

SUBMISSION COVER SHEET

Exchange Identifier Code (optional) 06-76

Date January 16, 2007

ORGANIZATION

Chicago Mercantile Exchange

FILING AS A:

DCM

DCO

DTEF

TYPE OF FILING

- **Rule Amendments**

Self-Certification Under Reg. 40.6(a)

Commission Approval Requested Under Reg. 40.5 or 40.4 (a)

Notification of Rule Amendment Under Reg. 40.6(c)

Non-Material Agricultural Rule Change Determination Under Reg. 40.4(b)

2. New Products

Self-Certification Under Reg. 40.2 or 41.23

Commission Approval Requested Under Reg. 40.3

RULE NUMBERS

New Rules Chapter 455

DESCRIPTION (Rule Amendments Only)

CME is introducing CME Credit Event Futures contracts – Amendments as Requested by Commission Staff



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January 16, 2007

Ms. Eileen Donovan
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre, 1155 21st Street, NW
Washington, DC 20581

RE: Amendments as Requested by Commission Staff to Voluntary Submission of CME Credit Event Futures for Commission Review and Approval per Sec. 5c(c)(2) of the CEA and Regulation §40.3 Thereunder. CME Submission # 06-76.

Dear Ms. Donovan:

On October 17, 2006, Chicago Mercantile Exchange (“CME” or “the Exchange”) voluntarily submitted CME Credit Event Futures for Commission review and approval in accordance with Section 5c(c)(2) of the Act and Regulation §40.3, thereunder (CME Submission # 06-76). Specifically, the Exchange applied to list Credit Event Futures contracts based upon three (3) specific reference entities including Cendant Corp.; Jones Apparel Group, Inc.; and Tribune Corporation. On October 24, 2006, CME submitted a clarification of its original intent by substituting Centex Corporation for Cendant Corporation.

This submission amends the definition of relevant credit events, and clarifies the Exchange’s original intent with respect to Rules 45502.B. and 45502.C. Appendix 1 depicts the amended Rules 45502.B. Trading Unit; 45502.C. Minimum Increments; 45503.B. Credit Events; and Interpretations to Chapter 455, Sections I., and II. with additions underscored and deletions bracketed and overstruck. Appendix 2 provides a clean copy of Rules 45502.B.; 45502.C.; 45503.B.; and the Interpretations to Chapter 455, Sections I., and II.

These amendments are submitted based upon the request of Commission staff. The Exchange understands that the amendments will not be treated as a voluntary, substantive amendment per Commission Regulation 40.3(b)(2) or necessitate an extension of the review period.¹ Nonetheless, the Exchange assents to a 15-day extension of the Commission’s review period associated with this submission per Regulation 40.3(c)(2). We understand that an additional 15 day extension would result in a conclusion of the statutory review period on January 31, 2007.

¹ The Commission had previously invoked Regulation 40.3(c)(1), by letter dated November 29, 2006, to extend the original review period 45 days to conclude on January 16, 2007.

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These amendments are submitted without any prejudice to our position that our original filing with the CFTC is in accordance with the Commodity Exchange Act, and the proposed contract does not constitute a security or security futures contract.

Please do not hesitate to contact Mr. John E. Nyhoff, Director, Research & Product Development at 312-930-2310 or john.nyhoff@cme.com if any questions arise during the processing of this submission. Please reference our CME Submission #06-76 on all future correspondence for this submission.

Sincerely,

A handwritten signature in black ink, appearing to read "John W. Labuszewski". The signature is fluid and cursive, with a large initial "J" and "L".

John W. Labuszewski, Managing Director
Research & Product Development

CC: Mr. Thomas Leahy, CFTC Division of Trading and Markets

Appendix 1: Amendments to Submission

(Deletions are bracketed and overstruck, additions are underscored.)

45502.B. Trading Unit

CME Credit [~~Basket~~] Event Futures shall be based on a Notional Value and denominated in such currency as determined by the Board of Directors as depicted in Rule 45501.

45502.C. Minimum Increments

CME Credit [~~Basket~~] Event Futures shall be traded with a minimum price increment as determined by the Board of Directors as depicted in Rule 45501. Bids and offers shall be quoted in terms of basis points of Notional Value. *E.g.*, If the minimum price increment of a contract with a Notional Value of \$100,000 is established at 0.5 basis points per Rule 45501, then the minimum price increment equates to \$5.00 (=0.005% x \$100,000). A quotation of 405.5 basis points based on a contract with a Notional Value of \$100,000 equates to \$4,055.00.

45503.B. Credit Events

Credit Event means, with respect to CME Credit Event Futures, [~~one or more of~~] a Bankruptcy of a Reference Entity [~~; Failure to Pay; Obligation Acceleration; Obligation Default; Repudiation/Moratorium; or, Restructuring;~~] in accordance with the INTERPRETATIONS TO CHAPTER 455.

INTERPRETATIONS TO CHAPTER 455 ²

I. Credit Events

Credit Event means, with respect to CME Credit Event Futures, ~~[one or more of] a Bankruptcy of a Reference Entity [, Failure to Pay, Obligation Acceleration, Obligation Default, Repudiation/Moratorium or Restructuring. If an occurrence would otherwise constitute a Credit Event, such occurrence will constitute a Credit Event whether or not such occurrence arises directly or indirectly from, or is subject to a defense based upon: (a) any lack or alleged lack of authority or capacity of a Reference Entity to enter into any Obligation or, as applicable, an Underlying Obligor to enter into any Underlying Obligation, (b) any actual or alleged unenforceability, illegality, impossibility or invalidity with respect to any Obligation or, as applicable, any Underlying Obligation, however described, (c) any applicable law, order, regulation, decree or notice, however described, or the promulgation of, or any change in, the interpretation by any court, tribunal, regulatory authority or similar administrative or judicial body with competent or apparent jurisdiction of any applicable law, order, regulation, decree or notice, however described, or (d) the imposition of, or any change in, any exchange controls, capital restrictions or any other similar restrictions imposed by any monetary or other authority, however described].~~

(a) "Bankruptcy" means the filing under the United States Bankruptcy Code in a United States Bankruptcy Court of: (1) a voluntary petition by the Reference Entity that has not been dismissed by the expiration date of the Contract; or (2) an involuntary petition against the Reference Entity with respect to which an order of relief has been issued by the Court prior to the expiration date of the Contract (irrespective of whether such order of relief is subsequently reversed on appeal, nullified, vacated, dismissed or otherwise modified after the expiration date of the Contract).

~~dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing in a judicial, regulatory or administrative proceeding or filing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4) 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 instituted or presented against it, such proceeding or petition (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding up or liquidation or (ii) is not dismissed, discharged, stayed or restrained in each case within thirty calendar days of the institution or presentation thereof; (5) has a resolution passed for its winding up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or~~

² The INTERPRETATIONS TO CHAPTER 455 have been adapted with the permission of International Swaps & Derivatives Association, Inc. (ISDA) from the copyrighted © 2003 "ISDA Credit Derivatives Definitions." Specifically, Sections I, and II and III are adapted from Article IV of the 2003 ISDA Credit Derivatives Definitions. Section III [IV] is adapted from Article III, Section 3.5. Section IV [V] is adapted from Article II, Section 2.25. Section V [VI] is adapted from Article III, Section 3.6. Section VI [VII] is adapted from Article III, Section 3.7. Section VII [VIII] is adapted from Article III, Section 3.8. Section VIII [IX] is adapted from Article II, Section 2.1. Section IX [X] is adapted from Article II, Section 2.2.

~~substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty calendar days thereafter; or (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (8) (inclusive).]~~

~~[(b) "Obligation Acceleration" means one or more Obligations in an aggregate amount of not less than the Default Requirement have become due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event of default or other similar condition or event (however described), other than a failure to make any required payment, in respect of a Reference Entity under one or more Obligations.]~~

~~[(c) "Obligation Default" means one or more Obligations in an aggregate amount of not less than the Default Requirement have become capable of being declared due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event of default or other similar condition or event (however described), other than a failure to make any required payment, in respect of a Reference Entity under one or more Obligations.]~~

~~[(d) "Failure to Pay" means, after the expiration of any applicable Grace Period (after the satisfaction of any conditions precedent to the commencement of such Grace Period), the failure by a Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations, in accordance with the terms of such Obligations at the time of such failure.]~~

~~[(e) "Repudiation/Moratorium" means]~~

~~[(1) — the occurrence of both of the following events: (i) an authorized officer of a Reference Entity or a Governmental Authority (x) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than the Default Requirement or (y) declares or imposes a moratorium, standstill, roll-over or deferral, whether de facto or de jure, with respect to one or more Obligations in an aggregate amount of not less than the Default Requirement and (ii) a Failure to Pay, determined without regard to the Payment Requirement, or a Restructuring, determined without regard to the Default Requirement, with respect to any such Obligation occurs on or prior to the Repudiation/Moratorium Evaluation Date.]~~

~~[(2) Repudiation/Moratorium Evaluation Date. "Repudiation/Moratorium Evaluation Date" means, if a Potential Repudiation/Moratorium occurs on or prior to the Scheduled Termination Date, (i) if the Obligations to which such Potential Repudiation/Moratorium relates include Bonds, the date that is the later of (A) the date that is 60 days after the date of such Potential Repudiation/Moratorium and (B) the first payment date under any such Bond after the date of such Potential Repudiation/Moratorium (or, if later, the expiration date of any applicable Grace Period in respect of such payment date) and (ii) if the Obligations to which such Potential Repudiation/Moratorium relates do not include Bonds, the date that is 60 days after the date of such Potential Repudiation/Moratorium. If (i) the Repudiation/Moratorium Extension Condition is satisfied and (ii) an Event Determination Date in respect of that Repudiation/Moratorium does not occur during the Notice Delivery Period, the Repudiation/Moratorium Evaluation Date will be the Termination Date (even if a Repudiation/Moratorium occurs after the Scheduled Termination Date).]~~

~~[(3) "Potential Repudiation/Moratorium" means the occurrence of an event described in clause (i) of the definition of Repudiation/Moratorium.]~~

~~[(4) The "Repudiation/Moratorium Extension Condition" is satisfied by the delivery of a Repudiation/Moratorium Extension Notice and, if specified as applicable in the related Confirmation, Notice of Publicly Available Information by the Notifying Party to the Exchange that is effective during the period described in clause (a) of the definition of Notice Delivery Period.]~~

~~[(5) "Repudiation/Moratorium Extension Notice" means an irrevocable notice (which may be by telephone) from the Notifying Party to the Exchange that describes a Potential Repudiation/Moratorium that occurred on or after the Effective Date and on or prior to the Scheduled Termination Date. A Repudiation/Moratorium Extension Notice must contain a description in reasonable detail of the facts relevant to the determination that a Potential Repudiation/Moratorium has occurred and indicate the date of the occurrence. The Potential Repudiation/Moratorium that is the subject of the Repudiation/Moratorium Extension Notice need not be continuing on the date the Repudiation/Moratorium Extension Notice is effective.]~~

~~[(f) "Restructuring" means~~

~~(1) That, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs in a form that binds all holders of such Obligation, is agreed between the Reference Entity or a Governmental Authority and a sufficient number of holders of such Obligation to bind all holders of the Obligation or is announced (or otherwise decreed) by a Reference Entity or a Governmental Authority in a form that binds all holders of such Obligation, and such event is not expressly provided for under the terms of such Obligation in effect as of the later of the Trade Date and the date as of which such Obligation is issued or incurred:]~~

~~[(i) A reduction in the rate or amount of interest payable or the amount of scheduled interest accruals;]~~

~~[(ii) A reduction in the amount of principal or premium payable at maturity or at scheduled redemption dates;]~~

~~[(iii) A postponement or other deferral of a date or dates for either (A) the payment or accrual of interest or (B) the payment of principal or premium;]~~

~~[(iv) A change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation; or]~~

~~[(v) Any change in the currency or composition of any payment of interest or principal to any currency which is not a Permitted Currency.]~~

~~"Permitted Currency" means (x) the legal tender of any Group of 7 country (or any country that becomes a member of the Group of 7 if such Group of 7 expands its membership) or (y) the legal tender of any country which, as of the date of such change, is a member of the Organization for Economic Cooperation and Development and has a local currency long term debt rating of either AAA or higher assigned to it by Standard & Poor's, a division of The McGraw Hill Companies, Inc. or any successor to the rating business thereof, Aaa or higher assigned to it by Moody's Investors Service, Inc. or any successor to the rating business thereof or AAA or higher assigned to it by Fitch Ratings or any successor to the rating business thereof.]~~

~~[(2) Notwithstanding the provisions of Section I(f)(1) of the INTERPRETATIONS TO CHAPTER 455 none of the following shall constitute a Restructuring:]~~

~~[(i) The payment in euros of interest or principal in relation to an Obligation denominated in a currency of a Member State of the European Union that adopts or has adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union;]~~

~~[(ii) The occurrence of, agreement to or announcement of any of the events described in Section I(f)(1) (i) to (v) of the INTERPRETATIONS TO CHAPTER 455 due to an administrative adjustment, accounting adjustment or tax adjustment or other technical adjustment occurring in the ordinary course of business; and]~~

~~[(iii) ——— The occurrence of, agreement to or announcement of any of the events described in Section I(f)(1) (i) to (v) of the INTERPRETATIONS TO CHAPTER 455 in circumstances where such event does not directly or indirectly result from a deterioration in the creditworthiness or financial condition of the Reference Entity.]~~

~~[(3) For purposes of Section I(f)(1), I(f)(2), and III of the INTERPRETATIONS TO CHAPTER 455, the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in the related Confirmation, as provider of any Qualifying Guarantee. In the case of a Qualifying Guarantee and an Underlying Obligation, references to the Reference Entity in Section I(f)(1) of the INTERPRETATIONS TO CHAPTER 455 shall be deemed to refer to the Underlying Obligor and the reference to the Reference Entity in Section I(f)(2) of the INTERPRETATIONS TO CHAPTER 455, shall continue to refer to the Reference Entity.]~~

II. Certain Definitions Relating to Credit Events.

~~[(a) "Default Requirement" means USD 10,000,000 or its equivalent in the relevant Obligation Currency, in either case as of the occurrence of the relevant Credit Event.]~~

~~[(b)] (a) Governmental Authority. "Governmental Authority" means any de facto or de jure government (or any agency, instrumentality, ministry or department thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of a Reference Entity or of the jurisdiction of organization of a Reference Entity.]~~

~~[(c) Obligation Currency. "Obligation Currency" means the currency or currencies in which an Obligation is denominated.]~~

~~[(d) Payment Requirement. "Payment Requirement" means USD 1,000,000 or its equivalent in the relevant Obligation Currency, in either case as of the occurrence of the relevant Failure to Pay or Potential Failure to Pay, as applicable.]~~

~~**[III. Limitation on Obligations in Connection with Credit Events.]**~~

~~[Notwithstanding anything to the contrary Section I(f)(1) of the INTERPRETATIONS TO CHAPTER 455 the occurrence of, agreement to or announcement of any of the events described in Section I(f)(1) (i) to (v) of the INTERPRETATIONS TO CHAPTER 455 shall not be a Restructuring unless the Obligation in respect of any such events is a Multiple Holder Obligation.]~~

~~["Multiple Holder Obligation" means an Obligation that (i) at the time of the event which constitutes a Restructuring Credit Event is held by more than three holders that are not Affiliates of each other and (ii) with respect to which a percentage of holders (determined pursuant to the terms of the Obligation as in effect on the date of such event) at least equal to sixty six and two thirds is required to consent to the event which constitutes a Restructuring Credit Event.]~~

III[IV]. Publicly Available Information

Publicly Available Information" means:

- (a) Information that reasonably confirms any of the facts relevant to the determination that the Credit Event or Potential Repudiation/Moratorium, as applicable, described in a Credit Event Notice or Repudiation/Moratorium Extension Notice has occurred and which (i) has been published in or on not less than the Specified Number of Public Sources, regardless of whether the reader or user thereof pays a fee to obtain such information ; provided that, if either of the parties or any of their respective Affiliates is cited as the sole source of such information, then such information shall not be deemed to be Publicly Available Information unless such party of its Affiliate is acting in its capacity as trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation, (ii) is information received from or published by (A) a Reference Entity that is not a party to the relevant CME Credit Event futures contract or (B) a trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation, (iii) is information contained in any petition or filing where a Reference Entity 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 instituted or presented against it, such proceeding or petitions (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (ii) is not dismissed, discharged, stayed or restrained in each case within thirty calendar days of the institution or presentation thereof or (iv) is information contained in any order, decree, notice of filing, however described, of or filed with a court, tribunal, exchange, regulatory authority or similar administrative, regulatory or judicial bond.

- (b) In the event that with respect to the CME Credit Event futures contract in which the Buyer is (i) the sole source of information in its capacity as trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation and (ii) a holder of the Obligation with respect to which a Credit Event has occurred, the Buyer shall be required to deliver to the Exchange a certificate signed by a Managing Director (or other substantively equivalent title) of the Buyer, which shall certify the occurrence of a Credit Event with respect to a Reference Entity.
- (c) In relation to any information of the type described in paragraph (a) of “Publicly Available Information”, the Exchange may assume that such information has been disclosed to it without violating any law, agreement, or understanding regarding the confidentiality of such information and that the party delivering such information has not taken any action or entered into any agreement or understanding with the Reference Entity or any Affiliate of the Reference Entity that would be breached by, or would prevent, the disclosure of such information to third parties.
- (d) Publicly Available Information need not state (i) in relation to Downstream Affiliate and Voting Shares, the percentage of Voting Shares owned, directly or indirectly, by the Reference Entity and (ii) that such occurrence (A) has met the Payment Requirement or Default Requirement, (B) is the result of exceeding any applicable Grace Period or (C) has met the subjective criteria specified in certain Credit Events.

IV[V]. Downstream Affiliate and Voting Shares

- (a) “Downstream Affiliate” means an entity, at the date of the event giving rise to the Credit Event which is the subject of a Credit Event Notice, the Delivery Date or the time of identification of a Substitute Reference Obligation (if applicable), whose outstanding Voting Shares are more than 50 percent owned, directly or indirectly, by the Reference Entity.
- (b) “Voting Shares” shall mean those shares or other interests that have the power to elect the board of directors or similar governing body of an entity.

V[VI]. Notice of Publicly Available Information

“Notice of Publicly Available Information” means an irrevocable notice for the party delivering the relevant Credit Event Notice or Repudiation/Moratorium Extension Notice to the Exchange that cites Publicly Available Information confirming the occurrence of the Credit Event or Potential Repudiation/Moratorium as applicable, described in the Credit Event Notice or Repudiation/Moratorium Extension Notice. In relation to a Repudiation/Moratorium Credit Event, the Notice of Publicly Available Information must cite Publicly Available Information confirming the occurrence of both clauses (i) and (ii) of the definition of Repudiation/Moratorium. The notice given must contain a copy, or a description in reasonable detail, or the relevant Publicly Available Information. A Notice of Publicly Available Information shall be subject to the requirement regarding notices set forth by the Exchange. If Notice of Publicly Available Information is applicable to a CME Credit Event futures contract and a Credit Event Notice or Repudiation/Moratorium Extension Notice, as applicable, contains Publicly Available Information, such Credit Event Notice or Repudiation/Moratorium Extension Notice will also be deemed to be a Notice of Publicly Available Information. Appendix A to “Interpretations & Special Notices Relating to Chapter 455” sets forth a form including the Notice of Publicly Available Information.

VI[VH]. Public Source

“Public Source” means a source of Publicly Available Information such as Bloomberg Service, Dow Jones Telerate Service, Reuters Monitor Rates Services, Dow Jones News Wire, Wall Street Journal, New York Times, Nihon Keizai Shinbun, Asahi Shinbun, Yomiuri Shinbun, Financial Times, La Tribune, Les Echos and The Australian financial Review (and successor publications), the main source(s) of business news in the country in which the Reference Entity is organized and any other internationally recognized published or electronically displayed news sources.

VII[VIII]. Specified Number

“Specified Number” means at least two Public Sources of Publicly Available information are available.

VIII[IX]. Reference Entity

Reference Entity means the entity or entities specified as such in the related futures contract. Any Successor to a Reference Entity identified pursuant to the Section “Provisions for Determining a Successor” shall be the Reference Entity for the CME Credit Event futures contract as determined pursuant to the following section “Provisions for Determining a Successor”.

IX[X]. Provisions for Determining a Successor

- (a) “Successor” means in relation to a Reference Entity that is not a Sovereign, the entity or entities, if any, determined as set forth below:
- (i) If one entity directly or indirectly succeeds to seventy-five per cent or more of the Relevant Obligations of the Reference entity by way of a Succession Event, that entity will be the sole Successor for the entire CME Credit Event futures contract.
 - (ii) If only one entity directly or indirectly succeeds to more than twenty-five per cent (but less than seventy-five per cent) of the Relevant Obligation of the Reference Entity by way of a Succession Event and not more than twenty-five per cent of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entity that succeeds to more than twenty-five per cent of the Relevant Obligations will be the sole Successor for the entire CME Credit Event futures
 - (iii) If more than one entity each directly or indirectly succeeds to more than twenty-five per cent of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than twenty-five per cent of the Relevant Obligations of the Reference entity remain with the Reference Entity, each such entity and the Reference Entity will each be a Successor for a New CME Credit Event futures contract determined in accordance with section (e)
 - (iv) If one or more entities each directly or indirectly succeeds to more than twenty-five per cent of the Relevant Obligations of the Reference Entity by way of a Succession Event, and more than twenty-five per cent of the Relevant Obligations of the Reference Entity remain with the Reference Entity, each such entity and the Reference Entity will each be a Successor for a New CME Credit Event futures contract determined in accordance with Section (e).

- (v) If one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference entity by way of a Succession Event, but no entity succeeds to more than twenty-five per cent of the Relevant Obligations of the Reference Entity and the Reference Entity continues to exist, there will be no Successor and the Reference Entity and the CME Credit Event futures contract will not be changed in any way as a result of the Succession Event; and
- (vi) If one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than twenty-five per cent of the Relevant Obligations of the Reference Entity and the Reference Entity ceased to exist, the entity which succeeds to the greatest percentage of Relevant Obligations (or, if two or more entities succeed to an equal percentage of Relevant Obligations, the entity from among those entities which succeeds to the greatest percentage of obligations of the Reference Entity) will be the sole Successor.

The Board of Directors will be responsible for determining, as soon as reasonably practicable after it becomes aware of the relevant Succession Event (but no earlier than fourteen calendar days after the legally effective date of the Succession Event), and with effect from the legally effective date of the Succession Event, whether the relevant thresholds set forth above have been met, or which entity qualifies under Section (a)(vi), as applicable. In calculating the percentages used to determine whether the relevant thresholds set forth above have been met, or which entity qualifies under Section (a)(vi), as applicable, the Board of Directors shall use, in respect of each applicable Relevant Obligation listed in such calculation, the amount of the liability in respect of such Relevant Obligation listed in the Best Available Information and shall notify the Exchange of such calculation.

- (b) “Succession Event” means an event such as a merger, consolidation, amalgamation, transfer of assets or liabilities, demerger, spin-off or other similar event in which one entity succeeds to the obligations of another entity, whether by operation of law or pursuant to any agreement. Notwithstanding the foregoing, “Succession Event” shall not include an event in which the holders of obligation of the Reference Entity exchange such obligations for the obligations of another entity, unless such exchange occurs in connections with a merger, consolidation, amalgamation, transfer of assets or liabilities, demerger, spin-off or other similar event.
- (c) For purposes of the section “Provisions for Determining a Successor”, “succeed” means, with respect to a Reference Entity and its Relevant Obligations (or, as applicable, obligations), that a party other than such Reference Entity (i) assumes or becomes liable for such Relevant Obligations (or, as applicable, obligations) whether by operation of law or pursuant to any agreement or (ii) issues Bonds that are exchanged for Relevant Obligations (or, as applicable, obligations), and in either case such Reference Entity is no longer an obligor (primarily or secondarily) or guarantor with respect to such Relevant Obligations (or, as applicable, obligations). The determinations required pursuant to Section (a) shall be made in the case of an exchange offer, on the basis of the outstanding principal balance of Relevant Obligations tendered and accepted in the exchange and not on the basis of the outstanding principal balance of Bonds for which Relevant Obligations have been exchanged.

- (d) Where pursuant to Section (a)(iii) or (iv), more than one Successor has been identified, the relevant CME Credit Event Futures contract will be divided into the same number of new CME Credit Event Futures contracts (the “New CME Credit Event Futures contracts”) as there are Successors with the following terms:
- (i) Each Successor will be the Reference Entity for the purposes of one of the CME Credit Event Futures contracts;
 - (ii) In respect of each New CME Credit Event Futures contract, the “final settlement price” will be the final settlement price of the original CME Credit Event Futures contract divided by the number of successors.
 - (iii) All other terms and conditions of the original CME Credit Event Futures contract will be replicated in each New CME Credit Event futures contract except to the extent that modification is required, as determined by the Board of Directors to preserve the economic effects of the original CME Credit Event futures contract in the New CME Credit Event futures contracts (considered in the aggregate).
- (e) “Relevant Obligations” means the Obligations constituting Bonds and Loans of the Reference Entity outstanding immediately prior to the effective date of the Succession Event, excluding any debt obligations outstanding between the Reference Entity and any of its Affiliates as determined by the Board of Directors. The Board of Directors will determine the entity which succeeds to such Relevant Obligations on the basis of the Best Available Information. If the date on which the Best Available Information becomes available or is filed precedes the legally effective date of the relevant Succession Event, any assumptions as to the allocation of obligations between or among entities contained in the Best Available Information will be deemed to have been fulfilled as of the legally effective date of the Succession Event, whether or not this is in fact the case.
- (f) “Best Available Information” means:
- (i) In the case of a Reference Entity which files information with its primary securities regulator or primary stock exchange that includes unconsolidated pro forma financial information which assumes that the relevant Succession Event has occurred or which provides such information to its shareholders, creditors or other persons whose approval of the Succession Event is required, that unconsolidated, pro forma financial information and if provided subsequently to the provision of unconsolidated, pro forma financial information but before the Board of Directors makes its determination for the purposes of the Section, other relevant information that is contained in any written communication provided by the Reference Entity to its primary securities regulator, primary stock exchange, shareholders, creditors or other persons whose approval of the Succession Event is required; or
 - (ii) In the case of a Reference Entity which does not file with its primary securities regulators or primary stock exchange, and which does not provide to shareholders, creditors or other persons whose approval of the Succession Event is required, the information contemplated in (i) above, the best publicly available information at the disposal of the Board of Directors to allow it to make a determination for the purposes of this section.

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Information which is made available more than fourteen calendar days after the legally effective date of the Succession Event shall not constitute Best Available Information.

- (g) In relation to a Sovereign Reference Entity, "Successor" means any direct or indirect successor(s) to that Reference entity irrespective of whether such successor(s) assumes any of the obligations of such Reference Entity.

Appendix 2: Clean Copy of Amended Rule

45502.B. Trading Unit

CME Credit Event Futures shall be based on a Notional Value and denominated in such currency as determined by the Board of Directors as depicted in Rule 45501.

45502.C. Minimum Increments

CME Credit Event Futures shall be traded with a minimum price increment as determined by the Board of Directors as depicted in Rule 45501. Bids and offers shall be quoted in terms of basis points of Notional Value. *E.g.*, If the minimum price increment of a contract with a Notional Value of \$100,000 is established at 0.5 basis points per Rule 45501, then the minimum price increment equates to \$5.00 ($=0.005\% \times \$100,000$). A quotation of 405.5 basis points based on a contract with a Notional Value of \$100,000 equates to \$4,055.00.

45503.B. Credit Events

Credit Event means, with respect to CME Credit Event Futures a Bankruptcy of a Reference Entity in accordance with the INTERPRETATIONS TO CHAPTER 455.

INTERPRETATIONS TO CHAPTER 455³

I. Credit Events

Credit Event means, with respect to CME Credit Event Futures, a Bankruptcy of a Reference Entity.

(a) "Bankruptcy" means the filing under the United States Bankruptcy Code in a United States Bankruptcy Court of: (1) a voluntary petition by the Reference Entity that has not been dismissed by the expiration date of the Contract; or (2) an involuntary petition against the Reference Entity with respect to which an order of relief has been issued by the Court prior to the expiration date of the Contract (irrespective of whether such order of relief is subsequently reversed on appeal, nullified, vacated, dismissed or otherwise modified after the expiration date of the Contract).

II. Certain Definitions Relating to Credit Events.

(a) Governmental Authority. "Governmental Authority" means any de facto or de jure government (or any agency, instrumentality, ministry or department thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of a Reference Entity or of the jurisdiction of organization of a Reference Entity.]

III. Publicly Available Information

Publicly Available Information" means:

(a) Information that reasonably confirms any of the facts relevant to the determination that the Credit Event or Potential Repudiation/Moratorium, as applicable, described in a Credit Event Notice or Repudiation/Moratorium Extension Notice has occurred and which (i) has been published in or on not less than the Specified Number of Public Sources, regardless of whether the reader or user thereof pays a fee to obtain such information ; provided that, if either of the parties or any of their respective Affiliates is cited as the sole source of such information, then such information shall not be deemed to be Publicly Available Information unless such party of its Affiliate is acting in its capacity as trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation, (ii) is information received from or published by (A) a Reference Entity that is not a

³ The INTERPRETATIONS TO CHAPTER 455 have been adapted with the permission of International Swaps & Derivatives Association, Inc. (ISDA) from the copyrighted © 2003 "ISDA Credit Derivatives Definitions." Specifically, Sections I, and II are adapted from Article IV of the 2003 ISDA Credit Derivatives Definitions. Section III is adapted from Article III, Section 3.5. Section IV is adapted from Article II, Section 2.25. Section V is adapted from Article III, Section 3.6. Section VI is adapted from Article III, Section 3.7. Section VII is adapted from Article III, Section 3.8. Section VIII is adapted from Article II, Section 2.1. Section IX is adapted from Article II, Section 2.2.

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party to the relevant CME Credit Event futures contract or (B) a trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation, (iii) is information contained in any petition or filing where a Reference Entity 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 instituted or presented against it, such proceeding or petitions (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (ii) is not dismissed, discharged, stayed or restrained in each case within thirty calendar days of the institution or presentation thereof or (iv) is information contained in any order, decree, notice of filing, however described, of or filed with a court, tribunal, exchange, regulatory authority or similar administrative, regulatory or judicial bond.

- (b) In the event that with respect to the CME Credit Event futures contract in which the Buyer is (i) the sole source of information in its capacity as trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation and (ii) a holder of the Obligation with respect to which a Credit Event has occurred, the Buyer shall be required to deliver to the Exchange a certificate signed by a Managing Director (or other substantively equivalent title) of the Buyer, which shall certify the occurrence of a Credit Event with respect to a Reference Entity.
- (c) In relation to any information of the type described in paragraph (a) of "Publicly Available Information", the Exchange may assume that such information has been disclosed to it without violating any law, agreement, or understanding regarding the confidentiality of such information and that the party delivering such information has not taken any action or entered into any agreement or understanding with the Reference Entity or any Affiliate of the Reference Entity that would be breached by, or would prevent, the disclosure of such information to third parties.
- (d) Publicly Available Information need not state (i) in relation to Downstream Affiliate and Voting Shares, the percentage of Voting Shares owned, directly or indirectly, by the Reference Entity and (ii) that such occurrence (A) has met the Payment Requirement or Default Requirement, (B) is the result of exceeding any applicable Grace Period or (C) has met the subjective criteria specified in certain Credit Events.

IV. Downstream Affiliate and Voting Shares

- (a) "Downstream Affiliate" means an entity, at the date of the event giving rise to the Credit Event which is the subject of a Credit Event Notice, the Delivery Date or the time of identification of a Substitute Reference Obligation (if applicable), whose outstanding Voting Shares are more than 50 percent owned, directly or indirectly, by the Reference Entity.
- (b) "Voting Shares" shall mean those shares or other interests that have the power to elect the board of directors or similar governing body of an entity.

V. Notice of Publicly Available Information

“Notice of Publicly Available Information” means an irrevocable notice for the party delivering the relevant Credit Event Notice or Repudiation/Moratorium Extension Notice to the Exchange that cites Publicly Available Information confirming the occurrence of the Credit Event or Potential Repudiation/Moratorium as applicable, described in the Credit Event Notice or Repudiation/Moratorium Extension Notice. In relation to a Repudiation/Moratorium Credit Event, the Notice of Publicly Available Information must cite Publicly Available Information confirming the occurrence of both clauses (i) and (ii) of the definition of Repudiation/Moratorium. The notice given must contain a copy, or a description in reasonable detail, or the relevant Publicly Available Information. A Notice of Publicly Available Information shall be subject to the requirement regarding notices set forth by the Exchange. If Notice of Publicly Available Information is applicable to a CME Credit Event futures contract and a Credit Event Notice or Repudiation/Moratorium Extension Notice, as applicable, contains Publicly Available Information, such Credit Event Notice or Repudiation/Moratorium Extension Notice will also be deemed to be a Notice of Publicly Available Information. Appendix A to “Interpretations & Special Notices Relating to Chapter 455” sets forth a form including the Notice of Publicly Available Information.

VI. Public Source

“Public Source” means a source of Publicly Available Information such as Bloomberg Service, Dow Jones Telerate Service, Reuters Monitor Rates Services, Dow Jones News Wire, Wall Street Journal, New York Times, Nihon Keizai Shinbun, Asahi Shinbun, Yomiuri Shinbun, Financial Times, La Tribune, Les Echos and The Australian financial Review (and successor publications), the main source(s) of business news in the country in which the Reference Entity is organized and any other internationally recognized published or electronically displayed news sources.

VII. Specified Number

“Specified Number” means at least two Public Sources of Publicly Available information are available.

VIII. Reference Entity

Reference Entity means the entity or entities specified as such in the related futures contract. Any Successor to a Reference Entity identified pursuant to the Section “Provisions for Determining a Successor” shall be the Reference Entity for the CME Credit Event futures contract as determined pursuant to the following section “Provisions for Determining a Successor”.

IX. Provisions for Determining a Successor

- (a) “Successor” means in relation to a Reference Entity that is not a Sovereign, the entity or entities, if any, determined as set forth below:
 - (i) If one entity directly or indirectly succeeds to seventy-five per cent or more of the Relevant Obligations of the Reference entity by way of a Succession Event, that entity will be the sole Successor for the entire CME Credit Event futures contract.

- (ii) If only one entity directly or indirectly succeeds to more than twenty-five per cent (but less than seventy-five per cent) of the Relevant Obligation of the Reference Entity by way of a Succession Event and not more than twenty-five per cent of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entity that succeeds to more than twenty-five per cent of the Relevant Obligations will be the sole Successor for the entire CME Credit Event futures
- (iii) If more than one entity each directly or indirectly succeeds to more than twenty-five per cent of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than twenty-five per cent of the Relevant Obligations of the Reference entity remain with the Reference Entity, each such entity and the Reference Entity will each be a Successor for a New CME Credit Event futures contract determined in accordance with section (e)
- (iv) If one or more entities each directly or indirectly succeeds to more than twenty-five per cent of the Relevant Obligations of the Reference Entity by way of a Succession Event, and more than twenty-five per cent of the Relevant Obligations of the Reference Entity remain with the Reference Entity, each such entity and the Reference Entity will each be a Successor for a New CME Credit Event futures contract determined in accordance with Section (e).
- (v) If one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference entity by way of a Succession Event, but no entity succeeds to more than twenty-five per cent of the Relevant Obligations of the Reference Entity and the Reference Entity continues to exist, there will be no Successor and the Reference Entity and the CME Credit Event futures contract will not be changed in any way as a result of the Succession Event; and
- (vi) If one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than twenty-five per cent of the Relevant Obligations of the Reference Entity and the Reference Entity ceased to exist, the entity which succeeds to the greatest percentage of Relevant Obligations (or, if two or more entities succeed to an equal percentage of Relevant Obligations, the entity from among those entities which succeeds to the greatest percentage of obligations of the Reference Entity) will be the sole Successor.

The Board of Directors will be responsible for determining, as soon as reasonably practicable after it becomes aware of the relevant Succession Event (but no earlier than fourteen calendar days after the legally effective date of the Succession Event), and with effect from the legally effective date of the Succession Event, whether the relevant thresholds set forth above have been met, or which entity qualifies under Section (a)(vi), as applicable. In calculating the percentages used to determine whether the relevant thresholds set forth above have been met, or which entity qualifies under Section (a)(vi), as applicable, the Board of Directors shall use, in respect of each applicable Relevant Obligation listed in such calculation, the amount of the liability in respect of such Relevant Obligation listed in the Best Available Information and shall notify the Exchange of such calculation.

- (b) "Succession Event" means an event such as a merger, consolidation, amalgamation, transfer of assets or liabilities, demerger, spin-off or other similar event in which one entity succeeds to the obligations of another entity, whether by operation of law or pursuant to any agreement. Notwithstanding the foregoing, "Succession Event" shall not include an event in which the holders of obligation of the Reference Entity exchange such obligations for the obligations of

another entity, unless such exchange occurs in connections with a merger, consolidation, amalgamation, transfer of assets or liabilities, demerger, spin-off or other similar event.

(c) For purposes of the section “Provisions for Determining a Successor”, “succeed” means, with respect to a Reference Entity and its Relevant Obligations (or, as applicable, obligations), that a party other than such Reference Entity (i) assumes or becomes liable for such Relevant Obligations (or, as applicable, obligations) whether by operation of law or pursuant to any agreement or (ii) issues Bonds that are exchanged for Relevant Obligations (or, as applicable, obligations), and in either case such Reference Entity is no longer an obligor (primarily or secondarily) or guarantor with respect to such Relevant Obligations (or, as applicable, obligations). The determinations required pursuant to Section (a) shall be made in the case of an exchange offer, on the basis of the outstanding principal balance of Relevant Obligations tendered and accepted in the exchange and not on the basis of the outstanding principal balance of Bonds for which Relevant Obligations have been exchanged.

(d) Where pursuant to Section (a)(iii) or (iv), more than one Successor has been identified, the relevant CME Credit Event Futures contract will be divided into the same number of new CME Credit Event Futures contracts (the “New CME Credit Event Futures contracts”) as there are Successors with the following terms:

- (i) Each Successor will be the Reference Entity for the purposes of one of the CME Credit Event Futures contracts;
- (ii) In respect of each New CME Credit Event Futures contract, the “final settlement price” will be the final settlement price of the original CME Credit Event Futures contract divided by the number of successors.
- (iii) All other terms and conditions of the original CME Credit Event Futures contract will be replicated in each New CME Credit Event futures contract except to the extent that modification is required, as determined by the Board of Directors to preserve the economic effects of the original CME Credit Event futures contract in the New CME Credit Event futures contracts (considered in the aggregate).

(e) “Relevant Obligations” means the Obligations constituting Bonds and Loans of the Reference Entity outstanding immediately prior to the effective date of the Succession Event, excluding any debt obligations outstanding between the Reference Entity and any of its Affiliates as determined by the Board of Directors. The Board of Directors will determine the entity which succeeds to such Relevant Obligations on the basis of the Best Available Information. If the date on which the Best Available Information becomes available or is filed precedes the legally effective date of the relevant Succession Event, any assumptions as to the allocation of obligations between or among entities contained in the Best Available Information will be deemed to have been fulfilled as of the legally effective date of the Succession Event, whether or not this is in fact the case.

(f) “Best Available Information” means:

- (i) In the case of a Reference Entity which files information with its primary securities regulator or primary stock exchange that includes unconsolidated pro forma financial information which assumes that the relevant Succession Event has occurred or which provides such information to its shareholders, creditors or other persons whose approval

of the Succession Event is required, that unconsolidated, pro forma financial information and if provided subsequently to the provision of unconsolidated, pro forma financial information but before the Board of Directors makes its determination for the purposes of the Section, other relevant information that is contained in any written communication provided by the Reference Entity to its primary securities regulator, primary stock exchange, shareholders, creditors or other persons whose approval of the Succession Event is required; or

- (ii) In the case of a Reference Entity which does not file with its primary securities regulators or primary stock exchange, and which does not provide to shareholders, creditors or other persons whose approval of the Succession Event is required, the information contemplated in (i) above, the best publicly available information at the disposal of the Board of Directors to allow it to make a determination for the purposes of this section.

Information which is made available more than fourteen calendar days after the legally effective date of the Succession Event shall not constitute Best Available Information.

- (g) In relation to a Sovereign Reference Entity, "Successor" means any direct or indirect successor(s) to that Reference entity irrespective of whether such successor(s) assumes any of the obligations of such Reference Entity.