

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 18-363 (4 of 5)

Organization: New York Mercantile Exchange, Inc. ("NYMEX")

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 08/17/18 Filing Description: Amendments to CME/CBOT/NYMEX/COMEX Rules 403.A. ("Clearing House Risk Committee"), 901.H. ("General Requirements and Obligations"), 912. ("Approval"), 913. ("Withdrawal from Clearing Membership") and CME Rule 8G913.A. (Withdrawal from IRS Clearing Membership).

**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: 403.A, 901.H, 912, 913 and 8G913.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:

August 17, 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, DC 20581

**Re: CFTC Regulation 40.6(a) Certification. Notification Regarding Amendments to CME/CBOT/NYMEX COMEX Rules 403.A (“Clearing House Risk Committee”), 901.H (“General Requirements and Obligations”), 912 (“Approval”), 913 (“Withdrawal from Clearing Membership”) and CME Rule 8G913.A (Withdrawal from IRS Clearing Membership”).  
NYMEX Submission No. 18-363 (4 of 5)**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6(a), Chicago Mercantile Exchange Inc. (“CME”), The Board of Trade of the City of Chicago, Inc. (“CBOT”), New York Mercantile Exchange, Inc. (“NYMEX”) and Commodity Exchange, Inc. (“COMEX”) (each an “Exchange” and collectively the “Exchanges”) hereby notify the Commission that they are self-certifying amendments to CME/CBOT/NYMEX/COMEX Rules 403.A. (“Clearing House Risk Committee”), 901.H. (“General Requirements and Obligations”), 912. (“Approval”), 913. (“Withdrawal from Clearing Memberships”) and CME Rule 8G913.A. (“Withdrawal from IRS Clearing Membership”) (collectively, the “Rule Amendments”), effective on September 4, 2018.

The CME Group Board of Directors (“Board”) established the Clearing House Risk Committee (“CHRC”) and the Interest Rate Swap Risk Committee (“IRSRC”) as special committees that include market participant members. The CHRC and IRSRC were established to assist the Board—and later, the Clearing House Oversight Committee (“CHOC”)—in fulfilling their oversight responsibilities with respect to, *inter alia*, clearing member admission. The CHOC is a Board-level committee charged with providing oversight of the risk management activities and management of CME Clearing.

Until recently the governing documents for the aforementioned committees reserved the powers to approve Clearing Member applications, withdrawals and certain significant transactions to the CHRC and IRSRC. However, in an effort to avoid potential conflicts of interest which may arise with clearing member participants having approval authority in connection with Clearing Member applications, withdrawals and corporate changes, the governance documents of the respective committees were recently revised to reserve such powers to the CHOC, subject to input from the CHRC and IRSRC.

Certain of the Exchanges’ rules reflect the legacy allocation of the aforementioned approval powers to the CHRC and the IRSRC. Accordingly, the Rule Amendments are being implemented to align each of the Exchange’s rulebooks with the CHOC’s authority to approve clearing member applications, withdrawals and significant transactions. While the CHRC and IRSRC will retain their important advisory role on such matters they will no longer be providing final approval for them.

The Rule Amendments are set forth in Exhibit A.

The Exchanges reviewed the derivatives clearing organization core principles and the designated contract market core principles (collectively, the “Core Principles”) as set forth in the Commodity Exchange Act (“CEA” or “Act”) and identified that the Rule Amendments may have some bearing on the following Core Principles:

**DCO Core Principle L – Public Information:** The rulebook amendments will be added to the publicly available Exchange rulebooks available on the CME Group website. In addition, the Exchanges will release a notice to the marketplace regarding the amendments in advance of the effective date which will also be posted on the CME Group website.

**DCO Core Principle O – Governance Fitness Standards:** The Rule Amendments reflect the roles and responsibilities of the CHOC, CHRC and IRSRC as reflected in those committees’ governance documents. The fact that the CHRC and IRSRC will provide ex ante feedback to the CHOC on such matters ensure the views of participants will continue to be considered. The Rule Amendments further reflect the public interest by mitigating the potential for commercial conflicts of interest in decisions that ultimately concern market participant access to central clearing.

**DCO Core Principle P – Conflicts of Interest:** Clearing members compose both the CHRC and IRSRC. The Rule Amendments’ reallocation of approval authority for clearing member applications, withdrawals and significant transactions away from these committees and to the CHOC will mitigate potential conflicts of interest among Clearing Member representatives on the CHRC and IRSRC.

**DCM Core Principle 7 – Availability of General Information:** The Rule Amendments will be posted publicly on the CME Group website in satisfaction of this core principle.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchanges certify that the Rule Amendments comply with the Act and regulations thereunder. There were no substantive opposing views to this proposal.

The Exchanges certify that this submission has been concurrently posted on the Exchanges’ website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

If you require any additional information regarding this submission, please contact the undersigned at 212.299.2200 or via email at [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachment: Exhibit A: CME/CBOT/NYMEX/COMEX Rules 403.A., 901.H., 912., 913. and CME Rule 8G913.A. (blackline format)

## EXHIBIT A

### **CME/CBOT/NYMEX/COMEX Rule Amendments**

(additions underscored; deletions ~~overstruck~~)

#### **CME/CBOT Rulebook Chapter 4 Enforcement of Rules**

#### **403. CLEARING HOUSE RISK COMMITTEE**

##### **403.A Jurisdiction and General Provisions**

The Clearing House Risk Committee (or any subcommittee thereof) (collectively, "CHRC"), shall ~~determine whether an applicant satisfies the~~ review each applicant's qualifications for status as a Clearing Member. ~~The CHRC decision shall be subject to appeal and refer each such application for Clearing Membership along with the CHRC's feedback to the Board by an applicant. Clearing House Oversight Committee for approval.~~ The CHRC may adopt regulations regarding qualifications for admission to membership in the Clearing House, which regulations, when approved by the Board, shall have the same effect as Rules of the Exchange. The CHRC shall ~~act upon applications for review any changes to the Clearing Membership requirements and new types of clearing membership and applications for assignment of trading rights for clearing purposes. Applications for clearing membership and for assignment of trading rights for clearing purposes, when approved by the CHRC, shall be effective~~ approve all substantive changes and thereafter ratified by recommend them to the Board. Clearing House Oversight Committee for its approval.

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#### **NYMEX/COMEX Rulebook Chapter 4 Enforcement of Rules**

#### **403. CLEARING HOUSE RISK COMMITTEE**

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**CBOT/NYMEX/COMEX Rulebook**

**Chapter 9**

**Clearing Members**

**Rule 901. GENERAL REQUIREMENTS AND OBLIGATIONS**

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**901.H**

It shall notify the Exchange prior to any significant business transaction or significant change in operations which shall include, but is not limited to the following:

1. The merger, combination or consolidation between the clearing member and another person or entity;
  2. The assumption or guarantee by the clearing member of all or substantially all of the liabilities of another in connection with a direct or indirect acquisition of all or substantially all of that person's or entity's assets;
  3. The sale by the clearing member of a significant part of its business and/or assets to another person or entity;
  4. A change in the direct or indirect beneficial ownership of 20% or more of the clearing member;
  5. Any change in the system provider used by the clearing member to process its trades; and
  6. A significant increase in the number of members that a clearing member qualifies.
- Additionally, a clearing member that qualifies members must provide fifteen days notice to the Exchange of any proposal to terminate such business or any material part of such business.

The Clearing House Risk Committee relevant committee or Exchange staff, upon such notice, may disapprove or approve, subject to certain conditions, such changes in structure or operations if it determines that the proposed change could jeopardize the financial or operational integrity of the Exchange. For purposes of this Rule, the Clearing House Oversight Committee shall be the relevant committee with respect to corporate organization and structure changes and the Clearing House Risk Committee shall be the relevant committee with respect to all other changes.

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**CME Rulebook**  
**Chapter 9**  
**Clearing Members**

**Rule 901. GENERAL REQUIREMENTS AND OBLIGATIONS**

...

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It shall notify the Exchange prior to any significant business transaction or significant change in operations which shall include, but is not limited to the following:

7. The merger, combination or consolidation between the clearing member and another person or entity;
8. The assumption or guarantee by the clearing member of all or substantially all of the liabilities of another in connection with a direct or indirect acquisition of all or substantially all of that person's or entity's assets;
9. The sale by the clearing member of a significant part of its business and/or assets to another person or entity;
10. A change in the direct or indirect beneficial ownership of 20% or more of the clearing member;
11. Any change in the system provider used by the clearing member to process its trades; and
12. A significant increase in the number of members that a clearing member qualifies. Additionally, a clearing member that qualifies members must provide fifteen

days notice to the Exchange of any proposal to terminate such business or any material part of such business.

The ~~Clearing House Risk Committee~~relevant committee or Exchange staff, upon such notice, may disapprove or approve, subject to certain conditions, such changes in structure or operations if it determines that the proposed change could jeopardize the financial or operational integrity of the Exchange or the Clearing House. For purposes of this Rule, the Clearing House Oversight Committee shall be the relevant committee with respect to corporate organization and structure changes and the Clearing House Risk Committee shall be the relevant committee with respect to all other changes.

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## CME/CBOT/NYMEX/COMEX Rulebook

### Chapter 9

#### Clearing Members

##### **Rule 912. APPROVAL**

An applicant for clearing membership receiving a majority vote of the ~~full membership of the~~ Clearing House Risk Oversight Committee shall be approved effective immediately.

An applicant that fails to receive a majority vote shall be informed by the Clearing House Risk Oversight Committee chairman and shall have 10 days thereafter to file an appeal to the Board seeking further consideration. The Board may approve the applicant by a majority vote if it is satisfied that the Clearing House Risk Oversight Committee's decision was arbitrary, capricious or an abuse of the Clearing House Oversight Committee's discretion.

##### **Rule 913. WITHDRAWAL FROM CLEARING MEMBERSHIP**

###### **913.A Voluntary Withdrawal**

A clearing member that intends to withdraw from clearing membership for Base Guaranty Fund Products shall provide written notice of such intent to the Clearing House and the Clearing House Risk Oversight Committee. A clearing member's withdrawal shall be effective on the earlier of (i) the date Clearing House Staff approves such withdrawal or (ii) the 10th Business Day following the date of the clearing cycle in which the withdrawing clearing member liquidates or transfers to an appropriate clearing member all of its open customer and house positions in Base Guaranty Fund Products (such earlier date, the "Base Withdrawal Date"); provided that the withdrawing clearing member shall remain liable for Base Guaranty Fund contributions and assessments in accordance with Rule 913.B. Promptly following the Base Withdrawal Date, the Clearing House shall post a notice of the clearing member's withdrawal.

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## CME Rulebook

### Chapter 8G

#### Interest Rate Derivative Clearing

##### **8G913. WITHDRAWAL FROM IRS CLEARING MEMBERSHIP**

###### **8G913.A. Voluntary Withdrawal**

An IRS Clearing Member that intends to withdraw from clearing membership for IRS Products shall provide written notice of such intent to the Clearing House and the ~~IRS Risk Clearing House~~ Oversight Committee. An IRS Clearing Member's withdrawal shall be effective on the earlier of

(i) the date Clearing House Staff approves such withdrawal or (ii) the 10th Business Day following the date of the clearing cycle in which the withdrawing IRS Clearing Member liquidates or transfers to an appropriate IRS Clearing Member all of its open customer and house positions in IRS Contracts (such earlier date, the "IRS Withdrawal Date"); provided that the withdrawing IRS Clearing Member shall remain liable for IRS Guaranty Fund contributions and IRS Assessments in accordance with Rule 8G913.B. Promptly following the IRS Withdrawal Date, the Clearing House shall post a notice of the IRS Clearing Member's withdrawal.

An IRS Clearing Member may withdraw from serving as an IRS Clearing Member clearing IRS Products without withdrawing as a CME, CBOT, NYMEX or COMEX clearing member for any other products, if applicable.

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