

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 18-068

Organization: Chicago Mercantile Exchange Inc. ("CME")

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 02/08/18 **Filing Description:** Expansion of CME Clearing's Acceptance of Mexican Foreign Sovereign Debt as Performance Bond.

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

- Certification § 40.6(a)
- Approval § 40.5(a)
- Notification § 40.6(d)
- Advance Notice of SIDCO Rule Change § 40.10(a)
- SIDCO Emergency Rule Change § 40.10(h)

Rule Numbers: See filing.

New Product

Please note only ONE product per Submission.

- Certification § 40.2(a)
- Certification Security Futures § 41.23(a)
- Certification Swap Class § 40.2(d)
- Approval § 40.3(a)
- Approval Security Futures § 41.23(b)
- Novel Derivative Product Notification § 40.12(a)
- Swap Submission § 39.5

Product Terms and Conditions (product related Rules and Rule Amendments)

- Certification § 40.6(a)
- Certification Made Available to Trade Determination § 40.6(a)
- Certification Security Futures § 41.24(a)
- Delisting (No Open Interest) § 40.6(a)
- Approval § 40.5(a)
- Approval Made Available to Trade Determination § 40.5(a)
- Approval Security Futures § 41.24(c)
- Approval Amendments to enumerated agricultural products § 40.4(a), § 40.5(a)
- "Non-Material Agricultural Rule Change" § 40.4(b)(5)
- Notification § 40.6(d)

Official Name(s) of Product(s) Affected:

Rule Numbers:

February 8, 2018

VIA ELECTRONIC PORTAL

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

**Re: CFTC Regulation 40.6(a) Certification. Chicago Mercantile Exchange Inc.'s Clearing Advisory Notice Regarding an Expansion of CME Clearing's Acceptance of Mexican Foreign Sovereign Debt as Performance Bond
CME Submission No. 18-068**

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange Inc. ("CME"), pursuant to Commodity Futures Trading Commission (the "Commission") Regulation 40.6(a), hereby self-certifies the attached draft CME Clearing Advisory Notice regarding an expansion of CME Clearing's acceptance of Mexican foreign sovereign debt as performance bond, effective March 1, 2018.

The CME Clearing Advisory Notice informs clearing members and market participants that CME Clearing, effective March 1, 2018, will increase the maximum allowable collateral limit for Mexican foreign sovereign debt meeting performance bond requirements from \$100 million USDE per clearing member (and affiliates) to \$250 million USDE per clearing member (and affiliates). In addition, Mexican foreign sovereign debt will be permitted to meet performance bond requirements denominated in any currency, subject to the cross-currency haircut schedule listed on CME's website. The proposed changes are intended to simplify clearing member management of performance bond collateral and increase the flexibility for clearing members posting Mexican foreign sovereign debt as performance bond at CME. Furthermore, the proposed changes would require no change to CME's existing \$7 billion credit facility.

In connection with this change, 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: Regulation 39.33 provides in relevant part that a derivatives clearing organization's ("DCO") financial resource may include highly marketable collateral, including high quality, liquid, general obligations of a sovereign nation so long as these assets are readily available and convertible into cash pursuant to prearranged and highly reliable funding arrangements under extreme but plausible market conditions. As specified above, Mexican foreign sovereign debt satisfies the liquidity requirement in that CME's committed liquidity facility permits CME to pledge Mexican foreign sovereign debt subject to certain concentration limits. The change described above does not impact the clearing member's total margin requirement; however, dependent upon the composition of collateral pledged, the performance bond value of such collateral may vary as a result of cross-currency haircuts.

Risk Management: Regulation 39.13(g)(10) requires each DCO to limit the assets it accepts as initial margin to those that have minimal credit, market and liquidity risk. The proposed expansion serves to further diversify the resources available to CME in the event of a clearing member default and to reduce potential

concentration of CME's collateral holdings and thereby mitigate market and liquidity risk in a stressed market environment. While the current limit on the use of Mexican foreign sovereign debt as performance bond will increase, CME believes that the limit does not materially affect risk management due to the liquidity of the securities, the haircut applied, and the fact that the securities are eligible to be pledged as collateral under CME's committed liquidity facility.

The text of the draft CME Clearing Advisory Notice, which provides additional information on the changes, is attached hereto 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 me at (212) 299-2200 or via e-mail at Christopher.Bowen@cmegroup.com. Please reference our CME Submission No. 18-068 in any related correspondence.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachment: Exhibit A – CME Clearing Advisory Notice

Exhibit A



TO: Clearing Member Firms
Chief Financial Officers
Back Office Managers

FROM: CME Clearing

Advisory #: [Number to be assigned upon publication]

SUBJECT: Mexican Foreign Sovereign Debt Limit Change

DATE: February 27, 2018

Pursuant to CME Clearing's acceptable collateral listed on [its website](#), Mexican foreign sovereign debt is currently accepted to meet performance bond requirements denominated in Mexican Peso, limited to \$100 million USDE per clearing member (and affiliates).

Effective March 1, the limit will be increased to \$250 million USDE per clearing member (and affiliates) and Mexican foreign sovereign debt will be permitted to meet performance bond requirements denominated in any currency, subject to the cross-currency haircut schedule listed on [the website](#).

For collateral acceptance criteria, as well as information regarding limits and haircuts, please see the [Standard Acceptable Collateral and Resources website](#).

For questions, please contact Credit Risk at CreditRisk@cmegroup.com.