



Jason Silverstein
Director and Associate General Counsel
Legal Department

February 28, 2012

VIA E-MAIL

Mr. David Stawick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

**RE: CDS Guaranty Fund Allocation Amendment; Amendments to Daily Submission
Deadline, Holiday Accrual Processing and PAI payment Timeline
CME Submission No. 12-062R**

Dear Mr. Stawick:

Chicago Mercantile Exchange Inc. ("CME") (the "Exchange") pursuant to Commodity Futures Trading Commission (the "Commission") Regulation 40.6(a) hereby notifies the Commission of certain rule amendments relating to our offering for cleared credit default swaps ("CDS"). The changes will be effective March 14, 2012 pending other regulatory approvals. Please note that "IRS" was inadvertently included in the original submission. "IRS" has been replaced with "CDS" and a black lined copy of this submission letter is attached as Exhibit 1.

1. CME Rule 8H07.1 - Changes to CDS Guaranty Fund Allocation

CME is implementing certain changes to the allocation of the CDS Guaranty Fund among CDS Clearing Members. Currently the CDS Guaranty Fund is calculated monthly and is proportionally allocated to each CDS Clearing Member the basis of its 90-day trailing average of its aggregate performance bond requirements¹ and 90-day trailing average of its gross notional open interest outstanding at the Clearing House. CME Clearing is proposing to change the measurement period from 90 days to 30 days in order for the CDS Guaranty Fund to more quickly react to a CDS Clearing Member's current activity and to align the measurement period with the frequency of CDS Guaranty Fund calculations.

2. CDS Manual Changes

CME is implementing certain changes to CDS Manual. A summary of material changes is as follows:

- Operations Timeline and Reports. CME is modifying the trade submission deadline for current day trades from 7:59 pm ET to 6:59 pm ET.

¹ CME filed a change with the Commission to utilize potential residual loss ("PRL") as a component in lieu of aggregate performance bond. Such change was certified with the Commission on Feb 3, 2012 and is pending other regulatory approvals.

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- Position Management, Money Calculations, and Collateral. No accrual processing will occur on bank holidays in the country in which the swap is denominated (Independence Day for U.S. Dollar denominated CDS contracts) and will be included in the processing for the next business day. CME will calculate and pay price alignment interest for CDS contracts on a daily basis, as opposed to monthly.
- End of Day Valuations. The price quality auction used to arrive at the settlement price for CDS contracts is being amended to require bid prices for contracts only where the CDS Clearing Member maintains open interest and to limit the price quality cross mechanism to contracts where the CDS Clearing Member has open interest.

The text of the proposed changes is reflected on the attached Exhibits, with additions underlined and deletions ~~stricken through~~.

The Exchanges certify that these changes comply with the Commodity Exchange Act and the regulations thereunder, including the core principles of Financial Resources, Risk Management and Default Rules and Procedures by maintaining adequate resources and risk management in the event of a default of an CDS Clearing Member and appropriately allocating the CDS Guaranty Fund among CSD Clearing Members and the core principle of Settlement Procedures by settling PAI daily. There were no substantive opposing views.

The Exchanges certify that this submission has been concurrently posted on CME Group's website at <http://www.cmegroup.com/market-regulation/rule-filings.html>

If you require any additional information regarding this submission, please contact Sasha Rozenberg at 212-299-2106 or via e-mail at sasha.rozenberg@cmegroup.com, or contact me at 212-299-2228. Please reference our CME/CBOT/NYMEX Submission No. 12-062 in any related correspondence.

Sincerely,

/s/ Jason Silverstein
Director & Associate General Counsel

Attachments



EXHIBIT 1

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Director and Associate General Counsel
Legal Department

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Sincerely,

/s/ Jason Silverstein
Director & Associate General Counsel

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