

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 24-215 (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): 10/04/24 Filing Description: Adoption of CME, CBOT, NYMEX/COMEX Rule 915. ("Liquidity Polls") and Revisions to CME Rule 8G04.7. ("IRS Clearing Member Obligations and Qualifications")

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: 915, 8G04.7

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:

October 4, 2024

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. Adoption of CME, CBOT, NYMEX/COMEX Rule 915 (“Liquidity Polls”) and Revisions to CME Rule 8G04.7 (“IRS Clearing Member Obligations and Qualifications”).
NYMEX Submission No. 24-215 (4 of 5)**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6(a), Chicago Mercantile Exchange Inc. (“CME”), in its capacities as both a designated contract market (“DCM”) and a derivatives clearing organization (“DCO” or “CME Clearing”), The Board of Trade of the City of Chicago, Inc. (“CBOT”), New York Mercantile Exchange, Inc. (“NYMEX”) and Commodity Exchange, Inc. (“COMEX”) in their capacities as DCMs, (each an “Exchange” and collectively, the “Exchanges”) hereby certify to the Commission the adoption of CME, CBOT, NYMEX/COMEX Rule 915. (“Liquidity Polls”) and revisions to CME Rule 8G04.7. (“IRS Clearing Member Obligations and Qualifications”) (collectively, the “Rule Amendments”), effective on October 22, 2024.

Liquidity polls for futures and options on futures (each, a “Liquidity Poll”) are designed to estimate the cost of liquidating a hypothetical portfolio of a defaulted Base Clearing Member, typically in distressed market scenarios, and can also be used in the calibration of CME Clearing’s margin model. Base Clearing Member participation in Liquidity Polls is currently voluntary. To enhance the participation rate and quality of submissions in such polls, the Exchanges are certifying new Rule 915 to establish a framework for mandatory participation in Liquidity Polls for select Base Clearing Members that possess the required expertise and have proprietary account exposure in the relevant product(s).

The Liquidity Polling Categories, as defined in new Rule 915, for which Base Clearing Member participation is required will be determined on at least a semi-annual basis by CME Clearing based on exposure, concentration, specific needs of the margin model or other relevant factors. CME Clearing will issue an advisory notice to all Base Clearing Members regarding determinations of Liquidity Polling Categories or changes thereto. CME Clearing staff will determine the products to be included in each Liquidity Polling Category for a given Liquidity Poll.

CME Clearing will identify and notify Base Clearing Members that are required to participate in Liquidity Polls for a given Liquidity Polling Category, based primarily on Clearing Members’ relative performance bond in their proprietary account, trading volume in their proprietary account, and expertise with respect to the given product(s). CME Clearing will not require Base Clearing Members with no open interest in the relevant product over the preceding six months to participate in a Liquidity Poll for such product(s). Voluntary participation in Liquidity Polls by customers and other Base Clearing Members will continue to be encouraged.

Each Base Clearing Member that is required to participate in a Liquidity Poll must complete its responses for each sub-group within a Liquidity Polling Category, obtain internal approval and submit to CME Clearing by the deadline established by the Clearing House. Failure to complete its responses in a timely manner may result in assessment of a monetary penalty and/or disciplinary action as described in Rule 915.

In addition, CME is amending Rule 8G04.7., which establishes liquidity poll participation requirements for IRS Clearing Members, to harmonize with the provisions in Rule 915. Specifically, the reference to “monetary penalty” will be stricken from Rule 8G04.7 to clarify the nature of such assessments, and the final sentence regarding the addition of assessments to the CME Contribution will be deleted to align CME’s practices for collecting administrative fees with other areas of the Exchanges’ Rulebooks. The proposed changes do not impact the size of the IRS Guaranty Fund.

The Rule Amendments are provided in Exhibit 1 below in blackline format.

The Exchanges reviewed the DCO Core Principles and the DCM 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 Principles

- DCO Core Principle B – Financial Resources: This Core Principle requires CME Clearing to have adequate financial resources to discharge its responsibilities as a DCO. The Rule Amendments will not impact the size or coverage of the guaranty fund. The Exchanges expect that the Rule Amendments will provide CME Clearing with additional information regarding hypothetical default scenarios and further support the adequacy of its initial margin requirements.
- DCO Core Principle C – Participant and Product Eligibility: This Core Principle and related Regulation §39.12 requires CME Clearing to publicly disclose its admission and continuing participation requirements. The Rule Amendments provide a transparent framework for determining which Base Clearing Members will be required to participate in Liquidity Polls and notifying them of their obligations.
- DCO Core Principle D – Risk management: The Rule Amendments enhance CME Clearing’s ability to manage the risks associated with discharging the responsibilities of the DCO.
- DCO Core Principle L – Public information: This Core Principle requires CME Clearing to publicly disclose its rules and procedures. The Rule Amendments will be incorporated into the Exchanges’ publicly available Rulebook. An advisory setting forth the Rule Amendments will be issued and posted on the CME Group website.

DCM Core Principles

- DCM Core Principle 7 - Availability of general information: Rule 915. will be incorporated into the Exchanges’ publicly available rulebook. An advisory setting forth the Rule Amendments will be issued and posted on the CME Group website.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchanges certify that the Rule Amendments comply with the CEA and the regulations thereunder. There were no substantive opposing views to the 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, please contact the undersigned at (312) 466-7478 or via e-mail at CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/ Timothy Elliott
Managing Director and Chief Regulatory Counsel

Attachment: Exhibit 1 – Adoption of CME, CBOT, and NYMEX/COMEX Rule 915. and Amendments to CME Rule 8G04.7. (blackline format)

Exhibit 1
CME, CBOT, NYMEX/COMEX Rulebooks
Chapter 9
CLEARING MEMBERS

(additions underscored; deletions ~~struck through~~)

915. LIQUIDITY POLLS

The Clearing House will establish categories and sub-categories of Base Contracts for mandatory participation in liquidity polling processes (“Liquidity Polling Categories”) in order to establish a minimum number of mandatory participants in liquidity polls and to assist with estimating the cost of liquidating a hypothetical portfolio of a defaulted Base Clearing Member (each, a “Liquidity Poll”). The Clearing House shall determine the Liquidity Polling Categories for which Base Clearing Member are required to participate in Liquidity Polls and publish such Liquidity Polling Categories.

A Base Clearing Member with open interest in its proprietary account for a Liquidity Polling Category may be selected for mandatory participation in Liquidity Polls based on the Clearing House’s assessment of the following factors:

A. Relative performance bond in the proprietary account for the relevant Liquidity Polling Category.

B. Relative intraday trading volume for the proprietary account for the relevant Liquidity Polling Category.

C. An assessment of the firm’s capabilities for participating in Liquidity Polls.

The Clearing House may, in its sole discretion, exempt a Base Clearing Member from mandatory participation in the nearest Liquidity Poll for one or more Liquidity Polling Categories, based on the factors above or any other factor it deems relevant.

Each Base Clearing Member that is required to participate in a Liquidity Poll must comply with all Clearing House participation requirements for that Liquidity Poll. A Base Clearing Member’s failure to provide required Liquidity Poll submissions by the deadline established by the Clearing House may result in the Base Clearing Member being assessed up to \$50,000 and/or referral to the Chief Regulatory Officer for potential disciplinary action, in accordance with established CME Clearing procedures.

915916.-929. [RESERVED]

[Remainder of Chapter is unchanged.]

CME Rulebook
Chapter 8-G
INTEREST RATE DERIVATIVE CLEARING

8G04. IRS CLEARING MEMBER OBLIGATIONS AND QUALIFICATIONS

7. Each IRS Clearing Member shall participate in each IRS Liquidity Poll (“Poll”) for each IRS Product currency in which the IRS Clearing Member has open interest, unless exempted by the Clearing House for that currency. A Clearing Member’s failure to provide required Poll submissions by the deadline established by the Clearing House may result in the IRS Clearing Member being assessed ~~a monetary penalty~~ up to \$50,000 and/or referred to the Chief

Regulatory Officer for potential disciplinary action, in accordance with established CME Clearing procedures. ~~Assessed penalties shall be added to the CME IRS Contribution within the IRS Priority of Payments as outlined at CME Rule 8G802.B.~~

[Remainder of Rule is unchanged.]