

December 22, 2015

VIA EMAIL

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 39.5(b). Acceptance of Certain FRAs for Clearing.
CME Submission No. 15-588**

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange Inc. ("CME"), pursuant to Commodity Futures Trading Commission ("CFTC" or "Commission") Regulation 39.5(b), hereby notifies the Commission of the acceptance of the following interest rate swaps ("IRS") for clearing on November 10, 2014:

- Forward Rate Agreements denominated in Australian Dollar ("AUD"), Canadian Dollar ("CAD"), New Zealand Dollar ("NZD"), Polish Zloty ("PLN"), Swedish Krona ("SEK") and South African Rand ("ZAR") with maturities from 3 days to 3 years; and
- Forward Rate Agreements denominated in Swiss Franc ("CHF"), Czech Koruna ("CZK"), Danish Krone ("DKK"), Hong Kong Dollar ("HKD"), Hungarian Forint ("HUF"), Norwegian Krone ("NOK") and Singapore Dollar ("SGD") with maturities from 3 days to 2 years (cumulatively with the aforementioned maturities from 3 days to 3 years, the "FRAs").

This filing supplements our previous CME Submission No. 12-053, dated February 22, 2012 (Mandatory Clearing Determination for Pre-Enactment Swaps and Swaps Cleared as of February 1, 2012) and CME Submission No. 12-275, dated August 30, 2012 (Notification of the Acceptance of Zero Coupon Swaps (USD, EUR and GBP) and Overnight Index Swaps (USD, EUR, GBP and JPY)), which together include information relevant to the FRAs pursuant to Commission Regulation 39.5(b)(3). The information in CME Submission Nos. 12-053 and 12-275 with respect to IRS is incorporated herein. Pursuant to Regulation 39.5(b)(3)(iii), the product specifications for the swaps referenced above are attached hereto as Exhibit A.

39.5(b)(3)(i): Eligibility to Accept FRAs for Clearing

Pursuant to Regulation 39.5(b)(3)(i), CME states that it is eligible to accept the FRAs for clearing. Should the Commission determine that such swaps are required to be cleared, CME will be able to maintain compliance with the DCO core principles set forth in Section 5b(c)(2) of the Commodity Exchange Act and the regulations promulgated thereunder.

In accordance with Regulation 39.5(b)(3)(ii)-(viii), we are providing the following information in support of this submission:

39.5(b)(3)(ii)(A) Statement on Significant Outstanding Notional Exposures, Trading Liquidity and Pricing Data

Average daily notional volume information for the FRAs from SDR data for 1/1/2015 through 11/30/2015 is shown below.

FRA Currency	Average Daily Notional Volume
CZK	\$0.12
PLN	\$0.29
AUD	\$3.18
CAD	\$0.01
CHF	\$0.93
DKK	\$0.09
HKD	n/a
HUF	\$0.30
NOK	\$1.19
NZD	\$0.41
SEK	\$2.44
SGD	n/a
ZAR	\$0.92

*Volumes measured 1/1/2015 through 11/30/2015
Figures are single-counted and shown in billions of USD Equivalent*

39.5(b)(3)(ii)(B): Rule framework, capacity, operational expertise and resources, and credit support infrastructure

The rule framework for the FRAs is the same as all other IRS cleared by CME and can be found in the CME Rulebook. This Rulebook is available at www.cmegroup.com/market-regulation/rulebook.index.html, which includes links to pertinent product chapters in the CME Rulebook and incorporates the Manual of Operations for CME Cleared Interest Rate Swaps (the "IRS Manual"). CME Clearing's "Risk Management and Financial Safeguards" brochure (the "Risk Management Brochure") available at <http://www.cmegroup.com/clearing/files/financialsafeguards.pdf> contains information regarding CME's risk management capacity, expertise, resources, and financial safeguards system.

39.5(b)(3)(ii)(C): Statement on the Mitigation of Systemic Risk

While markets in certain OTC derivatives asset classes continued to function well during the financial crisis, the crisis demonstrated the potential for systemic risk arising from the interconnectedness of OTC derivatives market participants and the limited transparency of bilateral counterparty relationships. To help mitigate systemic risk in the OTC derivatives markets, the G-20 Leaders agreed that all standardized OTC derivatives contracts should be cleared through central counterparties by the end of 2012. One of the key goals of the

Dodd-Frank Act is the reduction of systemic risk through the use of central clearing for OTC derivatives.

As a central counterparty, CME interposes itself between counterparties to the swaps (and other derivatives products) that it clears, becoming the buyer to every seller and the seller to every buyer. For each swap that it clears, CME provides all clearing house services, including a mark-to-market function, on a daily basis. Depending upon the particular asset class, CME may standardize contract-critical dates (*e.g.*, start dates, last trade dates, expiry dates) and other contract terms. This may enable customers who hold positions to liquidate or to adjust positions simply by buying back or selling the relevant contracts. The associated benefits are considerable:

- *Centralized clearing.* Clearing the FRAs through CME allows market participants to free up counterparty credit lines. The daily mark-to-market process employed by CME enhances customer risk management.
- *Operational efficiencies.* Centralized clearing of swaps reduces operational burdens in several ways. Standardization and centralized clearing enables consolidation of collateral management and cash flows and eliminates the need for novations or tear-ups.
- *Ease of position adjustment.* In non-cleared markets, the only means to completely eliminate the risk of a swap is to (i) enter into a tear-up agreement with the swap counterparty, or (ii) enter into a novation (*i.e.*, find another entity willing to assume its side of the swap). In either case, the tear-up or the novation must be approved by the bilateral swap counterparty. For most asset classes, central clearing may be used to offset by a contra trade.

As further described in the Risk Management Brochure, CME has the necessary resources available to clear the FRAs.

39.5(b)(3)(ii)(D): Statement on Competition and Appropriate Fees and Charges

CME does not believe that the clearance of the FRAs will have any negative impact, or impose any burden, on competition. CME's schedule of fees for IRS can be found at <http://www.cmegroup.com/trading/interest-rates/files/cleared-otc-irs-customer-fees.pdf>.

39.5(b)(ii)(E): Statement on Legal Certainty and Insolvency

The bankruptcy of a DCO is governed by subchapter IV of Chapter 7 of the U.S. Bankruptcy Code (11 U.S.C. §§ 761-767), and by Part 190 (Bankruptcy) of the Commission's regulations. Also relevant in the event that CME were to enter into bankruptcy proceedings is CME Rule 818 (Close-Out Netting) included in Chapter 8 (Clearing House and Performance Bonds) of the CME Rulebook. CME Rule 818 (Close-Out Netting) is included in CME Rulebook Chapter 8.¹

The bankruptcy of a clearing member that is a U.S. futures commission merchant ("FCM") would be governed by subchapter IV of Chapter 7 of the U.S. Bankruptcy Code (11 U.S.C. §§ 761-767) and Part 190 (Bankruptcy) of the Commission's regulations. If an FCM is

¹ <http://www.cmegroup.com/rulebook/CME/1/8/8.pdf>

registered as a broker-dealer, certain aspects of its insolvency proceeding may also be governed by the Securities Investor Protection Act.

39.5(b)(3)(iii): Product Specifications

Attached as Exhibit A are the product-specifications for the FRAs, which are incorporated into CME's IRS product scope on its website at www.cmegroup.com/irs.

39.5(b)(3)(iv): Participant Eligibility Standards

CME Rule 8G04 (IRS Clearing Member Obligations) and the IRS Manual specify the requirements for IRS Clearing Members.

39.5(b)(3)(v): Pricing Sources

Chapter 8 (End of Day Valuations) of the IRS Manual describes IRS pricing.

39.5(b)(3)(vi): Risk Management Procedures

The Risk Management Brochure² summarizes CME's risk management procedures applicable to the clearing of IRS.

39.5(b)(3)(vii): Rules, manuals, policies, or procedures

The product rules for the FRAs are currently in Chapters 900 and 901 of the CME Rulebook and incorporated herein.³

Notice of this submission has been concurrently posted on CME Group's 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 CMEGSubmissionInquiry@cmegroup.com. Please reference our CME Submission No. 15-588 in any related correspondence.

Sincerely,

/s/ Jason Silverstein
Executive Director & Associate General Counsel

Attachment: Exhibit A

² <http://www.cmegroup.com/clearing/files/financialsafeguards.pdf>

³ <http://www.cmegroup.com/rulebook/CME/VIII/900/900.pdf>
<http://www.cmegroup.com/rulebook/CME/VIII/901/901.pdf>

EXHIBIT A

39.5(iii): Product Specifications

Instrument Type	Acceptable Currencies	Leg Types	Floating Rate Options	Maturity Range
FRAs	AUD	- Floating	AUD-BBR-BBSW	3 days to 3 years
	CAD	- Floating	CAD-BA-CDOR	3 days to 3 years
	CHF	- Floating	CHF-LIBOR-BBA	3 days to 2 years
	CZK	- Floating	CZK-PRIBOR-PRBO	3 days to 2 years
	DKK	- Floating	DKK-CIBOR-DKNA13 DKK-CIBOR2-DKNA13	3 days to 2 years
	HKD	- Floating	HKD-HIBOR-HKAB	3 days to 2 years
	HUF	- Floating	HUF-BUBOR-Reuters	3 days to 2 years
	NOK	- Floating	NOK-NIBOR-NIBR	3 days to 2 years
	NZD	- Floating	NZD-BBR-FRA	3 days to 3 years
	PLN	- Floating	PLN-WIBOR-WIBO	3 days to 3 years
	SEK	- Floating	SEK-STIBOR-SIDE	3 days to 3 years
	SGD	- Floating	SGD-SOR-VWAP, SGD-SOR-Reuters (Incoming)	3 days to 2 years
ZAR	- Floating	ZAR-JIBAR-SAFEX	3 days to 3 years	