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Christopher Bowen
Managing Director and Chief Regulatory Counsel
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December 26, 2012

BY ELECTRONIC FILING

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

**RE: Amendments to CME Rules 802 and 816
CME Submission #12-461**

Dear Ms. Warfield:

Pursuant to Commission Regulation 40.6(a), Chicago Mercantile Exchange Inc. ("CME") hereby notifies the Commodity Futures Trading Commission ("Commission") of proposed revisions to CME Rules 802 and 816 (the "Rules"). The proposed effective date for these revisions is January 11, 2013.

Exhibit 1 sets forth the proposed revisions to the Rules. The modifications appear below with additions underscored and deletions ~~overstruck~~.

Pursuant to the November 30, 2012 acquisition of the Kansas City Board of Trade Clearing Corporation ("KCBTCC") by CME Group Inc., the parent holding company of CME, CME proposes amending certain rulebook chapters to integrate KCBTCC clearing functions into CME's clearing functions. The proposed material changes to the Rules are set out below:

- Making CME clearing member default rules applicable to KCBTCC clearing participants
- Establishing the minimum guaranty fund deposit amount for KCBTCC clearing participants

The Clearing House Risk Committee and the Legal Department collectively reviewed the derivatives clearing organization ("DCO") core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA"). During the review, CME staff identified the following Core Principles as potentially being impacted by the revisions:

Financial Resources. Guaranty fund deposits assist the clearing house in meeting its financial obligations to its members, notwithstanding a clearing member default. The KCBTCC clearing participant guaranty fund requirement will enable KCBTCC to manage its business risks and will contribute to the resources used to cover losses either in the course of its business or in the event of a clearing member default.

Risk Management. The proposed revision applies CME's risk-based margin requirements to KCBTCC clearing participants, limits the exposure of KCBTCC to potential losses by a defaulting clearing participant, and ensures that in the event of a default, DCO operations would not be disrupted and non-defaulting members would not be exposed to unanticipated or uncontrolled

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losses. Applying CME clearing member default rules to KCBTCC clearing participants ensures that CME risk management, risk analysis, and risk control mechanisms are applied to KCBTCC clearing participants and that KCBTCC's credit exposure is adequately monitored.

Default Rules and Procedures. The proposed rule amendments are designed to allow for efficient, fair, and safe management of funds and obligations in the event a KCBTCC clearing participant becomes insolvent or otherwise defaults on its obligations. The default procedures are clearly stated, publicly available, and ensure that KCBTCC is able to take timely action to contain losses and continue meeting its obligations in the event of a clearing participant default.

CME certifies that this submission has been concurrently posted on its website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

CME further certifies that these amendments to the Rules comply with the CEA and regulations promulgated thereunder. No substantive opposing views regarding the proposed amendments to the Rules were expressed to CME.

Should you have any questions regarding this submission, please contact me at 212-299-2200 or via e-mail at christopher.bowen@cmegroup.com. Please reference our Submission No. 12-461 in any related correspondence.

Sincerely,

/s/ Christopher Bowen
Managing Director, Chief Regulatory Counsel

Attachment: Exhibit 1 – Proposed Revisions to CME Rules 802 and 816

EXHIBIT 1

PROPOSED REVISIONS TO CME RULES 802 AND 816

CME Rulebook

Chapter 8.

Rule 802. PROTECTION OF CLEARING HOUSE

802.A. Default by Clearing Member or Other Participating Exchanges

The Clearing House shall establish a guaranty fund (the "Base Guaranty Fund") for products other than CDS Products, IRS Products and any positions commingled with IRS Contracts pursuant to Rule 8G831 (such products, the "Base Guaranty Fund Products" and each product, a "Base Guaranty Fund Product Class"). Each clearing member shall contribute to the Base Guaranty Fund in accordance with the requirements of Rule 816. A clearing member's Base Guaranty Fund contribution may be applied by the Clearing House in accordance with this Rule 802 to mitigate a Loss (as defined below) to the Clearing House attributable to any cleared Base Guaranty Fund Product Class (as defined below) regardless of the Base Guaranty Fund Product Classes a clearing member clears. However, in order to accommodate differences in time frames and processes associated with the liquidation of certain Base Guaranty Fund Product Classes, Losses will be allocated among a set of Base Guaranty Fund tranches established to reflect the relative contributions of different product classes to the total Base Guaranty Fund. Notwithstanding this prioritization of the Clearing House's recourse, ultimately the entire Base Guaranty Fund will be available if necessary to satisfy all losses regardless of Base Guaranty Fund Product Class.

1. Default by Clearing Member

If a clearing member of CME, CBOT, NYMEX, COMEX, or an OTC Clearing Member or a Clearing Participant of the Kansas City Board of Trade Clearing Corporation (which, for the purposes of this rule shall be considered within the definition of the term "clearing member"), (i) fails promptly to discharge any obligation to the Clearing House or (ii) becomes subject to any bankruptcy, reorganization, arrangement, insolvency, moratorium, or liquidation proceedings, or other similar proceedings under U.S. federal or state bankruptcy laws or other applicable law, the Clearing House may declare such clearing member to be in default. For purposes of this Rule 802, each default by a clearing member will be considered a separate default event, provided that if a clearing member has been declared in default, subsequent failures to pay by such defaulting clearing member shall not be considered separate default events unless and until the original default has been fully resolved and such clearing member has been restored to good standing.

[The remainder of Rule 802 is unchanged.]

Rule 816. GUARANTY FUND DEPOSIT

Each clearing member shall make a Base Guaranty Fund deposit with the Exchange as security for its obligations to the Clearing House. The minimum Base Guaranty Fund deposit of a clearing member, shall equal the greater of (a) an amount specified by the Clearing House Risk Committee or (b) the clearing member's proportionate share of the "Aggregate Guaranty Fund Deposit," which shall be an amount determined by the Clearing House Risk Committee.

Each clearing member's proportionate share of the Aggregate Guaranty Fund Deposit shall consist of:

(i) a specified percentage of the Aggregate Guaranty Fund Deposit multiplied by the clearing member's proportionate share (including the total risk performance bond requirement in respect of positions in its cross-margin accounts and any applicable short option value) of the average aggregate risk performance bond requirement (including the risk performance bond requirement in respect of positions in all cross-margin accounts and any applicable short option value) for the preceding three months; plus

(ii) a specified percentage of the Aggregate Guaranty Fund Deposit multiplied by the clearing member's proportionate share of the total number of contracts executed on the Exchange and any applicable exchange or market during the preceding three months; plus

(iii) a specified percentage of the Aggregate Guaranty Fund Deposit multiplied by the clearing member's proportionate share of foreign currency settlements for the preceding three months.

The percentages in (i) through (iii) above shall be determined and modified by the Clearing House Risk Committee as appropriate. Some contracts may be weighted more heavily than others in order to reflect the greater risk associated with those contracts. The average aggregate risk performance bond requirement, the total number of contracts executed, the gross notional amount of open interest cleared and each clearing member's proportionate share of each will be calculated by the Clearing House, and a report setting forth such information and the clearing member's required Base Guaranty Fund deposit will be given to the clearing member each quarter, and the Clearing House may provide such reports on an interim basis at any time during the quarter as the Clearing House staff shall determine. On a quarterly basis, if such report indicates that the clearing member's current Base Guaranty Fund deposit with the Clearing House is smaller than the amount required, the clearing member shall increase its amount within five business days. If such report indicates that the clearing member's current Base Guaranty Fund deposit with the Exchange is larger than the amount required, the clearing member may withdraw the excess amount. If, prior to the issuance of the quarterly report, the Clearing House determines that an increase in the Base Guaranty Fund deposit is necessary to protect the financial integrity of the Clearing House, the clearing member, upon demand of the Clearing House, shall increase its Base Guaranty Fund deposit amount within five business days.

The minimum Base Guaranty Fund deposit amount of a Clearing Participant at the Kansas City Board of Trade Clearing Corporation that is not a CME Clearing Member shall be set at an amount of \$500,000.

A clearing member's Base Guaranty Fund deposit may be in a form as set forth in the Manual. Such Base Guaranty Fund deposit forms and amounts shall be subject to the terms and conditions as approved by Exchange staff.