

**SUBMISSION COVER SHEET**

**IMPORTANT:** Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 15-103

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

Filing as a:  DCM  SEF  DCO  SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 03/09/2015 Filing Description: Expansion of Modified Split Methodology

**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: N/A

**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

Official Product Name:

**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:

March 9, 2015

**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. Notification Regarding the Expansion of Modified Split Methodology. CME Submission No. 15-103**

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange Inc. (“CME”), a registered derivatives clearing organization (“DCO”) under the Commodity Exchange Act, as amended (the “Act”), hereby submits to the Commodity Futures Trading Commission (“CFTC” or “Commission”), pursuant to Commission Regulation 40.6(a), an expansion of our Modified Split methodology (“Mod Split”) in CME’s Standard Portfolio Analysis of Risk (“SPAN”).

Mod Split is an extension to CME’s regular split allocation methodology which has been in place for several years. Regular split allocation is a way for SPAN to “split” certain products such as calendar spread options into their respective underlying risk components to allow for efficient netting across portfolios holding combinations of many product types. Mod Split allocation includes the implied volatility risk with option contracts that are set to regular split and allows for more complete margining of the volatility risk with calendar spread options. As opposed to the regular split methodology, Mod Split first assesses the risk on the equivalent delta hedged portfolio of futures + options and then assesses the options risk array for the residual (non-delta) risk.

Currently, Mod Split is applied only to the major energy products. Pursuant to this submission, CME will extend Mod Split to current and future instruments in the categories below:

- Calendar Spread Options;
- Bundle Products;
- Spread and Strip Futures and Options;
- Monthly products that deconstruct to Daily products; and
- Products that deconstruct to other underlying instruments.

The proposed changes will be effective on Tuesday, March 24, 2015, or on such later date as determined by CME.

**Core Principle Review**

CME reviewed the derivatives clearing organization core principles (“Core Principles”) as set forth in the Act and Commission regulations thereunder and identified the following Core Principle as potentially being impacted:

- Core Principle D – Risk Management: CFTC Regulation 39.13 requires DCO's to establish initial margin requirements that are commensurate with the risks of each product and portfolio, including unusual characteristics thereof. Consistent with this regulation, the extension of Mod Split to the abovementioned product classes allows for initial margin for such product classes to more appropriately capture the implied volatility risks associated with such products than the regular split allocation methodology.

CME certifies these changes comply with the Act and regulations thereunder. There were no substantive opposing views to this action.

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

If you require any additional information regarding this submission, please contact Dale Michaels at 312-930-3062 or via email at [Dale.Michaels@cmegroup.com](mailto:Dale.Michaels@cmegroup.com), or contact me at 212-299-2228 or via email at [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Jason Silverstein  
Executive Director & Associate General Counsel