



Jason Silverstein
Executive Director and Associate General Counsel
Legal Department

April 20, 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: Amendments to CME Rule 8G04
CME Submission No. 12-123**

Dear Mr. Stawick:

Chicago Mercantile Exchange Inc. ("CME") pursuant to Commodity Futures Trading Commission (the "Commission") Regulation 40.6 hereby notifies the Commission that it will adopt revisions to CME Rules 8G04 (IRS Clearing Member Obligations and Qualifications). The proposed effective date for these amendments is May 7, 2012.

The Commission has adopted a number of new regulations designed to implement the core principles for derivatives clearing organizations (DCOs) in the Commodity Exchange Act, as amended by the Dodd-Frank Act. CFTC Regulation 39.12, which becomes effective on May 7, 2012, provides for participant and product eligibility requirements. CFTC Regulation 39.12(a)(iii) provides that a DCO "shall not set minimum capital requirements of more than \$50 million for any person that seeks to become a clearing member in order to clear swaps." CFTC Regulation 39.12(a)(2)(ii) provides that "[c]apital requirements shall be scalable to the risks posed by clearing members." CFTC Regulation 39.12(a) provides that a DCO "shall establish appropriate admission and continuing participation requirements for clearing members of the derivatives clearing organization that are objective, publicly disclosed, and risk-based."

In order to comply with these Regulations, CME plans to amend CME Rule 8G04. New CME Rule 8G04.1 sets minimum capital for an IRS Clearing Member at \$50 million and defines "capital" consistent with Regulation 39.12(a)(2)(i). In order to scale the capital requirements of IRS Clearing Members to the risks posed by such IRS Clearing Members, new CME Rule 8G04.2 requires IRS Clearing Members to maintain capital of at least 20% of the aggregate performance bond requirement for its proprietary and customer IRS Contracts. New CME Rule 8G04.4 requires IRS Clearing Members to provide nominations for certain members of the IRS Risk Committee and IRS Default Management Committee.

The text of the changes to CME Rule 8G04 are set forth on Exhibit A. Additions are underlined and deletions are shown with strikethrough.

The proposed amendments comport with DCO Core Principle C (Participant and Product Eligibility) and with Commission Regulation 39.12(a).

No substantive opposing views regarding this rule amendment were expressed to CME.

CME certifies that this submission has been concurrently posted on CME Group's website at <http://www.cmegroup.com/market-regulation/rule-filings.html>. CME further certifies that the rule amendments comply with the Commodity Exchange Act and regulations promulgated thereunder.

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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 the CME Submission No. 12-123 in the reference line above in any related correspondence.

Sincerely,

/s/ Jason Silverstein
Executive Director & Associate General Counsel

Attachment: Exhibit A - Changes to CME Rule 8G04

EXHIBIT A

Changes to CME Rule 8G04

Rule 8G04. IRS CLEARING MEMBER OBLIGATIONS AND QUALIFICATIONS

IRS Clearing Members shall be subject to the requirements for ~~OTC-IRS~~ Clearing Members set forth in Chapter 8G and Rule 8F04, all CME Rules applicable to IRS Products, and all relevant CME, CBOT and NYMEX Rules, the Clearing House Manual and the IRS Manual unless an exemption has been granted by the Clearing House Risk Committee or the IRS Risk Committee, as applicable. In addition, IRS 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. IRS Clearing Members must execute all agreements and documents required by the Clearing House. An IRS Clearing Member must satisfy the in-addition-to-such-requirements set forth below:

1. (a) An IRS Clearing Member must be in compliance with all applicable regulatory capital requirements and it must maintain minimum capital (as defined in as defined in CFTC Regulation 39.12(a)(2)) of \$50 million. For an IRS Clearing Member that is a bank, "capital" shall mean 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).

2. The capital requirement with respect to the participation of a IRS Clearing Member in the Clearing House shall be scalable to the risks posed by such IRS Clearing Member. Accordingly, an IRS Clearing Member must maintain capital (as defined in 8G04.1 above) at least equal to 20% of the aggregate performance bond requirement for its proprietary and customer IRS Contracts.

For a bank satisfy one of the requirements set forth below:

1. An IRS Clearing Member that is not a bank must (a) maintain minimum adjusted net capital of \$1 billion or satisfy such other capital requirements established by the Clearing House and approved by the IRS Risk Committee or (b) provide a guaranty from its parent that the Clearing House determines to be satisfactory, provided that the IRS Clearing Member has less than \$1 billion adjusted net capital and its parent maintains minimum adjusted net capital of \$1 billion or satisfies such other capital requirements established by the Clearing House and approved by the IRS Risk Committee. Any IRS Clearing Member meeting this requirement by providing a guaranty from its parent shall not be required to deposit the excess margin required pursuant to Rule 8F04.5.

2. An IRS Clearing Member that is a bank must maintain minimum Tier 1 Capital (as defined in accordance with regulation applicable to the relevant bank) of \$5 billion or satisfy such other capital requirements established by the Clearing House and approved by the IRS Risk Committee; and that is an IRS Clearing Member, capital is defined as Tier 1 capital.

(b) An each IRS Clearing Member shall comply with the requirements imposed on IRS Clearing Members in the Charters for the IRS Advisory Committee, the IRS Risk Committee and IRS Default Management Committee.

3. An IRS Clearing Member and any applicant for IRS clearing membership shall be engaged in or demonstrate immediate capacity to engage in the conduct of the business of a IRS Clearing Member and to perform all other obligations of a IRS Clearing Member as described or referenced in these Rules or in the IRS Manual; provided that, in the event that a IRS Clearing Member does not have the capabilities to perform such responsibilities or obligations, such IRS 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 consultation with the IRS Risk Committee. The Clearing House may impose limitations on IRS Clearing Member utilization of service providers, including limitations on the number of IRS Clearing Members to which a service provider may provide services.

4. Each IRS Clearing Member shall nominate at least two officers or employees to be members to the IRS Default Management Committee. Upon Clearing House request, each IRS Clearing Member shall submit nominations for an Independent Member of the IRS Risk Committee.