

September 26, 2012

**VIA E-MAIL**

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

**RE: Regulation 40.6 Self-Certification. Revisions to Chicago Mercantile Exchange Inc.'s Clearing Advisory Notice regarding the Value-Date Conventions for Non-USD Variation Margin for Interest-Rate Swaps. CME Submission No. 12-297R**

Dear Ms. Warfield:

Chicago Mercantile Exchange Inc. ("CME") pursuant to Commodity Futures Trading Commission (the "Commission") Regulation 40.6 hereby self-certifies the attached draft CME Clearing Advisory Notice regarding changes to the value-date conventions for non-US Dollar variation margin for interest rate swaps ("IRS") effective November 8, 2012.

Please note that CME is revising Submission No. 12-297 to include the revised final version of CME Clearing Advisory Notice 12-421 attached as Exhibit B and the effective date of November 8, 2012, remains unchanged. Revisions to Submission No. 12-297 are attached as Exhibit C with additions underscored and deletions overstruck.

The CME Clearing Advisory Notice informs clearing members and market participants that CME Clearing will adjust the value-date convention for settling non-USD variation margin obligations for cleared IRS. With this adjustment, the value-date for these non-USD variation moves will be determined solely by the banking calendar of the currency in which the variation is denominated, without any reference to the USD banking calendar. The purpose of the adjustment is to harmonize the value-date with OTC market conventions for IRS.

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:

**Financial Resources:** The adjustment to the value-date conventions for settling non-USD variation margin obligations from cleared IRS will not impact the financial resources of CME Clearing and thus CME Clearing will continue to have adequate financial, operational and managerial resources to discharge its responsibilities as a derivatives clearing organization ("DCO").

**Risk Management:** The adjustment to the value-date conventions will improve CME Clearing's ability to manage the risks associated with discharging its responsibilities as a DCO since more relevant banking calendars will better align its practices with the marketplace and expectations of its participants.

**Settlement Procedures:** The adjustment to the value-date conventions are designed to ensure that money settlements are completed on a timely basis in line with the banking calendars of local jurisdictions.

The text of the draft CME Clearing Advisory Notice is attached as Exhibit A.

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 Tim Maher at 312-790-2730 or via e-mail at [timothy.maher@cmegroup.com](mailto:timothy.maher@cmegroup.com). Please reference our CME Submission No. 12-297 in any related correspondence.

Sincerely,

/s/ Sean Downey  
Director & Associate General Counsel

Attachment: Exhibit A – CME Clearing Advisory Notice  
Exhibit B – CME Clearing Advisory Notice (updated)  
Exhibit C – CME Submission No. 12-297R (black-lined)

# EXHIBIT A



TO: **Clearing Member Firms; Back Office Managers**

FROM: **CME Clearing**

DATE: **October \_\_, 2012**

ADVISORY #: **12-xxx**

SUBJECT: **Value-Date Conventions for Non-USD Variation Margin for Interest-Rate Swaps**

Effective **Thursday, November 8, 2012**, CME Clearing will adjust the value-date convention for settling non-USD variation margin obligations from cleared Interest-Rate Swaps ("IRS"). With this adjustment, the value-date for these non-dollar variation moves will be determined solely by the banking calendar of the currency in which the variation is denominated, without any reference to the USD banking calendar. The purpose of the adjustment is to harmonize the value-date with OTC market conventions for interest rate swaps.

For example JPY-denominated variation is settled using a T+2 convention. In the end-of-day clearing reports for Thursday November 8, the value date for JPY-denominated variation for IRS products will be Monday November 12, which is the second yen banking business date following that Thursday. Currently, the value date would be set as Tuesday November 13, since the clearing system currently takes the USD banking calendar into account as well as the JPY banking calendar.

The adjustment impact is analogous for variation amounts denominated in EUR, GBP and CAD, which use a T+1 convention. In the end-of-day clearing reports for Friday, November 9, the value-date for EUR and GBP-denominated amounts for IRS products will be Monday, November 12, the first subsequent banking business day in the currency of denomination. The value date for CAD-denominated amounts for IRS products will remain as Tuesday November 13, because Monday November 12 is Remembrance Day, a bank holiday in Canada.

A table which summarizes the adjusted value-dates is located at the end of this Advisory Notice.

The value-date convention for non-USD variation stemming from futures positions is unaffected by this change, and will continue to take USD bank holidays into account as it currently does.

In the settlement and banking reports produced by the clearing system, the currency code displayed will allow you to distinguish the convention used for futures versus the convention used for IRS. For example, the currency code for EUR-denominated variation for futures will continue to be **EUR**. The currency code for EUR-denominated variation for IRS contracts will be **EUR1**, meaning the first subsequent banking business day in the EUR banking calendar. Similarly, the currency code for JPY-denominated variation for IRS contracts will be **JPY2**, meaning the second subsequent banking business day in the JPY banking calendar.

For further information please contact CME Clearing at <...>.

Variation currency	Value-Date calculated on Thursday, 11/8	Value-Date calculated on Friday, 11/9	Value-Date calculated on Monday, 11/12 *
AUD	11/13	11/14	11/14
AUD ( OTC IRS )	11/12	11/13	11/14
CAD	11/9	11/13	11/13
CAD ( OTC IRS )	11/9	11/13	11/13
CHF	11/13	11/14	11/14
CHF ( OTC IRS )	11/12	11/13	11/14
EUR	11/9	11/13	11/13
EUR ( OTC IRS )	11/9	11/12	11/13
GBP	11/9	11/13	11/13
GBP ( OTC IRS )	11/9	11/12	11/13
JPY	11/13	11/14	11/14
JPY ( OTC IRS )	11/12	11/13	11/14
USD	11/9	11/13	11/13
USD ( OTC IRS )	11/9	11/13	11/13
* CAD, USD banking holiday			

# EXHIBIT B



TO: Clearing Member Firms

FROM: CME Clearing

DATE: October 1, 2012

ADVISORY #: 12-421

SUBJECT: **Value-Date Conventions for Non-USD Variation Margin for Interest-Rate Swaps**

Effective **Thursday, November 8, 2012**, pending regulatory review, CME Clearing will adjust the value-date convention for settling non-USD variation margin obligations for cleared interest-rate swaps. With this adjustment, the value-date for these non-dollar variation moves will be determined solely by the banking calendar of the currency in which the variation is denominated, without any reference to the USD banking calendar. This change will harmonize the value-date convention with OTC market conventions for rate swaps. CME Clearing will settle non-USD currencies on US holidays; the first holiday this will occur for is Veterans Day which is observed Monday, November 12.

On USD banking holidays taking Veteran's Day as an example, all non-USD currency Variation Settlement amounts (AUD, CAD, CHF, EUR, GBP, JPY) will move, and the banking value date on the settlement wires will appear as Monday, November 12, where prior to this change it would appear as Tuesday, November 13. Some detailed examples are highlighted below.

Take for example JPY-denominated variation, which is settled using a T+2 convention. Using end of day variation margin settlement from Thursday, November 8 as an example, the table below illustrates the difference in how variation margin will settle under the **Current State** and the **Future State** (effective November 8, 2012)

State	Value Date for Variation Margin Settlement
<i>Current</i>	Tuesday, November 13, 2012
<i>Future</i>	Monday, November 12, 2012

The effect is analogous for variation amounts denominated in EUR, GBP and CAD, which use a T+1 convention. Using end of day variation margin settlement from Friday, November 9 as an example, the table below illustrates the difference in how variation margin will settle under the **Current State** and the **Future State** (effective November 8, 2012).

State	Value Date for Variation Margin Settlement (EUR & GBP & other T+1 Currencies)
<i>Current</i>	Tuesday, November 13, 2012
<i>Future</i>	Monday, November 12, 2012

For CAD, please note that Monday, November 12 is a bank holiday in Canada (Remembrance Day), thus the value date for CAD-denominated variation margin would be **Tuesday, November 13** under the **Future State** model (effective November 8, 2012).

In settlement and banking reports showing variation amounts for interest-rate swaps, CME Clearing will update the currency code to allow you to distinguish the conventions used for futures versus the convention used for interest-rate swaps. You can see this in the settlement and banking reports in the New Release testing environment today, and the change will take effect in the production environment on Monday, November 5. The key reports to check are **CST590**, **CST620**, and **CST901**.

For example, the currency code for EUR-denominated variation for futures will continue to be **EUR**. The currency code for EUR-denominated variation for IRS contracts will be **EUR1**, meaning the first subsequent banking business day in the EUR banking calendar. Similarly, the currency code for JPY-denominated variation for IRS contracts will be **JPY2**, meaning the second subsequent banking business day in the JPY banking calendar.

The changes to the currency codes for IRS are listed below:

Current Currency Code	New Currency Code
AUD	AUD2
CAD	CAD1
CHF	CHF2
EUR	EUR1
GBP	GBP1
JPY	JPY2
USD	USD

The value-date convention for non-USD variation stemming from futures positions is unaffected by this change, and will continue to take USD bank holidays into account as it currently does.

For further information please contact CME Clearing at [onboarding@cmegroup.com](mailto:onboarding@cmegroup.com) or 312-338-7112.

# EXHIBIT C



Sean M. Downey  
Director and Assistant General Counsel  
Legal Department

September 26, 2012

## VIA E-MAIL

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Office of the Secretariat  
Commodity Futures Trading Commission  
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Sincerely,

/s/ Sean Downey  
Director & Associate General Counsel

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