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CFTC



2012 JAN -3 PM 5:15

Timothy Elliott
Executive Director and Associate General Counsel
Legal Department

January 3, 2013

Office of the
Secretariat

VIA E-MAIL

Ms. Sauntia Warfield
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

**RE: 40.6(a) Self-Certification. Changes to CME Chapter 8H Credit Default Swap (CDS) Rules in Accordance with Securities Exchange Act of 1934
CME Submission No. 13-001**

Dear Ms. Warfield:

Chicago Mercantile Exchange Inc. ("CME" or "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying changes to CME Chapter 8H regarding certain rules changes requested by the Securities and Exchange Commission ("SEC") regarding CME's credit default swap ("CDS") product offering.

CME began clearing credit default swaps prior to the passage of the Dodd-Frank Act. The SEC granted certain temporary exemptive relief to CME to facilitate clearing of credit default swaps prior to the passage of the Dodd-Frank Act. This temporary exemptive relief expired on July 16, 2011. At that time, certain provisions in the Dodd-Frank Act that were intended to ensure that derivatives clearing organizations such as CME that were clearing credit default swaps prior to the passage of Dodd-Frank based on exemptions granted by the Commission could continue to do so without interruption became effective. These provisions provided that CME became "deemed registered" as a clearing agency under the Securities Exchange Act of 1934 (the "Exchange Act") solely for the limited purpose of clearing security-based swaps. SEC staff has interpreted this Dodd-Frank "deemed registered" provision to mean that CME Inc., the legal entity that houses all of CME's futures and swap businesses under the exclusive jurisdiction of the CFTC, is generally subject to all of the requirements of the Exchange Act that apply to clearing agencies (including, for example, the obligation to submit clearing-related rule filings of CME Inc. under SEC Rule 19b-4).

The specific changes that are the subject of this submission can be summarized as follows:

Changes to Rule 8H04. The changes to Rule 8H04, which sets forth CDS Clearing member obligations and qualifications, are intended to address Section 17A(b)(3)(B) of the Exchange Act. The proposed changes explain that CME may approve an application for CDS Clearing Membership to permit the clearing of security-based swaps submitted by any corporation, partnership, limited liability company, or any other type of entity, provided that it determines such applicant satisfies applicable requirements and that applicants within one of the enumerated categories of participants in Section 17A(b)(3)(B) of the Exchange Act are specifically eligible to become CDS Clearing Members for the purpose of clearing security-based swaps. Further, separate revisions to Rule 8H04 are proposed that would make clear that CME may deny an application for CDS clearing membership to any person subject to a statutory disqualification as such term is defined by the Exchange Act.

Change to 8H07 and 8H802.B. The proposed changes to Rule 8H07, which governs CDS financial safeguards and guaranty fund deposit matters, would require CME to notify CDS clearing members regarding both the amount of and reasons for any charges to the guaranty fund for any reason other than

to satisfy a clearing loss attributable to a clearing member solely from that clearing member's guaranty fund deposit. Other proposed changes to Rule 8H802.B would specify that CME would provide notice to CDS Clearing Members as required by the Exchange Act regarding any amounts charged to the CDS Guaranty Fund due to losses incurred. Finally, proposed changes would also clarify that CME would apply Rule 8H07 on a uniform and non-discriminatory basis when determining minimum guaranty fund deposits.

Change to 8H930. One proposed change to Rule 8H930 highlights the fact that CME will apply Rule 8H930 on a uniform and non-discriminatory basis when determining performance bond requirements. Additional new language will also explain that acceptable performance bond assets for security-based swaps and the applicable haircuts related to such assets will be set forth on a public website and that CME will have discretion to make adjustments to asset haircuts at any time.

New Rule 8H820. New rule 8H820 will specify that performance bond requirements will be as determined by CME staff from time to time and as set forth in Rule 820. With respect to performance bond requirements that apply to security-based swap clearing activities, CME will be required under Rule 8H20 to determine that each item that is enumerated as being acceptable performance bond pursuant to CME Rule 820 has been determined to assure the safety and liquidity of the Clearing House as is required by Section 17A(b)(3)(F) of the Exchange Act.

New Rule 8H931. New Rule 8H931 would be added. This Rule would state that rules that relate to CME's activities as a clearing agency clearing security-based swaps will be adopted, altered, amended or repealed in accordance with the applicable requirements of Section 19(b) of the Exchange Act. Under the Rule, CME would promptly notify all CDS Clearing Members of any proposal it has made to change, revise, add or repeal any rule that relates to its activities as a securities clearing agency. Such notice would have to include the text or a brief description of any such proposed rule change, along with its purpose and effect, in accordance with the requirements of the Exchange Act. CDS Clearing Members would be required to submit comments with respect to any such proposal in accordance with the applicable SEC rules.

New Rule 8H932. New Rule 8H932 will require CME to maintain records of any disciplinary proceeding related to the activities of a CDS Clearing Member involving security-based swaps in accordance with the requirements of the Exchange Act and SEC Rule 17a-1.

New Rule 8H933. New Rule 8H933 would add rule language to Chapter 8H that would require CME to notify the SEC and any appropriate regulatory agency, as such term is defined by Section 3(a)(34) of the Exchange Act, regarding any final disciplinary sanction, denial of participation, prohibition or limitation with respect to access and/or summary suspension taken against a CDS Clearing Member relating to activities involving security-based swaps.

New Rule 8H934. New Rule 8H934 would obligate CME to, as soon as practicable after the end of each calendar year, make available financial statements audited by independent public accountants to all CDS Clearing Members engaged in security-based swap clearing activities. CME would also be required under the Rule to make available to CDS Clearing Members clearing security-based swaps a report by independent public accountants regarding CME Group's system of internal accounting control, describing any material weaknesses discovered and any corrective action taken or proposed to be taken.

New Rule 8H935. New Rule 8H935 would limit CME's ability to invest the cash portion of the CDS Guaranty Fund and CDS Clearing Member performance bond contributions by only allowing investments in accordance with the requirements of CFTC Regulation 1.25, including U.S. Government obligations or such other investments as the rules of CME may provide which assure safety and liquidity. CME would also be required to limit its use of CDS Guaranty Fund and performance bond contributions related to security based swap activities to the purposes permitted by the Exchange Act under the proposed rule language.

New Rule 8H936. New Rule 8H936 would specify that CME would perform periodic risk assessments of CME's operations and its data processing systems and facilities, and provide CME's Board with such reports, and supervise the establishment, maintenance, and updating of operations and data processing safeguards while reporting periodically to the Board concerning strengths and weaknesses in CME's

system of safeguards. In addition, the new Rule would make clear that CME was obligated to consider the impact that new or expanded service or volume increases would have on CME's processing capacity, both physical, including personnel, and systemic risk.

New Rule 8H938. Under new Rule 8H938, CME would only summarily suspend and close the accounts of a CDS Clearing member engaged in security-based swap clearing activities based on one of the enumerated reasons in the Exchange Act.

The Legal Department reviewed the designated contract market Core Principles ("Core Principles") as set forth in the Commodity Exchange Act ("Act"). During the review, we have identified that the changes described above may have some bearing on the following Core Principles:

Compliance with Rules: The changes resulted from the SEC's request that CME make certain changes to its rulebook in accordance with CME's status as a "deemed registered" clearing agency under the Exchange Act. All proposed rule changes are found within Chapter 8H of the CME rulebook and, in general, are structured to apply to CME's clearing of security-based swaps.

The revisions appear in Exhibit A with additions underscored or bracketed and deletions overstruck.

The Exchange certifies that the revisions in Exhibit A comply with the Act and regulations thereunder. There were no substantive opposing views to this proposal.

The Exchange certifies that this submission has been concurrently posted on the Exchange's 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 email at Tim.Elliott@cmegroup.com. Please reference CME Submission No. 13-001 in any related correspondence.

Sincerely,

/s/ Tim Elliott
Executive Director and Associate General Counsel

Attachment: Exhibit A – Changes to CME Chapter 8H (black-lined)

EXHIBIT A

Underlined text indicates additions. [Bracketed] text indicates deletions.

CHICAGO MERCANTILE EXCHANGE INC. RULEBOOK

Rule 100 – Rule 8G975 – No Change.

8H01. SCOPE OF CHAPTER

This chapter sets forth the rules governing clearing and settlement of all CDS Products. In the event there is a conflict between a Rule in this Chapter 8H and another Rule in the Rulebooks, the Rule in this Chapter 8H shall supersede the conflicting Rule with respect to CDS Contracts. Rules 8F01-8F25 and 802, 804, 808, 813, 816, 824, 912, 913, 930 and 975 shall not apply to CDS Contracts. Chapter 6 shall be modified for CDS 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 Credit Default Swaps (the "CDS Manual"). The CDS Manual shall contain, among other things, information and directions for preparing trade data, completing prescribed memoranda and meeting other Clearing House requirements for CDS Products. The CDS Manual and amendments thereto shall constitute part of the Rules. In the event of conflict between the Rules applicable to CDS Products or CDS Clearing Members acting in their capacity as such and the CDS Manual, such Rules will govern.

8H02. DEFINITIONS

AFFILIATE

With respect to a CDS Clearing Member, any person or entity is an Affiliate of such CDS Clearing Member if such person or entity directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such CDS Clearing Member. For this purpose, "control" of any entity or person means ownership of a majority of the voting power of the entity or person.

BUSINESS DAY

For purposes of this Chapter 8-H, any day on which commercial banks in New York City are open during regularly scheduled hours.

CDS CLEARING MEMBER

A CDS Clearing Member is an entity that has been approved by the Clearing House to clear CDS Products. A CDS Clearing Member that is not also a CME, CBOT, NYMEX or COMEX Clearing Member may not clear CME, CBOT, NYMEX or COMEX transactions, as applicable, other than CDS Products.

CDS DEFAULT MANAGEMENT COMMITTEE

The CDS Default Management Committee shall be a committee having the powers set forth in Rule 8H26.

CDS RISK COMMITTEE

The CDS Risk Committee shall be a committee having the powers set forth in Rule 8H27.

8H03. CLASSIFICATION OF CDS POSITIONS

CDS Contracts submitted for clearing by a CDS Clearing Member for its proprietary account shall be assigned to and held in a proprietary account of such CDS Clearing Member. All collateral deposited as

performance bond to support positions in the proprietary account of a CDS Clearing Member, all variation margin payments received in respect of positions in such account, any membership-equivalent deposit referenced in Rule 8H04.5, all CDS Guaranty Funds deposited with the Clearing House by such CDS Clearing Member, and any CDS Assessments deposited with the Clearing House by such CDS Clearing Member, including advanced assessments pursuant to Rule 8H802.C, is the property of the CDS Clearing Member and shall be subject to the Clearing House's lien and security rights as described in Rule 8H08.

CDS Contracts submitted for clearing for the account of a CDS Clearing Member's Cleared OTC Derivatives Customers shall be assigned and held in a Cleared OTC Derivatives Sequestered Account of such CDS Clearing Member. All CDS Clearing Members must comply with the requirements set forth in CME Rule 971 for such Cleared OTC Derivatives Sequestered Accounts.

Notwithstanding the foregoing, if the CFTC issues an order permitting CDS Clearing Members to commingle customer funds used to margin particular CDS Contracts that are cleared by CME with other funds held in CEA Section 4d(a)(2) customer segregated accounts, such positions may be held in the customer segregated accounts of a CDS Clearing Member and, if so held, all collateral deposited as performance bond to support such positions and all variation margin payments made from such accounts shall be commingled with similar property of regulated customers. All CDS Clearing Members must comply with the requirements set forth in CME Rule 971 for such customer segregated accounts.

8H04. CDS CLEARING MEMBER OBLIGATIONS AND QUALIFICATIONS

CDS Clearing Members shall be subject to the requirements for CDS Clearing Members set forth in Chapter 8H, all CME Rules applicable to CDS Products, the Clearing House Manual and the CDS Manual unless an exemption has been granted by the CDS Risk Committee. In addition, CDS 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. CDS Clearing Members must execute all agreements and documents required by the Clearing House.

The Clearing House may approve an application for CDS Clearing Membership to permit the clearing of security-based swaps submitted by any corporation, partnership, limited liability company, or any other type of entity, provided that it determines such applicant satisfies applicable requirements. Applicants within one of the enumerated categories of participants in Section 17A(b)(3)(B) of the Securities Exchange Act of 1934 are specifically eligible to become CDS Clearing Members for the purpose of clearing security-based swaps.

A CDS Clearing Member must satisfy the requirements set forth below:

1. A CDS Clearing Member must be registered with its primary regulator and, if relevant under the laws of the jurisdiction of its organization, or incorporation, in "good standing" under each regulatory regime to which it is subject at the time it applies for CDS clearing membership and it must maintain its good standing status, if applicable, while it is a CDS Clearing Member. A CDS Clearing Member and, if applicable, its parent guarantor must be subject to a legal and insolvency regime acceptable to the Clearing House.
2. A CDS Clearing Member must be in compliance with all applicable regulatory capital requirements and it must:
 - i. if such CDS Clearing Member is not a bank, (a) maintain minimum "adjusted net capital" (as defined in accordance with regulation applicable to such entity or, in the absence of any such regulation, as calculated under CFTC Rule 1.17 as though such entity were a Futures Commission Merchant, including the requirement to prepare and provide to the Clearing House a Form 1-FR-FCM or FOCUS Report as of the times required for Futures Commission Merchants) of \$500 million or satisfy such other capital requirements established by the Clearing House and approved by the CDS Risk Committee or (b) (i) provide an irrevocable and unsubordinated guaranty (in a form satisfactory to the Clearing House and approved by the CDS Risk Committee and in respect of which a legal opinion confirming the enforceability of such guaranty in form and substance acceptable to the Clearing House has been provided to the Clearing House) from its parent that maintains \$500 million adjusted net capital, if such parent is not a bank, or \$5 billion of Tier 1 Capital (as defined below), if such parent is a bank, and such parent guarantor satisfies all other

requirements set forth in Rule 8H04 that the Clearing House determines are applicable to guarantors and (ii) maintain minimum adjusted net capital equal to at least such CDS Clearing Member's then-current maximum CDS Assessments or (c) satisfy such other capital requirements established by the Clearing House and approved by the CDS Risk Committee.

- ii. If such CDS Clearing Member is a bank, maintain 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) of \$5 billion or satisfy such other capital requirements established by the Clearing House and approved by the CDS Risk Committee.

A CDS Clearing Member that fails to satisfy any capital requirement set forth in this Rule 8H04.2 applicable to such CDS Clearing Member or its parent guarantor shall have a 3 Business Day grace period from the date of such failure to achieve compliance.

3. If a CDS Clearing Member (or, if such CDS Clearing Member has provided a guaranty of its parent pursuant to Rule 8H04.2.i(b), such CDS Clearing Member's parent) is not a bank and has adjusted net capital less than \$1 billion, such CDS Clearing Member must deposit with the Clearing House an amount of excess performance bond that is equal to the excess, if any, of (x) twice the amount calculated pursuant to Rule 8H07.1(ii)(a) for such CDS Clearing Member over (y) the amount referenced in Rule 8H07.1(ii)(b).
4. A CDS Clearing Member and any applicant for CDS clearing membership shall be engaged in or demonstrate immediate capacity to engage in the conduct of the business of a CDS Clearing Member and to perform all other obligations of a CDS Clearing Member as described or referenced in these Rules or in the CDS Manual; provided that, in the event that a CDS Clearing Member does not have the capabilities to perform such responsibilities or obligations, such CDS 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 the CDS Risk Committee. The Clearing House may impose limitations on CDS Clearing Member utilization of service providers, including limitations on the number of CDS Clearing Members to which a service provider may provide services.
5. A CDS Clearing Member that is not also a CME, CBOT, NYMEX or COMEX Clearing Member shall maintain a membership-equivalent deposit with the Clearing House of at least \$5 million in cash or collateral, which shall be valued in the sole discretion of the Clearing House, to assure performance of all obligations arising out of CDS Products submitted by it to the Clearing House. Such deposit shall be used only for the purposes described in these Rules.
6. A CDS Clearing Member must comply with the requirements set forth in Rule 970, provided that, if the CDS Clearing Member is regulated by a regulatory authority other than the CFTC, then it shall submit to the Clearing House annual audited financial statements as well as all unaudited financial statements provided to its primary regulator within five days after such statements are provided to its regulator as well as reports of a type and frequency determined by the Clearing House and CDS Risk Committee in order to monitor compliance with the capital requirements described in Rule 8H04.2. All financial statements and other reports shall be in the English language.
7. The books and records of a CDS Clearing Member regarding CDS Products cleared by the Clearing House shall be made promptly available for inspection upon request by the Clearing House and such books and records shall be subject to reasonable standards of confidentiality.
8. Each CDS Clearing Member, regardless of whether it is a Futures Commission Merchant, shall keep the types of information and records that are described in Section 4g of the Commodity Exchange Act and CFTC regulations thereunder including, but not limited to, Regulation 1.35, with respect to all CDS Products submitted for clearing.
9. Each CDS Clearing Member shall comply with the requirements imposed on CDS Clearing Members in the Charters for the CDS Risk Committee and the CDS Default Management Committee.
10. Each CDS Clearing Member must demonstrate, at all times, either directly or through a approved service provider in accordance with Rule 8H04.4, the operational capabilities and infrastructure necessary to facilitate physical settlement of CDS Products cleared by such CDS Clearing Member.
11. The Clearing House may, and in cases in which the Securities and Exchange Commission by order directs, shall, deny CDS Clearing Membership to any person subject to a statutory disqualification, as such term is defined in the Securities Exchange Act of 1934.

8H05. SUBSTITUTION

If a CDS Product or a portfolio of CDS Products (i) is submitted by CDS Clearing Members who are not suspended or in default, (ii) was executed and submitted in accordance with the rules governing such CDS Product and (iii) does not exceed the credit limits established by the Clearing House for the CDS Clearing Member submitting such CDS Product or portfolio of CDS Products, then each original transaction is extinguished, the Clearing House shall substitute itself as the counterparty to each party of each original transaction and there shall be two equal and offsetting contracts for each original transaction as follows: one between the original buyer and the Clearing House, as seller and one between the original seller and the Clearing House, as buyer.

The CDS Clearing Member shall be deemed the principal to the CDS Contract when cleared by such CDS Clearing Member for its own account and shall be deemed a guarantor and agent of the CDS Contract when cleared by such CDS Clearing Member for the account of an affiliate or customer of such CDS Clearing Member.

8H06. [RESERVED]

8H07. CDS FINANCIAL SAFEGUARDS AND GUARANTY FUND DEPOSIT

1. (i) The Clearing House shall establish a financial safeguards package to support CDS clearing, and each CDS Clearing Member shall make a CDS Guaranty Fund deposit with the Clearing House. A CDS Clearing Member's deposit to the CDS Guaranty Fund and assessments against it pursuant to these Rules may be used to cover losses incurred by the Clearing House if a defaulted CDS Clearing Member's assets available to the Clearing House, including any assets pursuant to any guarantee from a parent or other Affiliate of a defaulted CDS Clearing Member, are insufficient to cover such losses, regardless of the cause of default. The Clearing House shall calculate the requirements for the CDS financial safeguards package, which shall be composed of:
 - (a) a funded portion, determined by the Clearing House using stress test methodology, calculated on a net exposure basis within each of the proprietary account and the customer account, equal to the largest theoretical aggregate losses caused by the default of any two CDS Clearing Members produced by such stress test or such other methodology, also on such a net exposure basis, determined by the CDS Risk Committee (such amount, plus any additional funds required to be deposited by CDS Clearing Members as a result of the minimum contribution requirement below, the "CDS Guaranty Fund"); and
 - (b) an unfunded portion, determined by the Clearing House using the same methodology as in Rule 8H07.1(i)(a) equal to the largest theoretical aggregate losses caused by the default of any two CDS Clearing Members (other than the two CDS Clearing Members selected in Rule 8H07.1(i)(a)) produced by such methodology (and assuming for purposes of the model that already-defaulted CDS Clearing Members will fail to contribute) or such other methodology approved by the CDS Risk Committee. Upon a default, after application of the CDS Guaranty Fund, each CDS Clearing Member (other than an insolvent or defaulted CDS Clearing Member) shall be subject to assessment of its proportionate share of such amount (collectively the "CDS Assessments"), each CDS Clearing Member's proportionate share bearing the same ratio to the aggregate CDS Assessments as such CDS Clearing Member's required CDS Guaranty Fund deposit (as calculated pursuant to Rule 8H07.1(ii)) bears to the aggregate CDS Guaranty Fund, adjusted as provided in Rule 8H07.3.
 - (ii) Each CDS Clearing Member's required contribution to the CDS Guaranty Fund shall be the greater of:
 - (a) such CDS Clearing Member's proportionate share of the largest two losses described in 8H07.1(i)(a) above, each CDS Clearing Member's proportionate share being based on the 90-day trailing average of its potential residual loss ("PRL") and the 90-day trailing average gross notional open interest outstanding at the Clearing House (or, in either case, such other shorter time interval determined by the CDS Risk Committee); and
 - (b) \$50,000,000.
2. The Clearing House shall calculate the aggregate required CDS Guaranty Fund and CDS

Assessments, as well as each CDS Clearing Member's required contribution to the CDS Guaranty Fund and its maximum CDS Assessment, on a monthly basis (other than during a CDS Cooling Off Period). The Clearing House may reset such requirements more frequently than monthly (other than during a CDS Cooling Off Period) should the largest two losses described in Rule 8H07.1(i)(a) above change by more than 10% from the calculation for the prior period and shall reset such requirements (i) following a CDS Cooling Off Period as provided below and (ii) following the termination of CDS Guaranty Fund and CDS Assessments liability of any withdrawing CDS Clearing Member as described in Rule 8H913.B.

Following any recalculation the Clearing House shall, within one Business Day, provide a report to each CDS Clearing Member showing the detail of its required deposit to the CDS Guaranty Fund and its maximum CDS Assessment. The notice shall specify the amount of any required additional deposit or any excess in the then-existing deposit amount. A CDS Clearing Member shall make any required additional deposit within two Business Days after delivery of such report and any reported excess may be withdrawn immediately.

On the first Business Day following (i) a CDS Cooling Off Period or (ii) the day on which the CDS Guaranty Fund and CDS Assessments liability of a withdrawing CDS Clearing Member is terminated, as described in Rule 8H913.B, the Clearing House shall recalculate the required CDS Guaranty Fund and CDS Assessments and shall provide, within one Business Day, a report to each CDS Clearing Member showing the detail of its required deposit to the CDS Guaranty Fund and its maximum CDS Assessment. The notice shall specify the amount of any required additional deposit or any excess in the then-existing deposit amount. Any additional required contribution shall be made by each CDS Clearing Member within two Business Days after delivery of such notice and any reported excess may be withdrawn immediately.

3. If the Clearing House determines that an additional deposit to the CDS Guaranty Fund and increase in the maximum CDS Assessment are required from a CDS Clearing Member due to a material change in the business of such CDS Clearing Member (for example, but without limitation, changes pursuant to a merger or a bulk transfer of customer positions), where such change produces an increase in such CDS Clearing Member's aggregate CDS performance bond requirements of 10% or greater, the Clearing House shall notify such CDS Clearing Member of the additional requirements, which shall equal the requirements that would have been applicable to such CDS Clearing Member if the Clearing House had recalculated the required CDS Guaranty Fund and CDS Assessments upon the occurrence of such material change, and the CDS Clearing Member shall, subject to the following sentence, make any required deposit to the CDS Guaranty Fund no later than the second Business Day following delivery of such notice and be immediately be subject to the revised maximum CDS Assessment. If such material change occurs during a CDS Cooling Off Period, the CDS Clearing Member may elect to satisfy such additional CDS Guaranty Fund deposit by instead depositing funds equal to such additional CDS Guaranty Fund deposit as performance bond into the proprietary account of such CDS Clearing Member with the Clearing House for the remainder of the CDS Cooling Off Period; provided that, on the first Business Day following the CDS Cooling Off Period, such additional performance bond shall be transferred to and deposited in its CDS Guaranty Fund account with the Clearing House. If a CDS Clearing Member elects to satisfy such increased CDS Guaranty Fund requirement by making such deposit as performance bond, the proportionate share of the aggregate CDS Assessments for each CDS Clearing Member during the CDS Cooling Off Period shall be calculated as if the electing CDS Clearing Member's required CDS Guaranty Fund contribution included such performance bond deposit. For the avoidance of doubt, (i) if the CDS Clearing Member satisfies any additional CDS Guaranty Fund deposit by depositing such funds as performance bond, such additional amounts shall be available to cover losses related only to the default of such CDS Clearing Member and (ii) the CDS Clearing Member's CDS Guaranty Fund requirement and maximum CDS Assessment shall be reset following a CDS Cooling Off Period along with other CDS Clearing Members, as described in Rule 8H07.2.
4. Any changes to the methodology for calculating the CDS Guaranty Fund and CDS Assessments that collectively result in a 15% or greater increase to the aggregate CDS Guaranty Fund and CDS Assessments over a not more than 30 day period shall collectively be effective on the earlier to occur of (i) the 20th Business Day following the date the Clearing House provides notice to CDS Clearing Members of such change and (ii) the date reasonably determined by the CDS Risk Committee (which shall be no less than two Business Days following notice of such change to the CDS Clearing Members) if such increase is due to applicable law, regulation or regulatory request and a shorter period is necessary to comply with such applicable law, regulation or regulatory request. CDS Clearing Members shall make any required additional deposit on or prior to the date such change is effective.

Upon receipt of notice of an at least 15% increase to the CDS Guaranty Fund and CDS Assessments pursuant to the preceding paragraph, a CDS Clearing Member may notify the Clearing House and such CDS Clearing Member's customers of its intent to withdraw from status

as a CDS Clearing Member. The notice shall specify that customers must close out or transfer to another CDS Clearing Member their affected open positions, and that the withdrawing CDS Clearing Member shall have the right to liquidate any customer positions that remain open on its books after the lesser of (i) 10 Business Days (or any shorter period determined by the Clearing House in consultation with the CDS Risk Committee) and (ii) the number of Business Days notice given to CDS Clearing Members pursuant to the prior paragraph minus two (in any event, subject to a minimum of two Business Days) have passed from the customers' receipt of such notice. If any customer fails to close out or transfer to another CDS Clearing Member during such period, the CDS Clearing Member shall have the right to liquidate any such customer position that remains open on its books.

For the avoidance of doubt, nothing in this Rule 8H07.4 shall apply to any increase to the CDS Guaranty Fund and CDS Assessments resulting from periodic calculations of the CDS Guaranty Fund and CDS Assessments pursuant to Rule 8H07.2 or any additional deposit to the CDS Guaranty Fund required by or increase in the maximum CDS Assessment of an individual CDS Clearing Member pursuant to Rule 8H07.3.

5. The time for payment of amounts due by a CDS Clearing Member under this Rule 8H07 may be tolled by the Clearing House upon request by such CDS Clearing Member should the Federal Reserve's wire transfer system ("Fedwire") not be available and the Clearing House and CDS Clearing Member are unable, following good faith efforts, to make alternate arrangements satisfactory to the Clearing House for the relevant deposit.
6. The Clearing House will provide notice to CDS Clearing Members as required by the Securities Exchange Act of 1934 regarding both the amount of and reasons for any charges to the CDS Guaranty Fund that are taken for any reason other than to satisfy a clearing loss attributable to a CDS Clearing Member solely from such CDS Clearing Member's CDS Guaranty Fund deposit. The Clearing House will apply Rule 8H07 on a uniform and non-discriminatory basis when determining minimum guaranty fund deposits.

8H08. LIEN ON CDS COLLATERAL

Each CDS Clearing Member hereby grants to the Clearing House a first priority and unencumbered lien to secure all obligations of such CDS Clearing Member to the Clearing House against any property and collateral deposited with the Clearing House by the CDS Clearing Member. Such lien shall be automatically released upon return of such property to the CDS Clearing Member. CDS Clearing Members shall execute any documents reasonably required by the Clearing House to create and enforce such lien, and the Clearing House shall execute any documents reasonably required by the CDS Clearing Member to effectuate any release of such lien.

8H09. CUSTOMER REGISTRATION

All CDS Contracts including, but not limited to, give-ups or transfers that are cleared at the Clearing House shall be identified with an account number which identifies the originator of that transaction, specifying whether the transaction was executed as a proprietary transaction of the CDS Clearing Member or its affiliate or arises from a transaction by a customer. CDS Clearing Members shall register, on Clearing House approved forms, each "ultimate" (or end) customer.

8H10. RISK MANAGEMENT

CDS Clearing Members will be subject to risk management and monitoring practices by the Clearing House relating to transactions submitted to the Clearing House. CDS Clearing Members shall promptly provide all information requested by Clearing House staff, including, without limitation, information respecting risk, settlement, liquidity, and operational issues.

In limited circumstances, the Clearing House may decline to accept certain CDS trades or migration positions if the Clearing House determines in good faith that, based on the exercise of prudent risk management standards, the Clearing House should not accept the CDS trades or migration positions. In the event that the Clearing House declines to accept certain CDS trades or migration positions, it shall promptly provide notice to affected CDS Clearing Members, but shall incur no further liability with respect to the trades and positions that are not accepted. It shall be the sole responsibility of the CDS Clearing Members who are parties to such trades or positions to take action as they deem necessary or proper for their own protection.

In addition, if the Clearing House determines in good faith that, based on the exercise of prudent risk management standards, a CDS Clearing Member poses undue risk to the Clearing House based on its portfolio of CDS Contracts, the Clearing House may take any or all of the following actions with respect to such CDS Clearing Member: 1) impose an additional performance bond requirement; 2) prohibit the addition of any new CDS positions, or 3) require the reduction or unwinding of CDS positions.

CDS Clearing Members shall permit on-site risk reviews in accordance with CME Rules and subject to reasonable standards of confidentiality. CDS Clearing Members will also be subject to on-going oversight by the CDS Risk Committee regarding their activities related to the Clearing House. All such inquiries shall be conducted in a manner consistent with oversight of CME Clearing Members and in accordance with reasonable standards of confidentiality.

8H11. FINANCIAL REQUIREMENTS

- A. Subject to exceptions granted by Clearing House staff regarding Clearing House imposed financial requirements, CDS Clearing Members shall immediately notify the Audit Department when it:
- (i) Fails to maintain minimum capital requirements;
 - (ii) Fails to maintain current books and records; or
 - (iii) Changes its fiscal year.
- B. Clearing House staff may prescribe reasonable additional accounting, reporting, and other financial and/or operational requirements and CDS Clearing Members shall comply with such requirements. All CDS Clearing Members shall provide immediate notice to the Audit Department of a failure to comply with such additional accounting, reporting, financial, and/or operational requirements.
- C. Clearing House staff may grant exceptions to the other financial requirements of Rule 970 if it is determined that such exceptions will not jeopardize the financial integrity of the Clearing House.

8H12-13. [RESERVED]

8H14. MITIGATION OF CDS LOSS

In the event of a default by a CDS Clearing Member, all CDS Clearing Members shall work cooperatively with their customers, other CDS Clearing Members and the Clearing House to administer, the mitigation of any losses that may occur as a result of such default and shall ensure that non-financial resources required to be provided by CDS Clearing Members to the CDS Default Management Committee are promptly made available.

In the event of a default by a CDS Clearing Member, the Clearing House shall work cooperatively with the CDS Risk Committee to convene the CDS Default Management Committee to manage the process of the liquidation and risk mitigation of such defaulted CDS Clearing Member's CDS Contracts in accordance with the CDS Default Management Plan. CDS Clearing Members shall work cooperatively with the Clearing House, the CDS Risk Committee and the CDS Default Management Committee, to (i) mitigate any losses that may occur as a result of a default, (ii) liquidate the defaulted CDS Clearing Member's CDS Contracts, (iii) bid in an auction of the defaulted CDS Clearing Member's CDS Contracts and (iv) take any other action reasonably requested by the CDS Risk Committee.

8H15. CDS TRADE SUBMISSION

A. This Rule governs all CDS Products that the Clearing House has designated as eligible for clearing that are submitted for clearing via CME ClearPort or any other submission platform approved by the Clearing House and that are not extinguished and replaced by positions in regulated futures and options ("Transactions"). The parties to a Transaction and any person authorized under Section C of this Rule with brokering capability or trade submission authority (generically defined as "Broker" or "Brokers") must comply with applicable registration procedures for participation in CME ClearPort or other submission platform approved by the Clearing House and must continue to comply with applicable registration procedures for CDS Products, as may be amended from time to time. Transactions are also subject to the other Rules in this chapter.

B. Each Transaction must be submitted in accordance with the procedures established by the Clearing House for this purpose, as amended from time to time. The parties to a Transaction and any Brokers authorized to submit Transactions on behalf of any such party to the Clearing House and perform other related activities shall be exclusively responsible, both individually and jointly, for accurately confirming the terms of such Transaction to the Clearing House. Once submitted, all Transactions shall be

deemed final. Neither the Clearing House nor a CDS Clearing Member carrying the account of either party will have any responsibility in the confirmation of trade terms for Transactions.

C. Each CDS Clearing Member must register with the Clearing House in the manner required for any customer authorized by the CDS Clearing Member to submit transactions to the Clearing House pursuant to this Rule, and must also register with the Clearing House the applicable account numbers for each such customer. For each such account, the CDS Clearing Member carrying that account also must submit to the Clearing House (in the manner required by the Clearing House) the name of any Broker who has registered with the Clearing House for services provided under this Rule, and who is authorized by the customer to act on its behalf in the submission of Transactions pursuant to this Rule and related activity. For any such Broker(s) authorized by the customer and submitted to the Clearing House by the CDS Clearing Member, such submission to the Clearing House of the Broker's information by the CDS Clearing Member will not constitute an endorsement or ratification of the customer's authorization of the Broker. Moreover, submission of a Broker authorized by a customer will not mean that the CDS Clearing Member is in privity with, has a relationship with or is otherwise standing behind any of the customer's authorized Brokers, and the CDS Clearing Member will have no responsibility for any such Brokers selected by the customer and no duty or obligation to supervise the activities of any such Brokers.

D. For each account number that has been registered with the Clearing House pursuant to Section C of this Rule, a credit check or explicit clearing member acceptance or rejection of a transaction must occur depending on the transaction type.

8H16. CDS FINANCIAL CALCULATIONS

Financial calculations required for CDS Products will be performed by the Clearing House on the date such CDS Products are cleared by the Clearing House in accordance with the Clearing House's procedures. Financial calculations for CDS Products that are received and processed after the daily clearing cycle will be performed on the next Business Day.

8H17. CDS CLEARING SERVICE ACCESS

CME shall provide open access to its CDS Contract clearing services for any execution venue or trade processing or confirmation service that desires to facilitate the submission of CDS Product transactions to the Clearing House for clearing, subject to the Clearing House's normal operational requirements applied to all such third-party services, including the requirement, in this instance, that a CDS Clearing Member guaranty all transactions in CDS Products that are submitted to the Clearing House for clearing.

8H18-25. [RESERVED]

8H26. CDS DEFAULT MANAGEMENT COMMITTEE

The CDS Default Management Committee shall be comprised of the President of the Clearing House, the Chairman of the CDS Risk Committee and representatives of such CDS Clearing Members as may be appointed by the Board. In the event of a potential or actual default with respect to CDS Contracts, a CDS Default Management Committee shall be convened, which shall provide the Clearing House with advice regarding such potential or actual default of a CDS Clearing Member and the management of the liquidation and/or transfer of such CDS Clearing Member's portfolio of CDS Contracts, including advice relating to the hedging of risk associated with such CDS Clearing Member's portfolio, the structuring of such CDS Clearing Member's portfolio for liquidation or transfer, and the administration of the related default auction process.

In the event of an actual or potential default of a CDS Clearing Member, the Clearing House will undertake a series of processes to protect itself and its counterparties as further set forth in the CDS Manual (such processes, the "CDS Default Management Plan"), as amended from time to time in consultation with the CDS Default Management Committee and the CDS Risk Committee.

8H27. CDS RISK COMMITTEE

There shall be a CDS Risk Committee which shall serve to provide guidance to the Clearing House on general matters relating to CDS Products including risk management policies and practices. In addition to the responsibilities set forth in these Rules, the CDS Risk Committee shall have the composition, responsibilities and other characteristics as set forth in its Charter.

The CDS Risk Committee may conduct investigations, issue charges and consider offers of settlement with respect to violations of these Rules as relate to CDS Clearing on its own initiative or by referral from Clearing House staff, as further set forth in the CDS Risk Committee Charter.

If the CDS Risk Committee determines that a CDS Clearing Member fails to meet the requirements for being a CDS Clearing Member or is in a financial or operational condition which jeopardizes or may jeopardize the integrity of the Clearing House, the CDS Risk Committee may, by majority vote:

1. Order the CDS Clearing Member or its customers to deposit such additional performance bond with the Clearing House as deemed appropriate to protect the integrity of open contracts;
2. Prescribe such additional capital or other financial requirements as it deems appropriate;
3. Impose position limits on CDS Clearing Members based on their regulatory capital and such other criteria as it deems appropriate;
4. Suspend a CDS Clearing Member, subject to approval of any two of the following individuals: the Chief Executive Officer, the President, the President of the Clearing House, the Chairman of the Board, the Chairman of the CHRC or the Chief Operating Officer;
5. Order the CDS Clearing Member to cease and desist from the conduct found to be contrary to the best interests of the Clearing House; and/or
6. Order the liquidation or transfer of all or a portion of the open positions of the CDS Clearing Member; provided that all costs associated with any such liquidation and/or transfer shall solely be obligations of the CDS Clearing Member.

No person shall serve on the CDS Risk Committee unless he has agreed in writing that he will not publish, divulge, or make known in any manner, any facts or information regarding the business of any person or entity or any other information which may come to his attention in his official capacity as a member of the CDS Risk Committee, except when reporting to the Board or to a committee concerned with such information or to the Legal Department, Audit Department or Market Regulation Department, when requested by the CFTC or other governmental agency or self regulatory organization or when compelled in any judicial or administrative proceeding.

All information and documents provided to the CDS Risk Committee and all deliberations and documents related thereto shall be treated as non-public and confidential and, subject to the provisions in the previous paragraph, shall not be disclosed, except as necessary to further a Clearing House investigation or as required by law.

The CDS Risk Committee shall have jurisdiction to enforce Rules pertaining to the following:

1. Financial integrity of CDS Clearing Members; and
2. Business conduct of and compliance with Rules by CDS Clearing Members.

8H28. WIND UP OF CDS CLEARING OPERATIONS

1. The Exchange may wind-up clearing operations for CDS Products in the following situations:
 - (a) As a result of a default in which the CDS financial safeguards package is exceeded, producing a CDS Termination Event, as defined in Rule 8H802.B.2. In such case, the Clearing House shall close out all open CDS Contracts in accordance with the provisions of Rule 8H802.B.3.
 - (b) Following resolution of a default of a CDS Clearing Member, during a CDS Cooling Off Period, as defined in Rule 8H802.H, with the approval of the CDS Risk Committee. In such case, the Clearing House shall provide such advance notice of termination as it determines, in consultation with the CDS Risk Committee, to be reasonable and may establish other risk-reducing requirements, with the approval of the CDS Risk Committee. In such case, the Clearing House shall work cooperatively with the CDS Risk Committee and CDS Clearing Members to provide for bulk porting of CDS Contracts and collateral to another clearing house that is willing to receive such positions and, to the extent bulk porting is not practicable under the circumstances, liquidation and/or termination of CDS Contracts. The final close-out of any open CDS Contracts on the termination date shall be conducted in accordance with Rule 8H28.2.

- (c) Upon the determination by the Exchange to cease providing clearing services for CDS Products for any reason not specified in (a) or (b) above, except where there is a Bankruptcy Event or other default of the Exchange under Rule 818. In such case, the Clearing House shall propose a plan to wind-up clearing operations for CDS Products, which shall include provisions for the bulk porting of CDS Contracts and collateral to another clearing house that is willing to receive such positions, and, to the extent bulk porting is not practicable under the circumstances, liquidation and/or termination of CDS Contracts in addition to a planned timeline for such wind-up (the "Wind-up Plan"). If the CDS Risk Committee approves the Wind-up Plan, the Clearing House shall provide not less than 90 days written notice to CDS Clearing Members and market participants of the final date of liquidation and/or termination. If the CDS Risk Committee does not approve the Wind-up Plan, the Clearing House shall provide not less than 180 days written notice to CDS Clearing Members and market participants of the final date of liquidation and/or termination. The Clearing House shall work cooperatively with CDS Clearing Members to ensure an orderly termination process, including providing for bulk porting of CDS Contracts and collateral to another clearing house that is willing to receive such positions, and, if necessary, liquidation and/or termination of CDS Contracts. The final close-out of any open CDS Contracts on the termination date shall be conducted in accordance with Rule 8H28.2.
2. If clearing services for CDS 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 CDS Contracts to be terminated, by conducting a special settlement cycle to determine a final settlement price for all open CDS Contracts, as further detailed in the CDS Manual. Using such Close-out Value, the Clearing House shall determine for each CDS Clearing Member its total net pay obligation to, or net collect obligation from, the Clearing House in respect of each of its terminated proprietary and customer positions in CDS Contracts, if any. The Clearing House shall make payment to each CDS Clearing Member with a net collect, and each CDS Clearing Member with a net pay shall pay such amount to the Clearing House. The Clearing House may require pays from CDS Clearing Members to be funded immediately prior to making payment on collects. If any CDS Clearing Member fails to make a final payment to the Clearing House pursuant to this Rule 8H28, it may be declared in default and the Clearing House shall process the default in accordance with Rule 8H802 as part of the final termination process. Promptly following such payments from CDS Clearing Members with respect to pays and payments from the Clearing House with respect to collects, the Clearing House shall return to non-defaulted CDS Clearing Members any performance bond or other collateral posted with the Clearing House by such non-defaulted CDS Clearing Members. Promptly following the termination of all open CDS Contracts pursuant to this Rule 8H28 the Clearing House shall release to CDS Clearing Members their contributions to the CDS Guaranty Fund and, if applicable, any advance CDS Assessments and member-equivalent deposits.

8H29-599. [RESERVED]

8H600. DISPUTES RELATING TO CDS PRODUCTS

Neither the Clearing House nor any committee of the Exchange shall address disputes among CDS Clearing Members and/or CDS Participants relating to any matter regarding the execution of any CDS Contract or any CDS Product. It is contrary to the objectives and policy of the Clearing House for CDS Clearing Members to litigate certain Clearing House-related disputes. Disputes and claims between and among CDS Clearing Members, clients and/or CME relating to the submission of CDS Products for clearing at the Clearing House and other matters related to clearing at the Clearing House shall be subject to mandatory arbitration in accordance with the Rules of Chapter 6; provided that bilateral disputes solely between CDS Clearing Members and their customers shall not be subject to arbitration pursuant to this Rule 8H600 or Chapter 6. An arbitration panel selected to hear and decide a dispute relating to CDS Products shall consist of individuals with expertise in CDS Products. Other than as set forth in this Rule 8H600, disputes shall be administered in accordance with Chapter 6.

8H601-801. [RESERVED]

8H802. PROTECTION OF CLEARING HOUSE

8H802.A. Default by CDS Clearing Member

The Clearing House shall establish the CDS Guaranty Fund as a separate guaranty fund for CDS Contracts. Each CDS Clearing Member shall contribute to the CDS Guaranty Fund in accordance with the requirements of Rule 8H07. A non-defaulted CDS Clearing Member's deposit to the CDS Guaranty Fund may be applied by the Clearing House in accordance with this Rule 8H802 to mitigate any loss to the Clearing House attributable to CDS Contracts and will not be applied to losses in any other product classes.

1. *Default by CDS Clearing Member*

- a. If a CDS Clearing Member or its parent guarantor (i) fails to promptly discharge any obligation to the Clearing House or (ii) becomes subject to any bankruptcy, reorganization, arrangement, insolvency, moratorium, or liquidation proceedings, or other similar proceedings under U.S. federal or state bankruptcy laws or other applicable law, the Clearing House may declare such CDS Clearing Member to be in default. Upon a default, the Clearing House may, in consultation with the CDS Default Management Committee and the CDS Risk Committee, take any or all actions permitted by these Rules. The Clearing House may engage in any commercially reasonable transaction to eliminate or reduce the risk created by the default and all obligations, costs and expenses incurred thereby shall be an obligation of the defaulted CDS Clearing Member to the Clearing House.
- b. Defaults by different CDS Clearing Members will each be considered a separate default event. After a CDS Clearing Member has been declared in default, subsequent failures by such defaulted CDS Clearing Member to discharge any obligation shall be considered part of the same default and shall not be considered separate default events, unless and until the original default has been fully resolved and such CDS Clearing Member has been restored to good standing.
- c. The Clearing House in consultation with the CDS Default Management Committee shall act promptly to mitigate any loss caused by a default. The Clearing House may (i) hedge, liquidate in the ordinary course, or sell all or any portion of the portfolio of the defaulting CDS Clearing Member and its customers, if applicable and (ii) to the extent permitted by applicable law, transfer open customer positions in CDS Contracts and associated performance bond collateral with respect to any customer account class in which there is no default on payment obligations to one or more other non-defaulted CDS Clearing Members that agree to such transfer. The Clearing House may mitigate or eliminate the risks incurred by it as a result of offsetting or terminating such open CDS Contracts by any one or more of the following means: 1) replace all or a portion of the CDS Contracts of the defaulting clearing member by entering into a transaction with a solvent clearing member(s); 2) replace all or a portion of the CDS Contracts of the defaulting CDS Clearing Member by entering into CDS Contracts for its own account in the open market; and/or 3) enter into CDS Contracts (or exchange-traded contracts) to hedge the economic risks imposed on it as a result of offsetting or terminating such CDS Contracts by any commercially reasonable means. The Clearing House may also replace any CDS Contracts it enters into to replace or hedge economic risks from any terminated transaction by substituting a transaction with a solvent clearing member(s) that offsets the original terminated transaction.

Any amount incurred by the Clearing House in liquidating, transferring and establishing, adjusting and/or replacing positions resulting from the defaulted CDS Clearing Member's default will be deducted from the defaulting CDS Clearing Member's collateral held by CME. In the event the collateral of the defaulting CDS Clearing Member is not sufficient to satisfy such amounts, the unsatisfied costs will be a claim by the Clearing House against the defaulting CDS Clearing Member.

The defaulted CDS Clearing Member shall not take any action that would interfere with the ability of the Clearing House to mitigate the loss or to apply the assets of the defaulted CDS Clearing Member to offset any loss. The defaulted CDS Clearing Member shall not file any action in any court seeking to stay the actions of the Clearing House with respect to the default.

- d. A defaulted CDS Clearing Member shall immediately make up any deficiencies in its CDS Guaranty Fund deposit resulting from such default and in any event no later than the close of

business on the Business Day following demand by the Clearing House.

2. *Application of Defaulted CDS Clearing Member's Collateral and CDS Customer Collateral; Rights and Obligations of Clearing House*

Upon the default of a CDS Clearing Member, all assets of such defaulting CDS Clearing Member that are available to the Clearing House, including without limitation CDS Guaranty Fund deposits including any excess amounts, performance bond amounts for CDS Contracts including any excess amounts, any partial payment amounts or settlement variation gains in respect of CDS Contracts, membership requirements relating to CDS Contracts pursuant to 8H04.5 and any other amounts on deposit with the Clearing House for CDS Contracts but *excluding* amounts carried in any customer account class (collectively, the "CDS Collateral") shall be available to the Clearing House to discharge any loss to the Clearing House associated with such default (a "CDS Loss") in accordance with and subject to this Rule 8H802. A CDS Loss shall include, but shall not be limited to, costs associated with the liquidation, transfer and managing of CDS Contracts of the defaulted CDS Clearing Member, hedging costs and other costs incurred by the Clearing House related to managing the risk surrounding the default of the CDS Clearing Member.

A CDS Loss arising in the defaulted CDS Clearing Member's proprietary account class shall be satisfied from the CDS Collateral. A CDS Loss arising in the defaulted CDS Clearing Member's customer account class shall be satisfied by application of performance bond, excess performance bond and settlement variation gains (collectively, the "CDS Customer Collateral") held in the customer account class in which the CDS Loss is generated and by any excess CDS Collateral remaining after finalizing the CDS Loss of the defaulted CDS Clearing Member's proprietary account as set forth below.

During the clearing cycle in which the default occurs and any subsequent clearing cycles in which the Clearing House is managing and/or liquidating open positions in respect of the defaulted CDS Clearing Member, the Clearing House shall satisfy any settlement variation payment obligations related to CDS Contracts owed by the defaulted CDS Clearing Member to the Clearing House, or other realized losses of or expenses to the Clearing House with respect to the default, only from the CDS Collateral, CDS Customer Collateral (with respect to customer positions only) or other assets allocated to CDS Contracts unless and until assets from other product classes become available pursuant to the Rules governing default management for such other product classes.

After finalizing the CDS Loss of the defaulted CDS Clearing Member's proprietary account and application of the CDS Collateral to satisfy such CDS Loss, the Clearing House shall reserve any excess CDS Collateral that remains *first*, to satisfy any CDS Loss arising in the defaulted CDS Clearing Member's customer account class for CDS Contracts, and *second*, to satisfy any losses to the Clearing House from such CDS Clearing Member with respect to other product classes, including, but not limited to, pursuant to Rule 818; provided, however, that such excess CDS Collateral shall not be applied to a CDS Loss arising in the defaulted CDS Clearing Member's customer account class until after application of CDS Customer Collateral held in such customer account class.

Any gains or excess performance bond amounts or other collateral within the defaulted CDS Clearing Member's customer account class following final resolution of the defaulted CDS Clearing Member's CDS Loss in such customer account class shall remain in such customer account class, where it may be used to satisfy losses to the Clearing House arising in such customer account class with respect to other product classes, including, but not limited to, pursuant to Rule 818. Such assets shall not be added to the defaulted CDS Clearing Member's CDS Collateral generally. For the avoidance of doubt, as set forth in 8H802.G, the Clearing House shall not use performance bond amounts or other collateral in any customer account class of the defaulted CDS Clearing Member to satisfy a payment obligation to the Clearing House in respect of the defaulted CDS Clearing Member's proprietary account.

Should a CDS Loss continue to exist after application of the amounts set forth above, any remaining deficiency shall be satisfied pursuant to the procedures in Rule 8H802.B. Any such amount shall continue to be a liability of the defaulted CDS Clearing Member to the Clearing House, which the Clearing House may collect from any other assets of such clearing member or by process of law.

8H802.B. Satisfaction of Clearing House Obligations

1. Application of Clearing House and non-defaulting CDS Clearing Member contributions

If the CDS Collateral, the CDS Customer Collateral, and any excess assets from other product classes made available to cover CDS Losses, as described in Rule 8H802.A, is insufficient to cover the CDS Loss produced by the default, the Clearing House shall cover, or reduce the size of, such CDS Loss by applying the following funds to such losses in the order of priority as follows (the "CDS Priority of Payments"):

First, the corporate contribution of CME for CDS Products (the "CME CDS Contribution"), which shall be equal to the greater of (x) \$50 million and (y) 5% of the CDS Guaranty Fund, up to a maximum of \$100 million;

Second, the CDS Guaranty Fund (excluding the contribution of the defaulted CDS Clearing Member), which shall be applied pro rata to each non-defaulted CDS Clearing Member's deposit to the CDS Guaranty Fund in accordance with Rule 8H07; and

Third, CDS Assessments against all CDS Clearing Members (excluding any previously defaulted CDS Clearing Members), which shall be assessed against each CDS Clearing Member pro rata in proportion to their required deposit to the CDS Guaranty Fund in accordance with Rule 8H07, including any calculation adjustment as provided in Rule 8H07.3. Assessments against a CDS Clearing Member shall be subject to the maximum CDS Assessment assigned to such CDS Clearing Member pursuant to Rule 8H07 at the time of the default, and also subject to the limits set forth in Rule 8H802.H in the case of multiple successive defaults.

In addition, during a CDS Cooling Off Period and to the extent permitted by applicable law, the Clearing House shall additionally assess each CDS Clearing Member that has previously defaulted during such CDS Cooling Off Period (and each such CDS Clearing Member shall pay to the Clearing House) an amount equal to such previously defaulted CDS Clearing Member pro rata share of CDS Assessments determined as if such CDS Clearing Member had not defaulted. Any amounts received from such previously defaulted CDS Clearing Member shall be distributed to CDS Clearing Member that paid CDS Assessments during the related CDS Cooling Off Period on a pro rata basis in proportion to the CDS Assessments paid by CDS Clearing Members during such period

Non-defaulted CDS Clearing Members and their customers shall not take any action that would interfere with the ability of the Clearing House to collect and apply assets and proceeds in accordance with this Rule 8H802.B, including, but not limited to, attempting to obtain a court order. Determinations under this Rule 8H802.B that are based upon a CDS Clearing Member's CDS Guaranty Fund deposit and/or CDS Assessment requirement shall be based upon the requirement in effect at the commencement of the related CDS Cooling Off Period; provided that, if a CDS Clearing Member's CDS Guaranty Fund requirement and maximum CDS Assessment exposure is increased during a CDS Cooling Off Period due to a material change in such CDS Clearing Member's business (as described in Rule 8H07.3), then (i) such determinations shall factor in such CDS Clearing Member's revised maximum CDS Assessment and (ii) such determinations shall factor in such CDS Clearing Member's revised CDS Guaranty Fund deposit (x) for all purposes, if such CDS Clearing Member does not elect to satisfy such increase in its CDS Guaranty Fund requirement by depositing funds as performance bond pursuant to Rule 8H07.3 or (y) solely for purposes of adjusting such CDS Clearing Member's proportionate share of any CDS Assessment, as provided in Rule 8H07.3, if such CDS Clearing Member elects to satisfy such increase in its CDS Guaranty Fund requirement by depositing funds as performance bond pursuant to Rule 8H07.3.

The CDS Guaranty Fund and CDS Assessments of non-defaulted CDS Clearing Members shall not be available to satisfy losses in product classes other than CDS. The Clearing House will provide notice to CDS Clearing Members as required by the Securities Exchange Act of 1934 regarding any amounts charged to the CDS Guaranty Fund due to losses incurred.

2. CDS Product Limited Recourse

If a default occurs, CDS Collateral, excess defaulted CDS Clearing Member assets from other product classes made available to cover CDS losses ("Non-CDS Proprietary Collateral"), CDS Customer

Collateral and the CDS Priority of Payments shall be the sole source of payments to cover the CDS Loss until the default is fully and finally resolved, as applicable. In the event the CDS Collateral, Non-CDS Proprietary Collateral, CDS Customer Collateral and the CDS Priority of Payments are insufficient to cover the CDS Loss, regardless of whether the CME is able to require a CDS Clearing Member to cure a deficiency in the CDS Guaranty Fund because of the occurrence of a Bankruptcy Event (as such term is defined in Rule 818.A.), CDS Clearing Members and the holders of CDS 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, other than any amounts recovered as described in Rule 8H802.E.

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 CDS Risk Committee) that the available CDS Collateral, Non-CDS Proprietary Collateral, CDS Customer Collateral and the CDS Priority of Payments will be insufficient to satisfy auction bid results received for the defaulted CDS Clearing Member's portfolio, (c) the Clearing House otherwise determines (after consultation with the CDS Risk Committee and with the approval of the CDS Risk Committee if such determination occurs prior to conducting an auction) that the CDS Loss will exceed the available CDS Collateral, Non-CDS Proprietary Collateral and CDS Priority of Payments or (d) a Bankruptcy Event of the Exchange (each a "CDS Termination Event"), then all CDS Contracts shall be terminated and the CDS Collateral and CDS Priority of Payments shall be distributed in accordance with Rule 8H802.B.3. below.

If the CDS Customer Collateral in the customer account class of the defaulted CDS Clearing Member is sufficient to satisfy the CDS Loss in respect of such account class, the CDS Customer Collateral shall be so applied and any remaining CDS Customer Collateral shall remain in such customer account class for application to satisfy other losses arising in such account class, including, but not limited to, pursuant to Rule 818. Following application of such remaining CDS Customer Collateral to satisfy any other such losses, any excess remaining CDS Customer Collateral shall be returned to the defaulted CDS Clearing Member, who shall return such CDS Customer Collateral to its customers in accordance with applicable law. If the CDS Customer Collateral in any customer account class of a defaulting CDS Clearing Member is insufficient to satisfy the CDS Loss to the Clearing House arising in such account class and a CDS Termination Event occurs, then such CDS Customer Collateral shall be applied to the termination process set forth in Rule 8H802.B.3 below.

No CDS Clearing Member and no customer of a CDS Clearing Member shall institute against, or join any other person in instituting against, the Exchange any bankruptcy, reorganization, arrangement, insolvency, moratorium, liquidation or examinership proceedings, or other similar proceedings under U.S. federal or state bankruptcy laws or other applicable law arising out of any claimed default by the Clearing House on a CDS Contract as a result of the termination of such CDS Contract and related payments in accordance with these Rules.

3. Termination of CDS Contracts; Netting and Offset

If a CDS Termination Event occurs as described in Rule 8H802.B.2, all CDS Contracts shall be closed promptly and the Clearing House shall determine the amount to be paid to or collected from each non-defaulted CDS Clearing Member as follows:

- (i) The net obligation of the Clearing House to a non-defaulted CDS Clearing Member (a "collect"), or the net obligation of a non-defaulted CDS Clearing Member to the Clearing House (a "pay"), shall be determined separately for (a) its proprietary positions in CDS Contracts on a net basis, across all proprietary positions and (b) the positions of each of its customers in CDS Contracts, calculated separately for each customer on a net basis, using the Close-Out Value (as defined in Rule 8H802.B.4 below) for such CDS Contracts. The sum of all of the Clearing House's obligations to CDS Clearing Members so determined shall be the "Aggregate Collects".
- (ii) The Clearing House shall determine the amount of each non-defaulted CDS Clearing Member's remaining payment obligations, if any, in respect of CDS Assessments. The sum of any such remaining CDS Assessments plus any pays owed to the Clearing House from CDS Clearing Members under paragraph (i) above shall be the "Aggregate Pays". The sum of any remaining CME CDS Corporate Contribution, any remaining CDS Guaranty Fund amounts and any remaining previously funded CDS Assessments, shall constitute the "Remaining CDS Financial Safeguards"
- (iii) In the event (x) the sum of the Aggregate Pays, remaining CDS Collateral of defaulted CDS Clearing Members, CDS Customer Collateral (if applicable as described in Rule 802.B.2. above) and Remaining CDS Financial Safeguards (collectively, the "Remaining CDS

Funds") equals or exceeds (y) the sum of the Aggregate Collects and any remaining Clearing House liabilities associated with CDS, then after satisfaction in full of all liabilities and obligations to the Clearing House associated with CDS Contracts, the Clearing House shall pay all Aggregate Collects from the Remaining CDS Funds, reimburse any excess in reverse order of the CDS Priority of Payments and return all performance bond funds to each non-defaulting CDS Clearing Member; provided that the Clearing House may require payments from CDS Clearing Members to be funded immediately prior to making payments. If any CDS Clearing Member fails to make a payment pursuant to the immediately prior sentence, the Clearing House may declare such CDS Clearing Member to be in default and the Clearing House shall process the defaults in accordance with Rule 8H802 and may adjust payments as necessary to account for such defaults.

- (iv) In the event (x) the Remaining CDS Funds is less than (y) the sum of the Aggregate Collects and any remaining Clearing House liabilities associated with CDS, then the Clearing House shall haircut the Aggregate Collects for the proprietary account of each CDS Clearing Member and each customer on a pro rata basis based on the Remaining CDS Funds. The amount of such collect (after haircut) for each proprietary account or customer as the case may be shall be the "Allocated CDS Collect" for such proprietary account or customer.

The Clearing House shall then determine a Final CDS Customer Account Collect or Final CDS Customer Account Pay for each customer account and a Final CDS Proprietary Account Collect or Final CDS Proprietary Account Pay for each proprietary account and make payments from the Remaining CDS Funds and receive payments in accordance with the normal operations of the Clearing House; provided that the Clearing House may require payments from CDS Clearing Members to be funded immediately prior to making payments. If any CDS Clearing Member fails to make a payment pursuant to the immediately prior sentence, the Clearing House may declare such CDS Clearing Member to be in default and the Clearing House shall process the defaults in accordance with Rule 8H802 and may adjust payments as necessary to account for such defaults. CDS Clearing Members shall calculate the net obligation owed to or payable from each of its customers using the calculations determined by the Clearing House for such net customer positions pursuant to 8H802.B.3(i) above, as adjusted by the haircut described in the immediately preceding paragraph.

"Final CDS Customer Account Collect" shall mean the amount payable by the Clearing House to the customer account class of a non-defaulted CDS Clearing Member equal to the excess, if any, of (x) the aggregate Allocated CDS Collects for such customer account class and any performance bond funds held for such customer account class for CDS positions over (y) the aggregate pays owed to the Clearing House in respect of CDS positions in such customer account class.

"Final CDS Customer Account Pay" shall mean the amount payable by the customer account class of a non-defaulted CDS Clearing Member to the Clearing House equal to the excess, if any, of (x) the aggregate pays owed to the Clearing House in respect of CDS positions in such customer account class over (y) the aggregate Allocated CDS Collects for such customer account class and any performance bond funds held for such customer account class for CDS positions.

"Final CDS Proprietary Account Collect" shall mean the amount payable by the Clearing House to the proprietary account of a non-defaulted CDS Clearing Member equal to the excess, if any, of (x) the aggregate Allocated CDS Collects for such proprietary account and any performance bond funds held for such proprietary account for CDS positions over (y) the aggregate pays owed to the Clearing House in respect of CDS positions in such proprietary account.

"Final CDS Proprietary Account Pay" shall mean the amount payable by the proprietary account of a non-defaulted CDS Clearing Member to the Clearing House equal to the excess, if any, of (x) the aggregate pays owed to the Clearing House in respect of CDS positions in such proprietary account over (y) the aggregate Allocated CDS Collects for such proprietary account and any performance bond funds held for such proprietary account for CDS positions.

- (v) Upon the completion of payments, all CDS Contracts shall be extinguished, and the Clearing House shall have no further access to funds or collateral in respect of CDS Contracts or CDS clearing activity of a non-defaulting CDS Clearing Member. CDS Clearing Members,

their Affiliates and their customers shall have no claim against any other guaranty fund established by the Exchange, CME Group Inc. or any of its affiliates with respect to losses suffered as a result of the application of this Rule 8H802.B, nor shall any beneficial holder of a CDS Contract have any claim against its non-defaulting CDS Clearing Member as a result of the application of this Rule 8H802.B.

4. Valuation of CDS Contracts

As promptly as reasonably practicable, 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 "Close-out Value") to be paid to or received from the Clearing House in respect of all CDS Contracts to be terminated by conducting a special settlement cycle to determine a final settlement price for all open CDS Contracts, as further detailed in the CDS Manual.

5. Fedwire and Satisfaction of CDS Assessments

All amounts assessed by the Clearing House against a CDS Clearing Member pursuant to this Chapter where notice of such assessment is delivered to a CDS Clearing Member during the hours in which the Fedwire is in operation shall be paid to the Clearing House by such CDS Clearing Member prior to the close of the Fedwire on such day; provided, however, that where notice of such assessment is delivered to a CDS Clearing Member within one (1) hour prior to the close of Fedwire or after the close of Fedwire shall be paid to the Clearing House within one (1) hour after Fedwire next opens; provided, further, that the time for payment of amounts due by a CDS Clearing Member may be tolled by the Clearing House should the Fedwire not be available and the Clearing House and CDS Clearing Member are unable, following good faith efforts, to make alternate arrangements satisfactory to the Clearing House for the relevant payment.

Any CDS Clearing Member that does not satisfy an assessment shall be subject to the default provisions described in Rule 8H802.A.1.a. Any loss that occurs as a result of any such default shall itself be assessed by the Clearing House to non-defaulted CDS Clearing Members pursuant to Rule 8H802.A and 8H802.B and subject to the maximums set forth in 8H802.H.

After payment of a CDS Assessment pursuant to Rule 8H802.B, a CDS Clearing Member shall charge other CDS Clearing Members for whom it clears CDS Contracts or carries CDS positions on its books to recover their proportional share of the assessment. Such other CDS Clearing Members shall promptly pay the charge.

6. Details of Implementation

While adherence to the provisions of this Rule 8H802.B shall be mandatory, the detailed implementation of the process of finalizing a CDS Loss with respect to a default, including the liquidation, auction or sale of positions or assets of the defaulted CDS Clearing Member, shall be conducted by the Clearing House in consultation with the CDS Default Management Committee.

8H802.C. Limited Advance Assessment Authority

If a default occurs and the collateral for outstanding CDS Contracts of the defaulted CDS Clearing Member (including any CDS Contracts entered into by the Clearing House to hedge such defaulted Clearing Members' CDS Contracts pursuant to Rule 8H802.A.1.c ("CDS Hedge Contracts")) held by the Clearing House (after taking into account settlement variation payment obligations) together with any remaining CME CDS Contribution and any remaining CDS Guaranty Fund is less than 50 percent of the performance bond requirement for such CDS Contracts at the time of default plus the then-current performance bond requirement for any outstanding CDS Hedge Contracts, the Clearing House, after consultation with the CDS Risk Committee, may issue an advance assessment demand to non-defaulted CDS Clearing Members up to an aggregate maximum of the amount that would be necessary to bring the collateral of the defaulted CDS Clearing Member to 100% of the relevant requirement. Any such assessment shall be (w) paid no later than the close of the Fedwire on the Business Day following the date of the demand, (x) subject to any cap on assessments pursuant to Rule 8H802.B and 8H802.H, (y) made pro rata among CDS Clearing Members on the same basis as assessments under Rule 8H802.B and (z) subject to tolling due to the unavailability of the Fedwire as described in Rule 8H802.B.5. After satisfaction of all losses to the Clearing House resulting from the defaulted CDS Clearing Member, the Clearing House shall return any advance assessments not used to satisfy such default as soon as practicable but, in any event, no later than the close of the Fedwire on the Business Day following the date all losses relating to such default have been determined, subject to tolling due to the unavailability of the Fedwire as described in Rule 8H802.B.5. Any such return shall be made on a pro rata basis relative to the amount of advance assessment paid.

8H802.D. Restoration of Funds Following Final Determination of Losses

If, after the default of a CDS Clearing Member is finally resolved, the Clearing House determines that CDS Collateral, CDS Customer Collateral, the CME CDS Contribution, CDS Guaranty Funds, CDS Assessments, or any other assets were employed in a manner different from what would have occurred had all assets been secured and liquidated immediately and the CDS Loss finalized simultaneously, then the Clearing House shall make distributions or rebalancing allocations to non-defaulted CDS Clearing Members, the CDS Guaranty Fund, CME (with respect to the CME CDS Contribution) or the customer account class of the defaulted CDS Clearing Member, as appropriate, to reflect the manner in which such assets would otherwise have been employed.

8H802.E. Rights of Clearing House for Recovery of Loss

Losses caused by the default of a CDS Clearing Member are amounts due to the Clearing House from such CDS Clearing Member and shall remain legal obligations thereof notwithstanding the Clearing House's recourse to the loss-mutualization provisions of this Rule 8H802 and Rule 802. The Clearing House shall take commercially reasonable steps to recover such loss amounts (including claims submitted in bankruptcy court). If a loss amount to which the CDS Guaranty Fund or CDS Assessments have been applied is subsequently recovered by the Clearing House in whole or in part, the amount of such recovery (net of any related expenses incurred by the Clearing House) shall be credited to the non-defaulting CDS Clearing Members (whether or not they are still CDS Clearing Members at the time of recovery) in reverse order of the CDS Priority of Payments and in proportion to the CDS Clearing Member's CDS Guaranty Fund deposit and CDS Assessments as such CDS Guaranty Fund and CDS Assessments were in effect when such loss-mutualization provisions were applied.

If a CDS Clearing Member clears contracts or carries positions for other CDS Clearing Members and such other CDS Clearing Members were subject to a CDS Assessment pursuant to Rule 8H802.B.5, the receiving CDS Clearing Member shall return to such other CDS Clearing Members a pro rata share of any recoveries received by such CDS Clearing Member, which shall be calculated on the basis of the CDS Assessment amount paid by the other CDS Clearing Member.

8H802.F. CDS Guaranty Fund Contributions to be Restored

In the event it shall become necessary to apply all or part of the CDS Guaranty Fund to meet obligations to the Clearing House pursuant to this Rule 8H802, CDS Clearing Members shall restore their deposits to the CDS Guaranty Fund to previously required level prior to the close of the Fedwire on the next Business Day after notice that such amount is due from the Clearing House, subject to the maximum obligations to contribute to the CDS Guaranty Fund and to fund CDS Assessments set forth in Rule 8H802.H and tolling due to unavailability of the Fedwire as described in Rule 8H802.B.5.

8H802.G. Default Management Across Account Classes

The procedures set forth in 8H802.A and 8H802.B shall be conducted separately by the Clearing House with respect to open positions and associated performance bond deposits for different account classes and shall be conducted separately from any other product class cleared by the Clearing House. Upon a default, the Clearing House may act immediately to attempt to transfer all customer positions and associated performance bond collateral with respect to any customer account class in which there is no default on payment obligations, in accordance with applicable law to one or more other non-defaulted CDS Clearing Members that agree to such transfer. The Clearing House shall not apply CDS Customer Collateral to any payment obligations or realized loss or expense of a defaulted CDS Clearing Member arising from a default in any proprietary account or any other customer account class. If a default occurs in the defaulted CDS Clearing Member's customer account class, the Clearing House has the right to liquidate and apply toward the default all open positions and customer performance bond deposits in such customer account class of the defaulted Clearing Member. Accordingly, positions and performance bonds deposited by customers not causing the default are at risk if there is a default in the applicable customer account class of their Clearing Member. If the Clearing House liquidates positions and/or collateral in a customer account class, funds associated with the liquidation of positions in or collateral supporting CDS Contracts in the customer account class shall be applied first to satisfy the CDS Loss attributable to the applicable customer account class. After CDS Loss attributable to the applicable customer account class are fully resolved, any remaining funds may be applied to satisfy losses to the Clearing House associated with positions in other product classes that are held in the same customer account class. Any collateral remaining after all losses to the Clearing House in respect of such customer account class have been satisfied shall be reserved to such customer account class in order to satisfy the claims of non-defaulted customers in accordance with applicable law. For the avoidance of doubt, if a CDS Clearing Member is not in default with the Clearing House, performance bond of such non-defaulting CDS Clearing Member (both proprietary and customer) will not be used to satisfy a CDS Loss.

8H802.H. CDS Cooling Off Period and Multiple Defaults

The provisions set forth in Rule 8H802.A and 8H802.B shall apply with respect to each default by a CDS Clearing Member. If more than one CDS Clearing Member default occurs at a time or in close sequence, including a default that occurs by reason of a CDS Clearing Member's failure to satisfy an assessment demand, the Clearing House shall manage the defaults separately. Upon any default, non-defaulted CDS Clearing Members shall be subject to a maximum obligation during the relevant CDS Cooling Off Period to contribute to the CDS Guaranty Fund and to fund CDS Assessments, included advanced assessments, equal to the aggregate amounts set forth in Rule 8H07. This maximum shall apply from the date of the original default until the later of (i) the 25th Business Day thereafter and (ii) if another CDS Clearing Member defaults during the 25 Business Days following the initial or any subsequent default, the 25th Business Day following the last such default (such period, the "CDS Cooling Off Period"), regardless of the number of defaults that occur during such CDS Cooling Off Period.

The maximum does not limit CDS Clearing Members' obligations to restore their CDS Guaranty Fund contributions as set forth in Rule 8H802.F, except that if the CDS Clearing Member's required CDS Guaranty Fund contribution would exceed such maximum, the CDS Clearing Member's CDS Guaranty Fund requirement shall be reduced accordingly for the remainder of the CDS Cooling Off Period. Following a CDS Cooling Off Period, the Clearing House shall notify each CDS Clearing Member of its CDS Guaranty Fund deposit obligation and its CDS Assessment exposure.

The aggregate maximum contribution for the CDS Cooling Off Period shall be based upon each CDS Clearing Member's CDS Guaranty Fund requirement and CDS Assessment exposure in effect at the commencement of the CDS Cooling Off Period; provided that, if a CDS Clearing Member's CDS Guaranty Fund requirement and maximum CDS Assessment exposure is increased during a CDS Cooling Off Period due to a material change in such CDS Clearing Member's business (as described in Rule 8H07.3), then (i) the maximum contribution of such CDS Clearing Member for the CDS Cooling Off Period shall be based on such revised maximum CDS Assessment and (ii) if such CDS Clearing Member does not elect to satisfy such increase by depositing funds as performance bond pursuant to Rule 8H07.3, the maximum contribution of such CDS Clearing Member for the CDS Cooling Off Period shall be based on such revised CDS Guaranty Fund requirement.

The CME CDS Contribution shall be limited to an aggregate maximum as set forth in Rule 8H802.B.1 during the CDS Cooling Off Period (including any amounts applied to the original default pursuant to Rule 8H802.B), regardless of the number of defaults that occur during such CDS Cooling Off Period.

8H803-812. [RESERVED]

8H813. CDS SETTLEMENT PRICE

Settlement prices for CDS Contracts shall be determined each Business Day pursuant to the procedures set forth in the CDS Manual. Notwithstanding the above, in the case of inaccuracy or unavailability of a settlement price for CDS Contracts, or if a settlement price for CDS Contracts creates risk management concerns for the Clearing House, the Clearing House reserves the right to calculate settlement variation using an alternate price determined by the Clearing House.

8H814-819[23]. [RESERVED]

8H820. PERFORMANCE BOND FOR SECURITY-BASED SWAPS

Performance bond requirements will be as determined by Exchange staff from time to time and as set forth in Rule 820. With respect to performance bond requirements that apply to security-based swap clearing activities, the Clearing House must determine that each item that is enumerated as being acceptable performance bond pursuant to Rule 820 has been determined to assure the safety and liquidity of the Clearing House as is required by Section 17A(b)(3)(F) of the Securities Exchange Act of 1934.

8H821-823. [RESERVED]

8H824. ADDITIONAL CDS PERFORMANCE BOND

Whenever, in the opinion of the CDS Risk Committee, the President of the Clearing House or, in his absence, his delegate, unstable conditions relating to one or more products exist, they may from time to time, call for additional performance bond collateral from CDS Clearing Members. Such additional

performance bond calls may be as much as or more than the original performance bond collateral. The performance bond collateral thus called for may be for one or more CDS Contract(s) from one or more CDS Clearing Member(s) and on long positions, short positions or both; provided that the Clearing House shall at all times continue to apply portfolio margining as described in the CDS Manual or such other model approved by the CDS Risk Committee.

In the event market conditions and price fluctuations at any time shall cause the CDS Risk Committee or the President of the Clearing House or, in his absence, his delegate, to conclude that additional performance bond collateral is required to maintain an orderly market or to preserve fiscal integrity, the CDS Risk Committee or the President of the Clearing House or his delegate may call for additional performance bond collateral to be deposited with the Clearing House during the next banking hour after demand therefor, or at such times as may be specified. Such additional performance bond collateral called for may be on long positions, short positions or both; provided that the Clearing House shall at all times continue to apply portfolio margining as described in the CDS Manual or such other model approved by the CDS Risk Committee.

When the CDS Risk Committee or the President of the Clearing House or, in his absence, his delegate, shall be of the opinion that any CDS Clearing Member is carrying commitments or incurring risk in its proprietary, customer and/or cross-margin accounts that are larger than is justified by the financial condition of that CDS Clearing Member, then the CDS Risk Committee, the President of the Clearing House or, in his absence, his delegate, may require additional performance bond collateral of such CDS Clearing Member which shall be deposited with the Clearing House during the next banking hour after demand therefor, or at such time as may be specified, or a portion of the open positions of such CDS Clearing Member may be required to be transferred to the books of one or more other non-defaulted CDS Clearing Members that agree to such transfer.

8H825-911. [RESERVED]

8H912. APPROVAL

An applicant for clearing membership receiving a majority vote of the full membership of the CDS Risk Committee shall be approved effective immediately.

An applicant that fails to receive a majority vote shall be informed by the CDS Risk Committee chairman and shall have 10 days thereafter to file an appeal to the Board seeking further consideration. The Board may approve the applicant by a majority vote if it is satisfied that the CDS Risk Committee's decision was arbitrary, capricious or an abuse of the CDS Risk Committee's discretion.

8H913. WITHDRAWAL FROM CDS CLEARING MEMBERSHIP

8H913.A. Voluntary Withdrawal

A CDS Clearing Member that intends to withdraw from clearing membership for CDS Products shall provide written notice of such intent to the Clearing House and the CDS Risk Committee. A CDS Clearing Member's withdrawal shall be effective on the earlier of (i) the date Clearing House Staff approves such withdrawal and (ii) the 10th Business Day following the date of the clearing cycle in which the withdrawing CDS Clearing Member liquidates or transfers to an appropriate CDS Clearing Member all of its open customer and house positions in CDS Contracts (such earlier date, the "CDS Withdrawal Date"); provided that the withdrawing CDS Clearing Member shall remain liable for CDS Guaranty Fund contributions and CDS Assessments in accordance with Rule 8H913.B. . Promptly following the CDS Withdrawal Date, the Clearing House shall post a notice of the CDS Clearing Member's withdrawal.

A CDS Clearing Member may withdraw from serving as a CDS Clearing Member clearing CDS Products without withdrawing as a CME, CBOT, NYMEX or COMEX clearing member for any other products, if applicable,

8H913.B. Release of Guaranty Fund Deposit, Membership and Assignments

When a CDS Clearing Member withdraws from clearing membership for CDS Products (whether voluntarily or involuntarily), its funded CDS Guaranty Fund deposit or any other deposits required by the Clearing House, and any remaining assets available to the Clearing House associated with CDS Products will be released when Clearing House staff determines that the following has occurred: (1) all contracts and obligations with the Clearing House relating to CDS Products have been settled and paid, (2) all sums owing to the Clearing House relating to CDS Products have been paid, (3) all obligations to other members and customers arising out of claims directly related to CDS Contracts have been paid or otherwise provided for, (4) all obligations to other members and customers arising out of other arbitration claims relating to CDS Products filed pursuant to Chapter 6 or Rule 8H600 have been paid or otherwise provided for and (5) the requisite liquidity providers for the Clearing House have released any

security interest they hold in such CDS Clearing Member's "assets" associated with the clearing of CDS Products in accordance with the terms of the liquidity facility described in Rule 817; provided, however, that in the event that Clearing House staff determines that all of the foregoing other than (4) have occurred, the CDS Risk Committee may in its discretion authorize the release of such property.

Generally, no such property shall be released prior to the 60th day following the CDS Withdrawal Date for the withdrawing CDS Clearing Member; provided that the Clearing House may release any such property in excess of the amount the Clearing House determines, in its sole discretion, is in excess of any expected obligations such CDS Clearing Member may have to the Clearing House. Any such release of collateral shall not release the CDS Clearing Member from any obligations it may have to the Clearing House and shall not be construed as a waiver of any rights the Clearing House may have against such CDS Clearing Member.

Further, for purposes of this Rule 8H913.B, if the withdrawing CDS Clearing Member will not remain a clearing member in any other capacity with the Exchange, all obligations of the withdrawing CDS Clearing Member to the Exchange, of whatever nature or kind, shall be accelerated and become due and payable upon the CDS Withdrawal Date for the withdrawing CDS Clearing Member. If the CDS Clearing Member will remain a clearing member for other product classes other than CDS Products, the foregoing sentence shall apply only to obligations related to the clearing of CDS Products.

A CDS Clearing Member will not be required to bid in an auction for any defaulted CDS Clearing Member's positions where the default occurs after the CDS Withdrawal Date for the withdrawing CDS Clearing Member.

For purposes of Rules 8H802 and 8G07, the CDS Guaranty Fund contributions and CDS Assessments of a non-defaulted CDS Clearing Member that has withdrawn shall not be accessible by the Clearing House to satisfy any losses in respect of the default of another CDS Clearing Member where such default occurs after (i) if the date on which the withdrawing CDS Clearing Member liquidates or transfers to an appropriate CDS Clearing Member all of its open customer and house positions in CDS Contracts occurs on a date that is not during a CDS Cooling Off Period, the CDS Withdrawal Date or (ii) if the date on which the withdrawing CDS Clearing Member liquidates or transfers to an appropriate CDS Clearing Member all of its open customer and house positions in CDS Contracts occurs during a CDS Cooling Off Period, the Business Day following the completion of such CDS Cooling Off Period. For the avoidance of doubt, a withdrawing CDS Clearing Member shall be subject to CDS Assessments for all defaults occurring during the CDS Cooling Off Period in which the CDS Withdrawal Date for such CDS Clearing Member occurs.

8H913.C. Customer Positions of Withdrawing Clearing Member Following a Default

If, following a default that causes mutualized losses under Rule 8H802.B, a CDS Clearing Member notifies the Clearing House during the applicable CDS Cooling Off Period of its intent to withdraw from status as a CDS Clearing Member, the CDS Clearing Member shall promptly notify its customers in writing of such decision. The notice shall specify that customers must close out or transfer to another CDS Clearing Member their affected open positions, and that the withdrawing CDS Clearing Member shall have the right to liquidate any customer positions that remain open on its books after 10 Business Days have passed from the customers' receipt of such notice. If any customer fails to close out or transfer to another CDS Clearing Member during such 10 Business Day period, the CDS Clearing Member shall have the right to liquidate any such customer position that remains open on its books. The CDS Clearing Member shall cooperate with customers and with the Clearing House on any proposed transfer of customer positions, and shall include in its notice to customers such information as the Clearing House may require at the time regarding other CDS Clearing Members that may receive transfers of customer positions. With respect to customer positions in products that are listed for electronic trading on any exchange for which the Clearing House provides clearing services, the CDS Clearing Member shall liquidate such positions in the open market unless otherwise agreed with the customer. With respect to customer positions in CDS products that are not so listed for electronic trading, the CDS Clearing Member may liquidate such positions by submitting to the Clearing House for clearing an offsetting trade executed at a price reflecting the clearing member's side of the market (*i.e.*, the bid side if liquidating a long position and the offer side if liquidating a short position), taking into account any pricing information that is available to it in the market at the time, which pricing information shall be shared with the Clearing House and the customer. Each CDS Clearing Member shall promptly provide any impacted customers reasonable detail concerning the manner in which it determined the liquidation amount for any liquidation effected pursuant to this Rule 8H913.C.

8H914-929. [RESERVED]

8H930. CDS PERFORMANCE BOND REQUIREMENTS

8H930.A. Performance Bond System

A Performance Bond System will be adopted by the Clearing House and specified in the CDS Manual.

Performance bond systems other than the Clearing House adopted system may be used to meet Clearing House performance bond requirements if the CDS Clearing Member can demonstrate that its system will always produce a performance bond requirement equal to or greater than the Clearing House performance bond requirements.

8H930.B. Performance Bond Rates for CDS Products

Clearing House staff shall determine minimum initial and maintenance performance bond rates used in determining Clearing House performance bond requirements. Clearing House staff will apply Rule 8H930 on a uniform and non-discriminatory basis when determining performance bond requirements.

8H930.C. Acceptable Performance Bond Deposits for CDS Products

CDS Clearing Members may, without limitation upon other assets accepted by any such CDS Clearing Member, accept from their account holders as performance bond cash currencies of any denomination, readily marketable securities (as defined by SEC Rule 15c3-1(c)(11) and applicable SEC interpretations), money market mutual funds allowable under CFTC Regulation 1.25, bank-issued letters of credit and "London Good Delivery" gold, as defined by the London Bullion Market Association.

CDS Clearing Members shall not accept as performance bond from an account holder securities that have been issued by the account holder or an affiliate of the account holder unless the CDS Clearing Member files a petition with and receives permission from Clearing House staff.

Bank-issued letters of credit must be in a form acceptable to the Clearing House. Such letters of credit must be drawable in the United States. CDS Clearing Members shall not accept as performance bond from an account holder letters of credit issued by the account holder, an affiliate of the account holder, the clearing member, or an Affiliate of the clearing member.

All assets deposited by account holders to meet performance bond requirements must be and remain unencumbered by third party claims against the depositing account holder.

Except to the extent that Clearing House staff shall prescribe otherwise, cash currency performance bond deposits shall be valued at market value. All other performance bond deposits other than letters of credit shall be valued at an amount not to exceed market value less applicable haircuts as set forth in SEC Rule 240.15c3-1.

Acceptable performance bond assets for security-based swaps and the applicable haircuts related to such assets will be set forth on a public website. The Clearing House has discretion to make adjustments to the asset haircuts at any time. Any such adjustment to the applicable asset haircut will be promptly communicated to CDS Clearing Members. Any adjustments to the applicable asset haircut schedule for security based swap clearing activities must be based on an analysis of appropriate factors including, for example, historical and implied price volatilities, market composition, current and anticipated market conditions, and other relevant information. The Clearing House will conduct regular reviews of its then-current haircut schedules and make any necessary adjustments.

8H930.D. Acceptance of Positions

CDS Clearing Members may accept positions for an account provided sufficient performance bond is on deposit in the account or is forthcoming within a reasonable time.

For an account that (i) has been subject to calls for performance bond for an unreasonable time or (ii) has been in debit for an unreasonable time, CDS Clearing Members may only accept positions that reduce the performance bond requirements of existing positions in the account.

Clearing members may not accept positions for an account that has been in debit an unreasonable time.

8H930.E. Calls for Performance Bond

1. CDS Clearing Members must issue calls for performance bond that would bring an account up to the initial performance bond requirement: a) when performance bond equity in an account initially falls below the maintenance performance bond requirement; and b) subsequently, when performance bond equity plus existing performance bond calls in an account is less than the maintenance performance bond requirement.

Such calls must be made within one Business Day after the occurrence of the event giving rise to the call. CDS Clearing Members may call for additional performance bond at their discretion. Notwithstanding the foregoing, a CDS Clearing Member is not required to, but may in its discretion, call for or collect performance bond for day trades.

2. CDS Clearing Members shall only reduce a call for performance bond through the receipt of performance bond deposits permitted under subsection C. of this Rule. CDS Clearing Members may cancel a call for performance bond through: a) the receipt of performance bond deposits permitted under subsection C. of this Rule only if such deposits equal or exceed the amount of the total performance bond call; or b) inter-day favorable market movements and/or the liquidation of positions only if performance bond equity in the account is equal to or greater than the initial performance bond requirement. CDS Clearing Members shall reduce an account holder's oldest outstanding performance bond call first.

3. CDS Clearing Members must maintain written records of all performance bond calls issued and satisfied in whole or in part.

8H930.F. Release of Excess Performance Bond

Subject to exceptions granted by the Clearing House staff, CDS Clearing Members may only release performance bond deposits from an account if such deposits are in excess of initial performance bond requirements.

8H930.G. Loans to Account Holders

CDS Clearing Members may not make loans to account holders to satisfy their performance bond requirements unless such loans are secured as defined in CFTC Regulation 1.17(c)(3). The proceeds of such loans must be treated in accordance with CFTC Regulation 1.30.

8H930.H. Aggregation of Accounts and Positions

CDS Clearing Members may aggregate and net positions in accounts under identical ownership within the same classifications of customer segregated, customer secured, customer sequestered and non-segregated for performance bond purposes. CDS Clearing Members may compute performance bond requirements on identically owned concurrent long and short positions on a net basis.

8H930.I. Liquidation of Accounts

If an account holder fails to comply with a performance bond call within a reasonable time (the CDS Clearing Member may deem one hour to be a reasonable time), the CDS Clearing Member may close out the account holder's trades or sufficient contracts thereof to restore the account holder's account to required performance bond status. CDS Clearing Members shall maintain full discretion to determine when and under what circumstances positions in any account shall be liquidated.

8H930.J. Clearing House Authority to Require Additional CDS Performance Bond

The Clearing House, in its sole discretion, has the authority to require CDS Clearing Members to collect additional performance bond from specific account holders in circumstances deemed necessary by the Clearing House.

8H931

RULE CHANGES RELATING TO SECURITY-BASED SWAPS

Rules that relate to the Clearing House's activities as a clearing agency clearing security-based swaps will be adopted, altered, amended or repealed in accordance with the applicable requirements of Section 19(b) of the Securities Exchange Act of 1934. The Clearing House will promptly notify all CDS Clearing Members of any proposal it has made to change, revise, add or repeal any rule that relates to

its activities as a securities clearing agency. Such notice will include the text or a brief description of any such proposed rule change, along with its purpose and effect, in accordance with the requirements of the Securities Exchange Act of 1934. CDS Clearing Members may submit comments with respect to any such proposal and such comments shall be filed in accordance with the requirements the Securities Exchange Act of 1934.

8H932 RECORDS RELATING TO DISCIPLINARY PROCEEDINGS AND SECURITY-BASED SWAPS

The Clearing House will maintain records of any disciplinary proceeding related to the activities of a CDS Clearing Member involving security-based swaps in accordance with the requirements of the Securities Exchange Act of 1934 and SEC Rule 17a-1.

8H933 NOTICE REGARDING CERTAIN DISCIPLINARY MATTERS RELATED TO SECURITY-BASED SWAPS

The Clearing House will notify the Securities and Exchange Commission and the appropriate regulatory agency, as such term is defined by Section 3(a)(34) of the Securities Exchange Act of 1934, regarding any final disciplinary sanction, denial of participation, prohibition or limitation with respect to access and/or summary suspension taken against a CDS Clearing Member relating to activities involving security-based swaps.

8H934 REPORTS TO CDS CLEARING MEMBERS

As soon as practicable after the end of each calendar year, the Clearing House will make available financial statements of CME Inc. audited by independent public accountants to all CDS Clearing Members engaged in security-based swap clearing activities.

These financial statements will at a minimum include: (i) the balance of the clearing fund and the breakdown of the fund balance between the various forms of contributions to the fund, e.g., cash and secured open account indebtedness; (ii) the types and amounts of investments made with respect to the cash balance; (iii) the amounts charged to the clearing fund during the year in excess of a defaulting clearing member's Guaranty Fund contribution; and (iv) any other charges to the fund during the year not directly related and chargeable to a specific clearing member's Guaranty Fund contribution. The Clearing House will also make available to CDS Clearing Members clearing security-based swaps a report of CME Group Inc. by independent public accountant regarding its system of internal accounting control, describing any material weaknesses discovered and any corrective action taken or proposed to be taken.

The Clearing House will also furnish to all CDS Clearing Members engaged in security-based swap clearing activities, within 40 days following the close of each fiscal quarter, unaudited quarterly financial statements. These unaudited quarterly financial statements shall at a minimum consist of: (i) a statement of financial position as of the end of the most recent fiscal quarter and as of the end of the corresponding period of the preceding fiscal year; (ii) a statement of changes in financial position for the period between the end of the last fiscal year and the end of the most recent fiscal quarter and for the corresponding period of the preceding fiscal year; and (iii) a statement of results of operations, which may be condensed, for the most recent fiscal quarter and for the period between the end of the last fiscal year and the end of the most recent fiscal quarter and for the corresponding periods of the preceding fiscal year.

8H935 USE OF ASSETS

The Clearing House may invest the cash portion of the CDS Guaranty Fund and CDS Clearing Member performance bond contributions in accordance with the requirements of CFTC Regulation 1.25 including U.S. Government obligations or such other investments as the rules of CME Inc. may provide which assure safety and liquidity. The Clearing House will also limit its use of CDS Guaranty Fund and performance bond contributions related to security based swap activities to the purposes permitted by the Securities Exchange Act of 1934. CDS Guaranty fund and performance bond contributions shall not be permitted to be used to account for clearing agency losses attributable to day-to-day operating expenses.

8H936 CAPACITY REVIEWS

The Clearing House shall: (i) perform periodic risk assessments of CME's operations and its data processing systems and facilities; (ii) provide CME's Board of Directors or its designee, such as a Board

Committee, with the risk assessment reports; and (iii) supervise the establishment, maintenance, and updating of operations and data processing safeguards and report periodically to the Board of Directors or to its designee concerning strengths and weaknesses in CME's system of safeguards. In addition, Clearing House staff shall continually consider, and advise the Board of Directors of, the impact that new or expanded service or volume increases would have on CME's processing capacity, both physical, including personnel, and systemic risk.

8H937 **[RESERVED]**

8H938 **SUMMARY SUSPENSIONS RELATING TO SECURITY-BASED SWAP CLEARING ACTIVITIES**

The Clearing House may only summarily suspend and close the accounts of a CDS Clearing member engaged in security-based swap clearing activities who: (i) has been and is expelled or suspended from any self-regulatory organization, (ii) is in default of any delivery of funds or securities to the clearing agency, or (iii) is in such financial operating difficulty that the clearing agency determines and so notifies the appropriate regulatory agency for the member that such suspension and closing of accounts are necessary for the protection of the clearing agency, its members, creditors, or investors.

8H939[6]-974. [RESERVED]

8H975. CDS EMERGENCY FINANCIAL CONDITIONS

If the President of the Exchange or the President of the Clearing House determines that the financial or operational condition of a CDS Clearing Member or one of its Affiliates is such that to allow that CDS Clearing Member to continue its operation would jeopardize the integrity of the Clearing House, or negatively impacts the financial markets by introducing an unacceptable level of uncertainty, volatility or risk, whether or not the CDS Clearing Member continues to meet the required minimum financial requirements, he may empanel the Chief Executive Officer, the President of the Exchange, Chairman of the Board, the Chairman of the CDS Risk Committee and the President of the Clearing House (the "CDS Emergency Financial Committee"). Such committee shall be duly authorized and, upon a unanimous vote of the panel, be empowered to order (a) an immediate position limitation, (b) an immediate suspension of the CDS Clearing Member, (c) that all open trades of said clearing member be for liquidation only, (d) the liquidation or transfer of all or a portion of the open positions of the clearing member, (e) additional performance bond to be deposited with the Clearing House and/or (f) any other action necessary to protect the financial integrity of the Clearing House. The CDS Clearing Member affected by action taken shall be notified and may request a hearing before the Board as provided in Rule 412. In the event of suspension, the Chief Executive Officer shall, promptly after a suspension, set the matter for hearing before the Board for final determination. To the extent that the CDS Emergency Financial Committee orders that all open trades of a clearing member be for liquidation only, or the panel orders the liquidation or transfer of all of the open positions of a CDS Clearing Member, Rule 8H913.B. shall apply and the clearing member shall be treated as a withdrawing clearing member.

In the event the CDS Risk Committee is unable to convene due to a failure to satisfy the quorum requirements set forth in the CDS Risk Committee Charter, the CDS Emergency Financial Committee shall also be empowered to take any action of the CDS Risk Committee until a quorum of the CDS Risk Committee can be achieved.

Rule 900 – End – No Change.
