



U.S. COMMODITY FUTURES TRADING COMMISSION

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Division of Clearing and Risk

John C. Lawton
Acting Director

CFTC Letter No. 17-30
No-Action
June 7, 2017
Division of Clearing and Risk

Mr. Simon Tyrell
Chief Compliance Officer
CME Clearing Europe Limited
One New Change
Jersey City, NJ 07310

Re: No-Action Relief Pending Vacation of Registration

Dear Mr. Tyrell:

This letter responds to your letter dated May 10, 2017 and supplemental letter dated June 1, 2017 (collectively, "Letter"), in which you request that the Commodity Futures Trading Commission ("Commission") vacate CME Clearing Europe Limited's ("CMECE") registration as a derivatives clearing organization ("DCO"), on an expedited basis. In this letter, the Commission's Division of Clearing and Risk ("Division") addresses the element of the request that seeks vacation on an expedited basis. The underlying vacation request will be addressed by the Commission.

Statement of Facts

Based upon CMECE's representations, including the representations contained in the Letter, the Division understands the relevant facts to be as follows:

The Commission granted CMECE registration as a DCO on November 30, 2016. Less than five months later, on April 12, 2017, CME Group Inc. ("CME Group"), CMECE's parent company, announced its intention to wind down CMECE's operations, explaining it had reached that business decision based on customer preference to access CME Group products through CME Group's U.S. infrastructure.

CMECE had applied for registration as a derivatives clearing organization so that it could provide clearing services to intermediaries that are registered with the Commission as futures commission merchants ("FCM") and their customers, as well as to US persons seeking to self-clear their swaps or futures trades. At the time of its application, CMECE believed that subsequent to registration, it might eventually seek to clear contracts traded on a designated

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contract market (“DCM”), such as futures and options listed on one of CME Group’s U.S. futures exchanges.

As of May 10, 2017, however, CMECE had open interest only in foreign futures contracts, did not provide clearing services for futures listed on DCMs, and had suspended clearing services for swaps. CMECE has not at any time accepted an FCM as a clearing member or provided clearing services to any FCM.

CMECE has requested vacation of its DCO registration on an expedited basis because if the legal requirements imposed on registered DCOs continue to apply to CMECE during the process of winding down, it will need to submit to the Commission a series of filings related to the wind-down and its ongoing operations that will impose administrative burdens on both CMECE and the Commission. The Bank of England will continue to oversee CMECE during its wind-down, and CMECE will ensure that it remains in compliance with the requirements of the European Market Infrastructure Regulation (“EMIR”) until its EMIR central counterparty authorization and recognition as a central counterparty by the Bank of England are withdrawn.

Discussion of Request and Grant of No-Action Relief

CMECE requests that the Commission expedite its vacation request to avoid the imposition of the burdens discussed above. However, Section 7 of the Commodity Exchange Act (“CEA”), 7 U.S.C. § 11, requires that a request to vacate registration be submitted at least ninety days prior to the date on which the vacation takes effect, and does not expressly provide for vacation on an expedited basis.

The Division nevertheless concludes that the facts presented, and specifically, CMECE’s representations that it does not clear for FCMs or clear futures or swaps, merit relief from ongoing regulatory obligations. Under these circumstances, there is no reason to require CMECE to use resources preparing regulatory filings, and the Commission to use resources reviewing them, during the wind-down period that precedes CMECE’s impending vacation of its DCO registration.

As a result, based on the facts presented and CMECE’s representations to the Division, including those contained in the Letter, the Division will not recommend that the Commission take enforcement action against CMECE for failing to comply with Section 5b of the CEA or Parts 39 and 40 of the Commission’s regulations, subject to the conditions that CMECE shall not conduct any activity that would require registration with the Commission as a DCO, and shall not reverse its decision to vacate its DCO registration.

The position taken herein concerns enforcement action only and does not represent a legal conclusion with respect to the applicability of any provision of the CEA or the Commission’s regulations. In addition, the Division’s position does not necessarily reflect the views of the Commission or any other division or office of the Commission. Because this position is based on CMECE’s representations to the Division, including the representations contained in the Letter, any different, changed, or omitted material facts or circumstances may require a different conclusion or render this letter void. Finally, as with all no-action letters, the

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Division retains the authority to condition further, modify, suspend, terminate, or otherwise restrict the terms of the no-action relief provided herein, in its discretion.

Should you have any questions, please do not hesitate to contact Eileen Donovan, Deputy Director, at (202) 418-5096, or Theodore Polley, Associate Director, at (312) 596-0551.

Very truly yours,

John C. Lawton
Acting Director