

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 21-165

Organization: Chicago Mercantile Exchange Inc. (CME)

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 03/24/21 **Filing Description:** Expansion of Clearing of Certain OTC Interest Rate Swap Products Denominated in Australian Dollars, Canadian Dollars, British Pound Sterling and Japanese Yen .

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

- | | | |
|-------------------------------------|-------------------------------------|------------|
| <input checked="" type="checkbox"/> | Certification | § 40.6(a) |
| <input type="checkbox"/> | Approval | § 40.5(a) |
| <input type="checkbox"/> | Notification | § 40.6(d) |
| <input type="checkbox"/> | Advance Notice of SIDCO Rule Change | § 40.10(a) |
| <input type="checkbox"/> | SIDCO Emergency Rule Change | § 40.10(h) |

Rule Numbers: See filing.

New Product

Please note only ONE product per Submission.

- | | | |
|--------------------------|---------------------------------------|------------|
| <input type="checkbox"/> | Certification | § 40.2(a) |
| <input type="checkbox"/> | Certification Security Futures | § 41.23(a) |
| <input type="checkbox"/> | Certification Swap Class | § 40.2(d) |
| <input type="checkbox"/> | Approval | § 40.3(a) |
| <input type="checkbox"/> | Approval Security Futures | § 41.23(b) |
| <input type="checkbox"/> | Novel Derivative Product Notification | § 40.12(a) |
| <input type="checkbox"/> | Swap Submission | § 39.5 |

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

- | | | |
|--------------------------|---|----------------------|
| <input type="checkbox"/> | Certification | § 40.6(a) |
| <input type="checkbox"/> | Certification Made Available to Trade Determination | § 40.6(a) |
| <input type="checkbox"/> | Certification Security Futures | § 41.24(a) |
| <input type="checkbox"/> | Delisting (No Open Interest) | § 40.6(a) |
| <input type="checkbox"/> | Approval | § 40.5(a) |
| <input type="checkbox"/> | Approval Made Available to Trade Determination | § 40.5(a) |
| <input type="checkbox"/> | Approval Security Futures | § 41.24(c) |
| <input type="checkbox"/> | Approval Amendments to enumerated agricultural products | § 40.4(a), § 40.5(a) |
| <input type="checkbox"/> | “Non-Material Agricultural Rule Change” | § 40.4(b)(5) |
| <input type="checkbox"/> | Notification | § 40.6(d) |

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

Rule Numbers:

March 24, 2021

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: Regulation 40.6(a) Certification. Expansion of Clearing of Certain OTC Interest Rate Swap Products Denominated in Australian Dollars, Canadian Dollars, British Pound Sterling and Japanese Yen.
CME Submission No. 21-165**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6(a), Chicago Mercantile Exchange Inc. (“CME” or the “Clearing House”), a registered derivatives clearing organization (“DCO”) under the Commodity Exchange Act, as amended (“CEA” or “Act”) hereby certifies to the Commission the expansion of the maximum maturity of the following interest rate swap (“IRS”) products as indicated below for submission for clearing via CME ClearPort, effective for trade date Monday, April 12, 2021 (the “Effective Date”):

Overnight Index Swaps (“OIS”)

- Australian Dollar (“AUD”), extend maximum maturity support from 6 years to 31 years (11,333 days)
- Canadian Dollar (“CAD”), extend maximum maturity support from 3 years to 31 years
- British Pound Sterling (“GBP”), extend maximum maturity support from 30 years to 51 years (18,638 days)
- Japanese Yen (“JPY”), extend maximum maturity support from 30 years to 31 years

(together, the “Contracts”).

This maturity extension for the Contracts is considered by CME to be necessary to align the maximum maturity of the Contracts with the respective maximum maturity of the fixed/float swaps offered by CME in each currency referenced in the Contracts, in order to assist market participants with the eventual transition to risk-free or nearly risk-free rate (“RFR”) indexed swaps.¹

CME reviewed the DCO core principles (“Core Principles”) as set forth in the Act and identified that the expansion of the maximum maturity of the Contracts may have some bearing on the following principles:

¹ For example, following the March 5, 2021, announcements by the [UK Financial Conduct Authority](#) (“FCA”) and [ICE Benchmark Administration Limited](#) (“IBA”) regarding the future of LIBOR rates, certain LIBOR indexed swaps will fall back under industry protocols to reference nominated RFRs in line with the timeline published by IBA and the FCA. This transition will be supported by the alignment of maximum maturity support for RFR referencing OIS with that for fixed/float swaps.

DCO Core Principle B – Financial Resources: The expansion changes will not have a material impact on the financial resources of CME. As such, it will not prevent CME Clearing from demonstrating that it has adequate financial, operational, and managerial resources to discharge its responsibilities as DCO.

DCO Core Principle C – Participant and Product Eligibility: The expansion changes will be made publicly available on the CME Group website.² There are no changes to admission or continuing eligibility standards for members or participants in order to clear the Contracts, which remain objective, publicly disclosed and permit fair and open access. There will be no changes to CME Rule 8G04. (“IRS Clearing Member Obligations and Qualifications”), which specifies the requirements for IRS Clearing Members.

CME Clearing has appropriate procedures for determining the eligibility of contracts for clearing, to ensure the Contracts satisfy the requirements for product eligibility in CFTC Regulation 39.12(b). CME validated that the trading volume and liquidity in the relevant markets for the Contracts, as well as the availability of reliable prices from independent third-party market data providers, is sufficient to cover the maximum maturity expansion of the Contracts. CME also ensured that there are no impacts to the operational capacity of the DCO to support this maturity extension and reviewed the tenor extension specifications with our IRS Clearing Members³ to ensure there are no unusual risk characteristics of this enhancement.

DCO Core Principle D – Risk Management: CFTC Regulation 39.13(g)(2)(i) requires that a DCO have initial margin requirements that are commensurate with the risks of each product and portfolio. Consistent with this regulation, CME has performed various tests to ensure the existing IRS margin model and related parameters do not require any enhancements to cover the maximum maturity expansion of the Contracts. These tests included backtesting and correlation analysis where it was validated that CME’s existing IRS margin model generates performance bond requirements that are sufficient to cover the maximum maturity expansion of the Contracts. Further, the existing IRS financial safeguards will be utilized to cover any additional exposures related to the maturity expansion. The IRS financial safeguards will continue to provide risk management protection beyond daily settlement variation and performance bonds.

DCO Core Principle L – Public Information: The expansion changes will be made publicly available on the CME Group website.⁴ In addition, on March 19, 2021, CME published a Clearing Advisory Notice to the marketplace regarding the proposed amendments in advance of the Effective Date, expressed as subject to relevant Commission regulatory review periods, which was also posted on the CME Group website⁵.

DCO Core Principle R – Legal Risk: CME has determined that the expansion changes are consistent with the requirement to have a well-founded, transparent and enforceable legal framework for each aspect of the activities of the DCO.

Attached as Exhibit 1 are the relevant product specifications for the Contracts.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), CME hereby certifies that the expansion of the maximum maturity of the Contracts for clearing, comply with the Act, including all regulations under the Act. There were no substantive opposing views to this proposal.

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

² See <https://www.cmegroup.com/trading/interest-rates/cleared-otc.html>.

³ The Clearing House presented the proposed tenor extensions in the CME “OTC Clearing Initiatives Forum” on multiple occasions and issued an operational specification to Clearing Members and back office providers on February 12, 2021.

⁴ See <https://www.cmegroup.com/trading/interest-rates/cleared-otc.html>.

⁵ See CME Clearing Advisory Notice 21-103, available at:

<https://www.cmegroup.com/content/dam/cmegroup/notices/clearing/2021/03/Chadv21-103.pdf>

Should you have any questions concerning the above, please contact the undersigned at (212) 299-2200 or CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachment: Exhibit 1: Amended Contract Product Specifications

EXHIBIT 1

Amended Contract Product Specifications

Instrument Type	Acceptable Currencies	Floating Index	Maximum Maturity (from Cleared Date)
OIS	AUD	AUD-AONIA-OIS-COMPOUND	Up to 31Y
OIS	CAD	CAD-CORRA-OIS-COMPOUND	Up to 31Y
OIS	JPY	JPY-TONA-OIS-COMPOUND	Up to 31Y
OIS	GBP	GBP-SONIA-COMPOUND	Up to 51Y