

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 17-542 (3 of 5)

Organization: The Board of Trade of the City of Chicago, Inc. ("CBOT")

Filing as a:  DCM  SEF  DCO  SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 12/11/17 Filing Description: Revisions to CME/CBOT/NYMEX/COMEX Rule 816; CME Rule 8G07

**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

**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:**

December 11, 2017

**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 Rule 816 (“Guaranty Fund Deposit”) and CME Rule 8G07 (“IRS Financial Safeguards and Guaranty Fund Deposit”) CBOT Submission No. 17-542 (3 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”) (collectively, the “Exchanges”) hereby notify the Commodity Futures Trading Commission (“CFTC” or “Commission”) that they are self-certifying amendments to Rule 816 (“Guaranty Fund Deposit”) and CME Rule 8G07 (“IRS Financial Safeguards and Guaranty Fund Deposit”) regarding interim and scheduled guaranty fund resizing requirements. The revision will be effective on December 27, 2017.

The abovementioned rules require that CME Clearing distribute a scheduled monthly report detailing each clearing member’s guaranty fund contribution requirements, in addition to any interim reports distributed on an ad-hoc basis as a result of an intra-month guaranty fund resizing. While CME Clearing believes that the flexibility to perform an intra-month guaranty fund resizing is a critical component of its risk management practices, the requirement to perform a scheduled resizing in quick succession when the cover 2 amount has not changed materially places an operational burden on both clearing members and the clearinghouse with no attendant risk management benefit.

The proposed revision, included below, would remove this requirement where an intra-month resizing, and subsequent issuance of reports, has occurred within five business days prior to the scheduled end-of-month resizing. Implementation of the proposal will not affect CME Clearing’s practices regarding financial resource sizing or risk management.

**Core Principle Review**

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

- DCO Core Principle B – Financial Resources. DCO Core Principle B requires CME Clearing to maintain financial resources sufficient to enable the clearinghouse to meet its financial obligations to clearing members notwithstanding a default by the two clearing members creating the largest exposure to the clearinghouse. The proposed revisions to CME/CBOT/COMEX/NYMEX Rule 816 and CME Rule 8G07 do not suggest any change to the guaranty fund sizing methodology and therefore will have no impact on CME Clearing's ability to meet its cover 2 obligations. The proposal simply removes the requirement to resize the guaranty fund multiple times in succession where the cover 2 amount has not changed substantially.
- DCO Core Principle D – Risk Management. DCO Core Principle D requires CME Clearing to perform stress tests of its financial resources using a predefined methodology. The proposed revision has no impact on the stress testing methodology, nor does it change CME Clearing's practice of daily stress testing.
- DCO Core Principle L – Public Information. The rule amendments will be added to the CME Rulebook publicly available on the CME Group website.
- DCM Core Principle 7 – Availability of General Information. The rule amendments will be added to the Exchange Rulebooks publicly available on the CME Group website.

Exhibits A and B which are attached hereto, set forth the applicable amendments to the rules, with additions underscored.

The Exchanges certify that proposed changes comply with the Act and regulations thereunder. There were no substantive opposing views to this action.

The Exchanges certify that this submission has been concurrently posted on the CME Group 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 Maureen Guilfoile at 312.930.8141 or you may contact us by email at [CFTCSubmissioninquiry@cmegroup.com](mailto:CFTCSubmissioninquiry@cmegroup.com) Please reference CME/CBOT/NYMEX/COMEX Submission No. 17-542 in any related correspondence.

Sincerely,

/s/Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A – Amendment to CME/CBOT/NYMEX/COMEX Rule 816  
Exhibit B – Amendments to CME Rule 8G07

## **Exhibit A**

### **CME/CBOT/NYMEX/COMEX Rulebook Chapter 8 Guaranty Fund Deposit**

(additions are underscored)

#### **816. GUARANTY FUND DEPOSIT**

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The percentages in (i) through (iii) above shall be determined and modified by the Clearing House Risk Committee as appropriate. Some contracts may be weighted more heavily than others in order to reflect the greater risk associated with those contracts. The average aggregate risk performance bond requirement, the total number of contracts executed, the gross notional amount of open interest cleared and each clearing member's proportionate share of each will be calculated by the Clearing House, and a report setting forth such information and the clearing member's required Base Guaranty Fund deposit will be given to the clearing member each month, and the Clearing House may provide such reports on an interim basis at any time during the month as the Clearing House staff shall determine. If at any time, such report indicates that the clearing member's current Base Guaranty Fund deposit with the Clearing House is smaller than the amount required, the clearing member shall increase its amount within two business days. If such report indicates that the clearing member's current Base Guaranty Fund deposit with the Exchange is larger than the amount required, the clearing member may withdraw the excess amount. If, prior to the issuance of the monthly report, the Clearing House determines that an increase in the Base Guaranty Fund deposit is necessary to protect the financial integrity of the Clearing House, the clearing member, upon demand of the Clearing House, shall increase its Base Guaranty Fund deposit amount within two business days. In the event that an interim report is issued within five business days prior to the regularly scheduled monthly report, the Clearing House may opt to forego the issuance of an additional month-end report, provided that the amount of resources required has not changed substantially during this period.

Remainder of rule left unchanged.

## **Exhibit B**

### **CME Rulebook Chapter 8G Interest Rate Derivative Clearing**

(additions are underscored)

#### **8G07. IRS FINANCIAL SAFEGUARDS AND GUARANTY FUND DEPOSIT**

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##### **8G07.2**

The Clearing House shall calculate the aggregate required IRS Guaranty Fund and IRS Assessments on at least a monthly basis, as well as each IRS Clearing Member's required contribution to the Guaranty Fund and its maximum IRS Assessment.

Following any recalculation the Clearing House shall provide a report to each IRS Clearing Member showing the detail of its required deposit to the IRS Guaranty Fund and its maximum IRS Assessment. The notice shall specify the amount of any required additional deposit or any excess in the then-existing deposit amount. In the event that an interim report is issued within five business days prior to the regularly scheduled monthly report, the Clearing House may opt to forego the issuance of an additional month-end report, provided that the amount of resources required has not changed substantially during this period. An IRS Clearing Member shall make any required additional deposit within two business days after delivery of such report and any reported excess may be withdrawn

Remainder of rule left unchanged.