the present-value notional of the BRL-CDI IRS to keep the future-value notional of the swaps unchanged. However, one market participant noted a preference for six (6) decimal places due to technological limitations.

This update to the holiday calendar and adjustments to the fixed rate and present value notional amount of the BRL-CDI IRS were deemed appropriate by market participants to facilitate the fungibility of legacy and new BRL-CDI IRS and to provide consistency with the onshore BRL market for hedging purposes. Other potential alternatives would have created significant issues with processing and netting swaps in clearing, or significant profit-and-loss moves in the value of the swap.

The marketplace was notified of the emergency action via the issuance of a Notice of Emergency Action ("Notice") and CME Group Clearing House Advisory Notice 23-380 ("23-380"). A copy of the Notice appears in Exhibit A.

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 emergency action may have some bearing on the following Core Principles:

Public Information: The emergency action has been communicated to the marketplace via issuance of the Notice and 23-380. The Notice and 23-380 have been distributed via email to subscribers of these publications in addition to being posted publicly on the CME Group website.

CME Clearing certifies that the emergency action to update the BRL-CDI IRS holiday calendar, adjust the fixed rate of such swaps and modify the present-value notional value of such swaps as set forth in this submission complies with the Act and regulations thereunder. As noted above, one (1) market participant noted a preference for six (6) decimal places due to technological limitations. There were no substantive opposing views to this proposal.

CME Clearing 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 have any questions regarding this submission, please contact me at 312-466-7478 or via e-mail at CMESubmissionInquiry@cmegroup.com.

Sincerely,

/s/ Timothy Elliott
Managing Director and Chief Regulatory Counsel

Attachment: Exhibit A – Notice of Emergency Action

Exhibit A

CHICAGO MERCANTILE EXCHANGE NOTICE OF EMERGENCY ACTION

FILE NO.: CME 23-0009

SUBJECT: Modification to BRL-CDI IRS Holiday Calendar and Fixed Rate

**APPLICABLE
CME RULE:** 403.C. CLEARING HOUSE RISK COMMITTEE — Emergency Actions (in part)

The CHRC is authorized to determine whether an emergency exists and whether emergency action is warranted. The following events and/or conditions may constitute emergencies:

- b. Any action taken by the United States or any foreign government or any state or local government body, any other contract market, board of trade, or any other exchange or trade association (foreign or domestic), which may have a direct impact on trading on the Exchange;

In the event that the CHRC determines, in the good faith exercise of its sole discretion, that an emergency exists, it may take any of the following emergency actions or any other action that may be appropriate to respond to the emergency:

- f. Order any other action or undertaking to address or relieve the emergency.

EMERGENCY ACTION: On December 28, 2023, Chicago Mercantile Exchange Inc.'s ("CME") Clearing House Risk Committee ("Committee") took emergency action to modify the holiday calendar for Brazilian Real-CDI interest rate swaps ("BRL-CDI IRS") and the fixed rate of those swaps to account for the introduction of a new holiday. On December 22, 2023, the President of Brazil signed into law a bill creating an annual holiday on November 20. On December 26, 2023, the calendars used by market participants and the onshore exchange were updated to reflect the new holiday. Because BRL-CDI IRS cash flows are calculated with respect to actual business days rather than calendar days, this adoption of a holiday impacted the terms and conditions of cleared swaps. In the good faith exercise of its sole discretion, the Committee determined that an emergency exists, and that emergency action is warranted.

Pursuant to Rule 403.C.2.f., effective December 28, 2023, the Clearing House is authorized to 1) adopt the modified holiday calendar for BRL-CDI IRS; 2) adjust the fixed rate of the BRL-CDI IRS to account for the newly introduced holiday; and 3) make any necessary adjustments to the Present Value Notional Amount of the BRL-CDI IRS to keep the future-value of the swaps unchanged.

**EFFECTIVE
DATE:** December 28, 2023