

January 15, 2014

VIA E-MAIL

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

**Re: Regulation 40.6(a) Self-Certification. Amendments to SEF Rules to Reflect Recent CFTC Guidance and No-Action Relief
CME SEF Submission No. 14-018**

Dear Ms. Jurgens:

The Swap Execution Facility Division of Chicago Mercantile Exchange Inc. ("CME SEF"), pursuant to Commodity Futures Trading Commission ("CFTC" or the "Commission") Regulation 40.6(a), hereby notifies the Commission that it is self-certifying amendments to certain CME SEF rules to comply with recent guidance and no-action relief issued by divisions within the Commission. The proposed amendments will be effective January 31, 2014.

On September 26, 2013, the Divisions of Market Oversight and Clearing and Risk ("DCR") issued Staff Guidance on Swaps Straight-Through Processing ("Guidance"). The Guidance provided that trades executed on a swap execution facility ("SEF") and not accepted for clearing must be deemed void *ab initio*. The Guidance further encouraged SEFs to adopt rules prohibiting futures commission merchants and swap dealers from requiring breakage agreements as a precondition for access to trade on a SEF. On October 25, 2013, DCR also issued No-Action Letter 13-66, granting relief for the re-submission of a trades to a clearing house on the original terms where the trade had previously been rejected for clearing due to operational or clerical errors or an omission resulting in a mismatch of the terms of the trade. The revisions to CME SEF Rules 101, 525 and 803 are being proposed to reflect the Guidance on clearing and the relief embedded in No-Action Letter 13-66. In addition, the proposed revisions reflect non-substantive editorial changes to rule text. With respect to Rule 521, the revisions are being proposed to reflect the intended scope of market participants eligible to post bids or offers on CME SEF's central limit order book.

CME SEF staff and the CME Legal Department collectively reviewed the swap execution facility core principles ("Core Principles"), as set forth in the Commodity Exchange Act ("CEA"), and identified the following Core Principles as potentially being impacted:

- Compliance with rules – Revised Rule 803 specifies trading procedures for entering new trades on old terms, subject to the requirements set forth in the No-Action Letter 13-66. Revised Rule 101 incorporates a prohibition on requiring breakage agreements as a precondition to granting access to CME SEF, reflecting Commission Guidance designed to ensure market participants' impartial and open access to SEFs.
- Financial integrity of transactions – Permitting swap trades rejected by the clearing house due to operational or clerical errors or omissions to be resubmitted for clearing within a permitted timeframe enhances clearing certainty and facilitates prompt and efficient transaction processing.

- Timely publication of trading information – Timeframes for submitting swaps under revised Rule 803 and associated reporting requirements are consistent with Commission requirements set forth in No-Action Letter 13-66.
- Recordkeeping and reporting – Consistent with Commission guidance set forth in No-Action Letter 13-66, swaps rejected at the clearing house will be reported as void *ab initio* and a subsequent resubmission of a new trade on the old terms will be linked to the original trade for Parts 43 and 45 reporting to the SDR.

CME SEF is not aware of any substantive opposing views to the proposed amendments.

Pursuant to Section 5c(c) of the CEA and CFTC Regulation 40.6(a), CME SEF certifies that the proposed amendments comply with the CEA and regulations thereunder. CME SEF certifies that this submission has been concurrently posted on the CME Group website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

If you require any additional information regarding this submission, please contact me at 212-299-2200 or Christopher.Bowen@cmegroup.com, or John McKinlay at 312-930-3028 or John.McKinlay@cmegroup.com and reference CME Submission No. 14-018 in any related correspondence.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A – Amendments to CME SEF Rules 101, 521, 525 & 803

EXHIBIT A

Chapter 1 – Access

101 ELIGIBILITY AND PARTICIPANT QUALIFICATION

A. Prior to being granted Execution Privileges, a person must be qualified with CME SEF as a Participant or otherwise designated by the Participant in accordance with Rule 103 below. A Participant may trade for its own proprietary accounts or, to the extent appropriately registered and permitted by law, for the accounts of customers.

B. A Participant shall designate Authorized Trader(s) in accordance with the requirements of Rule 104. A Participant may designate a third party, such as an Authorized Broker or an Authorized Manager to trade on its behalf.

C. Prior to being granted Execution Privileges, a person must demonstrate to the satisfaction of CME SEF that it is an Eligible Contract Participant as defined at § 1a(18) of the Act; and:

- i. execute a Participant Agreement as set forth in Rule 105;
- ii. holds all registrations required under Applicable Law
- iii. ~~is-be~~ of good reputation and business integrity;
- iv. maintains adequate financial resources and credit;
- v. ~~is-not-be~~ subject to statutory disqualification under Section 8a(2) or 8a(3) of the CEA;
- vi. ~~is-not-be~~ an independent software vendor; and
- vii. ~~satisfies-satisfy~~ any other Participant criteria that may be required by CME SEF.

D. No Participant that is an FCM or a Swap Dealer may require any arrangement with any other Participant that provides for the assessment of liability or payment of damages between the parties to a Trade intended for clearing in the event that the trade is not accepted for clearing (“Breakage Agreement”) as a precondition to trading with such FCM or Swap Dealer.

Chapter 5 - Qualifications for Execution and Trading Practices

521. REQUIRED TRANSACTIONS

B. Order Book - A Participant may indicate if a bid or offer posted on the Order Book is firm or indicative. Firm bids or offers may be posted on the Order Book only in the name of a Clearing Member or on behalf of a Participant-Customer-person that has a Clearing Member guarantee for such Swaps.

525. PRE-EXECUTION CREDIT CHECKS.

(a) With respect to a Cleared Swap executed on CME SEF or to be executed in the Order Book or the RFQ System subject to SEF Rules, CME SEF will not accept an RFQ or ~~an~~ Order from or on behalf of any Participant (or its Customer), or permit the execution of a trade for or on behalf of any Participant (or its Customer) if:

(i) the Clearing Member for such Participant or Customer has not committed, pursuant to one or more procedures to be adopted by ~~the CME~~ SEF, that it will accept financial responsibility for clearing any Transaction-trade resulting from such RFQ or Order, or any executed trade through such Clearing Member at the relevant Clearing House; or

(ii) the relevant Clearing House has notified ~~the CME~~ SEF that the Clearing Member is at such time not eligible to submit such Transaction-trade (or transactions generally) for clearing at such Clearing House.

(b) Clause (a)(i) above will not apply where the Participant (or its Customer) is itself the Clearing Member.

Chapter 8 - Clearing

803. FAILURE TO CLEAR

- (a) If a Cleared Swap is submitted to a Clearing House and fails to clear, ~~the parties work with CME SEF to determine the cause of the failure. In the event the failure to clear remains unresolved for a period of fifteen minutes, the trade will be void *ab initio* or, to the extent permitted by law, the parties may permit the trade to continue as an Uncleared Swap.~~ In the event a trade is cancelled, CME SEF agrees to submit notice of such cancellation to the SDR.
- (b) If a Cleared Swap is submitted to the Clearing House and fails to clear due to correctable clerical or operational error or omission resulting in a mismatch of the terms of a trade, the counterparties to the Cleared Swap and their guaranteeing Clearing Members may agree, on a case-by-case basis and pursuant to the procedures of this Rule 803, to resubmit the Swap ("Resubmitted Swap") to the Clearing House. The Resubmitted Swap shall reflect the terms and conditions as originally agreed to by the counterparties and be resubmitted to the Clearing House as a new trade as soon as technologically practicable, but not later than 30 minutes after the Clearing House issues a notice to the Clearing Members that the original Cleared Swap was rejected.
- (c) Resubmitted Swaps are subject to the requirements of Rule 525 and processing requirements established under Applicable Law.
- (d) CME SEF will report required swap transaction data for Resubmitted Swaps to the SDR and link the original trade to the Resubmitted Swap data as required by Parts 43 and 45.
- (e) In the event a Resubmitted Swap is not accepted for clearing, the Resubmitted Swap is void *ab initio* and is ineligible for resubmission under this Rule 803.