

June 15, 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: Rule 40.6 Certification. Changes to 8G07.1, 8G26 and IRS Manual  
CME Submission No. 12-204**

Dear Mr. Stawick:

Chicago Mercantile Exchange Inc. ("CME") pursuant to Commodity Futures Trading Commission (the "Commission") Regulation 40.6 hereby notifies the Commission of changes to CME's offering for cleared interest rate swaps ("IRS"). The changes will effective on July 2, 2012.

CME Rule 8G07.1 Correction

On October 17, 2011, CME submitted several changes to the Commission (CME submission #11-382) including the methodology for allocating the IRS Guaranty Fund among IRS Clearing Member. Related language to CME Rule 8G07 was inadvertently omitted from the submission reflected the methodology change to portfolio residual loss. Exhibit 1 hereto sets forth the corrected language.

Rule 8G26

CME Rule 8G26 provides for an IRS Advisory Committee ("IRS AC"). The IRS AC has not been formed as the function of the IRS AC has been superseded by other CME IRS working groups. The proposed change on Exhibit 1 deletes the IRS AC from the CME Rulebook.

IRS Manual

The Manual of Operations for CME Cleared Interest Rate Swaps (the "IRS Manual") is being updated to reflect changes to the relevant chapters as set forth below:

- Eligible maturity dates for IRS denominated in Canadian Dollar, Japanese Yen, Swiss Franc and Australian Dollar are being extended to 31 years from the clearing date primarily to accommodate forward starting 30 year swap;
- The earliest weekly submission time for submission of IRS is being extended from 1:15 am ET Monday to 6pm ET Sunday;
- The daily end-of-day report sent to clearing members is being updated to include listed futures and FX pricing information and changed to align the tenors of certain curves to enhance the reporting applicable to our portfolio margining of futures of IRS; and
- Several sample reports, field descriptions and product tables have been removed to simplify the IRS Manual; and
- Certain typographical and grammatical corrections.

The changes to the IRS Manual are reflected in Exhibit 2.

CME reviewed the designated clearing organization core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA”). During the review, CME identified the following Core Principles as potentially being impacted:

**Participant and Product Eligibility**. CME believes that the proposed changes revise and further clarify the standards for IRS eligible to be cleared at CME.

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

CME certifies that the above rules and rule amendments comply with the CEA and the regulations thereunder. There were no substantive opposing views.

Notice of this submission has been concurrently posted on CME Group’s website at <http://www.cmegroup.com/market-regulation/rule-filings.html>

If you require any additional information regarding this submission, please contact Sasha Rozenberg at 212-299-2106 or via e-mail at [sasha.rozenberg@cmegroup.com](mailto:sasha.rozenberg@cmegroup.com), or contact me at 212-299-2228. Please reference our CME Submission No. 12-204 in any related correspondence.

Sincerely,

/s/ Jason Silverstein  
Executive Director & Associate General Counsel

Attachments: Exhibit 1  
Exhibit 2

## EXHIBIT 1

### Rule 8G07. IRS FINANCIAL SAFEGUARDS AND GUARANTY FUND DEPOSIT

1. (i) The Clearing House shall establish a financial safeguards package to support IRS clearing, and each IRS Clearing Member shall make an IRS Guaranty Fund deposit with the Clearing House. An IRS Clearing Member's deposit to the IRS Guaranty Fund and assessments against it pursuant to these Rules may be used to cover losses incurred by the Clearing House if a defaulted IRS Clearing Member's assets, including amounts available pursuant to any guarantee from an Affiliate of an IRS Clearing Member, available to the Clearing House are insufficient to cover such loss, regardless of the cause of default. The Clearing House shall calculate the requirements for the IRS financial safeguards package, which shall be composed of:
  - (a) a funded portion, determined by the Clearing House using stress test methodology equal to the theoretical two largest IRS Clearing Member losses produced by such stress test or such other methodology determined by the IRS Risk Committee (such amount, the "IRS Guaranty Fund"), and
  - (b) an unfunded portion, determined by the Clearing House using stress test methodology equal to the theoretical third and fourth largest IRS Clearing Member losses produced by such stress test (and assuming for purposes of the model that already-defaulted IRS Clearing Members will fail to contribute) or such other methodology determined by the IRS Risk Committee. Upon a default, after application of the IRS Guaranty Fund, each IRS Clearing Member (excluding any insolvent or defaulted IRS Clearing Member) shall be subject to assessment of its previously-assigned proportionate share of such amount (collectively the "IRS Assessments").
- (ii) Each IRS Clearing Member's minimum contribution to the IRS Guaranty Fund shall be the greater of:
  - (a) such IRS Clearing Member's proportionate share of the IRS Guaranty Fund based on the 30-day trailing average of its potential residual loss ("PRL") ~~performance bond requirements~~ and the 30-day trailing average gross notional open interest outstanding at the Clearing House (or in either case, such other shorter time interval determined by the IRS Risk Committee); or
  - (b) \$50,000,000 for a non-Affiliated IRS Clearing Member or (y) \$25,000,000 for each Affiliated IRS Clearing Member, where one Affiliated IRS Clearing Member provides its primary clearing services for customers as a FCM with any proprietary business of such FCM only incidental to providing such clearing service for customers and the other Affiliated IRS Clearing Member only provides IRS clearing services through its proprietary account for itself and its Affiliates. An "Affiliated IRS Clearing Member" shall mean an IRS Clearing Member with an Affiliate that is also an IRS Clearing Member.....

### Rule 8G26. [RESERVED] ~~IRS ADVISORY COMMITTEE~~

~~There shall be an IRS Advisory Committee which shall serve to provide advice to the Clearing House and the IRS Risk Committee on issues relevant to IRS Contracts and shall arbitrate and resolve disputes related to the submission of IRS Products for clearing and other matters relating to the clearing of IRS Products. The IRS Advisory Committee shall have the composition, responsibilities and other characteristics as set forth in its Charter.~~

**EXHIBIT 2**

**Manual of Operations for CME Cleared Interest Rate Swaps**

**CONFIDENTIAL**

[Redacted]