



RECEIVED
C.F.T.C.

2008 NOV 14 AM 10:17

OFFICE OF THE SECRETARIAT

November 14, 2008

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

**RE: CME and CBOT Rule 818 ("Close-Out Netting")
Submission No. 08-183**

Dear Mr. Stawick:

Chicago Mercantile Exchange Inc. ("CME") and Chicago Board of Trade ("CBOT") hereby notify the Commission that they approved new Rule 818 ("Close-Out Netting") that provides certain capital charge relief for bank clearing members (or their bank parent) with respect to such clearing members' proprietary positions in the event of a clearing house insolvency.

CME and CBOT certify that this action complies with the Commodity Exchange Act and regulations thereunder.

If you have any questions regarding this matter, please call me at (312) 648-5422.

Sincerely,

/S/ Stephen M. Szarmack
Director and Associate General Counsel

Rule 818 Close-Out Netting

A. Bankruptcy of the Exchange. If at any time the Exchange: (i) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding up or liquidation, and, in the case of any such proceeding or petition presented against it, such proceeding or petition results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for the Exchange's winding-up or liquidation, or (ii) approves resolutions authorizing any proceeding or petition described in clause (i) above (collectively, a "Bankruptcy Event"), all open positions in the Clearing House shall be closed promptly.

B. Default of the Exchange. If at any time the Exchange fails to comply with an undisputed obligation to pay money or deliver property to a Clearing Member that is due and owing in connection with a transaction on the Exchange or cleared by the Exchange, for a period of thirty days from the date that the Exchange receives notice from the Clearing Member of the past due obligation, the Clearing Member's open positions at the Clearing House shall be closed promptly.

C. Netting and Offset. At such time as a Clearing Member's positions are closed, the obligations of the Clearing House to a Clearing Member in respect of all of its proprietary positions, accounts, collateral and deposits to the guaranty fund shall be netted against the obligations of that Clearing Member in respect of such proprietary positions, accounts, collateral and obligations to the guaranty fund to the Clearing House and the Exchange. All open positions shall be valued in accordance with the procedures of Paragraph D of this Rule.

D. Valuation. As promptly as reasonably practicable, but in any event within thirty days of the Bankruptcy Event or default as described in Paragraph B of this Rule, the Exchange shall fix a U.S. dollar amount (the "Close-out Value") to be paid to or received from the Exchange by each Clearing Member. The Exchange shall exercise its discretion, acting in good faith and in a commercially reasonable manner, in adopting methods of valuation to produce reasonably accurate substitutes for the values that would have been obtained from the relevant market if it were operating normally. In determining a Close-out Value, the Exchange may consider any information that it deems relevant. Amounts stated in a currency other than U.S. Dollars shall be converted to U.S. Dollars at the current rate of exchange, as determined by the Exchange. If a Clearing Member has a negative Close-out Value it shall promptly pay that amount to the Exchange.

E. Interpretation in Relation to FDICIA. The Exchange intends that certain provisions of this Section be interpreted in relation to certain terms (identified by quotation marks) that are defined in the Federal Deposit Insurance Exchange Improvement Act of 1991 ("FDICIA"), as amended, as follows:

- (1) The Exchange is a "clearing organization."
- (2) An obligation of a Clearing Member to make a payment to the Exchange, or of the Exchange to make a payment to a Clearing Member, subject to a netting agreement, is a "covered clearing obligation" and a "covered contractual payment obligation."

- (3) An entitlement of a Clearing Member to receive a payment from the Exchange, or of the Exchange to receive a payment from a Clearing Member, subject to a netting contract, is a "covered contractual payment entitlement."
- (4) The Exchange is a "member," and each Clearing Member is a "member."
- (5) The amount by which the covered contractual payment entitlements of a Clearing Member or the Exchange exceed the covered contractual payment obligations of such Clearing Member or the Exchange after netting under a netting contract is its "net entitlement."
- (6) The amount by which the covered contractual payment obligations of a Clearing Member or the Exchange exceed the covered contractual payment entitlements of such Clearing Member or the Exchange after netting under a netting contract is its "net obligation."
- (7) The By-Laws and Rules of the Exchange, including this Section, are a "netting contract."