

**SUBMISSION COVER SHEET**

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

**Registered Entity Identifier Code (optional):** 24-093

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

**Filing as a:**  DCM  SEF  DCO  SDR

**Please note - only ONE choice allowed.**

**Filing Date (mm/dd/yy):** 02/01/24 **Filing Description:** Acceptance of PLN Warsaw Interest Rate Overnight (WIRON) Interest Rate Swaps for Clearing

**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:**

**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

**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:**

February 1, 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 39.5(b) Certification. Acceptance of PLN Warsaw Interest Rate Overnight (WIRON) Interest Rate Swaps for Clearing.  
CME Submission No. 24-093**

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange Inc. (“CME” or “CME Clearing”), a registered derivatives clearing organization (“DCO”) under the Commodity Exchange Act, as amended (“CEA” or “Act”) hereby submits to the Commodity Futures Trading Commission (“CFTC”) pursuant to Commission Regulation 39.5(b), its certification that it will begin accepting Polish Zloty (“PLN”) Warsaw Interest Rate Overnight (“PLN-WIRON”) interest rate swaps (overnight index swaps) (“WIRON OIS”) for clearing and implement related amendments to CME Rule 90102.E.1. (“Interest Rate Swaps Rate Options”) of Chapter 901 (“Interest Rate Swaps Contract Terms”), effective on trade date Monday, February 5, 2024.

In May 2022, the Polish Government announced its intention to replace the PLN Warsaw Interbank Offer Rate (“PLN-WIBOR”) with a new benchmark interest rate. On September 28, 2022, the Poland National Working Group for the reform of benchmarks (“NWG”) announced WIRON as the benchmark to replace PLN-WIBOR. PLN-WIRON is administered and published by GPW Benchmarks S.A. (“GPW”), which acts based on authorization from the Polish Financial Supervision Authority issued pursuant to Art. 34 of the EU Benchmarks Regulation (“BMR”). GPW has published the PLN-WIRON rate since January 2023.

In order to obtain a near risk-free reference rate (“RFR”) aligned to international standards and representative of the Polish overnight secured interbank funding market for PLN, GPW calculates and provides to the general public the PLN-WIRON rate. A key feature of RFRs is that these rates must be determined solely from transaction data. Hence, PLN-WIRON is calculated using the data on overnight maturity deposit transactions provided daily to GPW by data contributors. These contributors are participants of a panel, including the banks listed on the GPW’s website under transaction-based indices.<sup>1</sup> WIRON is the wholesale money market in the segment of overnight deposit transactions in PLN.

The Poland NWG and working committee for benchmark rates reform (“KS NGR”) originally announced a planned cessation of WIBOR for December 31, 2024. However, in October 2023, the decision was made to delay such cessation event until the end of 2027, providing additional time for market participants to prepare for the shift to WIRON.

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<sup>1</sup> See <https://gpwbenchmark.pl/data-contributors>.

CME will begin to clearing outright WIRON OIS swaps to offer market participants clearing services for swaps indexed to the risk-free rate ahead of the aforementioned benchmark transition in Poland. In offering clearing support for WIRON OIS interest rate swaps, CME will continue to support the risk management needs of market participants utilizing the WIRON rate in cash and derivative market products, as part of CME's comprehensive interest rate complex. Cleared WIRON OIS swaps are designed as a Polish Zloty-denominated overnight, risk-free rate indexed interest rate swap that will add to CME Clearing's suite of interest rate swap products, allowing market participants to further manage their interest rate exposures going forward.

As shown in Exhibit 2, CME's cleared OTC IRS product scope will be increased to include WIRON OIS.

### **39.5(b)(3)(i): Eligibility to Clear**

Pursuant to CFTC Regulation 39.5(b)(3)(i), CME states that it is eligible to accept WIRON OIS for clearing. Should the Commission determine that such swaps are required to be cleared, CME will be able to maintain compliance with the DCO core principles set forth in Section 5b(c)(2) of the Act and the Regulations promulgated thereunder.

In accordance with CFTC Regulation 39.5(b)(3)(ii)-(viii), CME is providing the following information in support of this submission:

### **39.5(b)(3)(ii)(A): Statement on Outstanding Derivatives Notional Exposure, Trading Liquidity and Pricing Data**

GPW Benchmarks, S.A. began publishing the WIRON rate in January 2023, following the the NWG's announcement that WIRON is to serve as the new benchmark interest rate, the new rate has been increasingly utilized for cash market contracts, including the issuance of corporate bonds, floating-rate notes, syndicated loans and certificates of deposit. CME expects the WIRON rate will be utilized for an increasing amount of OTC swap transactions as clearing becomes available and the WIBOR cessation date nears.

#### A. WIRON Swaps

WIRON OIS swaps have not been widely traded by the marketplace, as evidenced by the 22 thousand PLN in notional volume reported to the Central Securities Depository of Poland and US swap data repositories through January 30, 2024. Based on additional data reported through ClarusFT CCPView, 40 million PLN in notional WIRON OIS volume has been traded and cleared at other central counterparties. Open Interest reached a peak of 20 million PLN most recently on December 4, 2023, but stood at 0 as of January 30, 2024. CME expects this activity to develop as liquidity shifts from the WIBOR index to WIRON over the next few years.

Given that the cessation of WIBOR has formally been announced to occur at the end of 2027, CME Clearing plans to convert in-scope legacy WIBOR swaps to the new WIRON index at a future date in the months leading up to the cessation event.

CME Clearing intends to support clearing of the new WIRON OIS well in advance of any such conversion. Providing production clearing support in February 2024 will allow participants adequate time to ensure their systems and businesses are configured for WIRON OIS and begin building liquidity ahead of the WIBOR cessation.

### **39.5(b)(3)(ii)(B): Rule Framework, Capacity, Operational Expertise and Resources, and Credit Support Infrastructure**

The rule framework for WIRON OIS is the same as all other IRS cleared by CME and is set forth in the CME Rulebook.<sup>2</sup> Furthermore, CME Clearing's "Risk Management and Financial Safeguards" brochure (the "Risk Management Brochure"), contains information regarding CME's risk management capacity, expertise, resources, and financial safeguard system.<sup>3</sup> Both documents are available to the public on the CME Group website.

### **39.5(b)(3)(ii)(C): Statement on the Mitigation of Systemic Risk**

As a central counterparty, CME interposes itself between counterparties to the swaps (and other derivatives products) that it clears, becoming the buyer to every seller and the seller to every buyer. For each swap that it clears, CME provides all clearing house services, including a mark-to-market function, on a daily basis. Depending upon the particular asset class, CME may standardize contract-critical dates (e.g., start dates, last trade dates, expiry dates) and other contract terms. This may enable customers who hold positions to liquidate or to adjust positional exposures simply by buying back or selling the relevant contracts. The associated benefits are considerable:

- *Centralized clearing.* Clearing WIRON OIS swaps through CME allows market participants to free up counterparty credit lines. The daily mark-to-market process employed by CME enhances customer risk management opportunities.
- *Operational efficiencies.* Centralized clearing of swaps reduces operational burdens in several ways. Standardization and centralized clearing enables consolidation of collateral management and cash flows and eliminates the need for novation or tear-ups.
- *Ease of position adjustment.* In non-cleared markets, the only means to completely eliminate the risk of a swap is to (i) enter into a tear-up agreement with the swap counterparty, or (ii) enter into a novation (i.e., find another entity willing to assume its side of the swap). In either case, the tear-up or the novation must be approved by the bilateral swap counterparty. For most asset classes, central clearing may be used to offset exposures by a contra trade.

As further described in the Risk Management Brochure and summarized in the section below titled "Risk Management Procedures," CME has the necessary resources available to clear WIRON OIS swaps.

### **39.5(b)(3)(ii)(D): Statement on Competition and Appropriate Fees and Charges**

CME does not believe that the clearing of WIRON OIS swaps will have any negative impact, or impose any burden, on competition. In clearing WIRON OIS swaps CME will provide market participants with another clearing service provider to support activity in WIRON derivative contracts.

CME's schedule of fees for IRS can be found at <https://www.cmegroup.com/trading/interest-rates/cleared-otc-irs-customer-fees.html>.

### **39.5(b)(ii)(E): Statement on Legal Certainty and Insolvency**

The bankruptcy of a DCO is governed by subchapter IV of Chapter 7 of the U.S. Bankruptcy Code (11 U.S.C. §§ 761-767), and by Subpart C of Part 190 ("Bankruptcy") of the Commission's Regulations. Also relevant in the event that CME were to enter into bankruptcy proceedings is CME Rule 818. ("Close-Out Netting") included in Chapter 8 ("Clearing House and Performance Bonds") of the CME Rulebook.

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<sup>2</sup> The CME Rulebook is available at <https://www.cmegroup.com/rulebook/CME/>

<sup>3</sup> The Risk Management Brochure is available at <http://www.cmegroup.com/clearing/files/financialsafeguards.pdf>  
20 South Wacker Chicago, IL 60606 t 312 466 7478 tim.elliott@cmegroup.com cmegroup.com

The bankruptcy of a clearing member that is a U.S. futures commission merchant (“FCM”) would be governed by subchapter IV of Chapter 7 of the U.S. Bankruptcy Code (11 U.S.C. §§ 761-767) and Subpart B of Part 190 (Bankruptcy) of the Commission’s Regulations. If an FCM is registered as a broker-dealer, certain aspects of its insolvency proceeding will be governed by the Securities Investor Protection Act.

### **39.5(b)(3)(iii): Product Specification**

Attached as Exhibit 2 are the product-specifications for WIRON OIS swaps. These specifications will be added to CME’s IRS product scope slate at <https://www.cmegroup.com/trading/interest-rates/cleared-otc.html>. WIRON OIS will settle in Polish Zloty.

### **39.5(b)(3)(iv): Participant Eligibility Standards**

CME Rule 8G04. (“IRS Clearing Member Obligations and Qualifications”) specifies the requirements for IRS Clearing Members.

### **39.5(b)(3)(v): Pricing Sources**

CME Clearing has concurrently submitted in CME Submission 24-093S, a document, marked for confidential treatment, describing the curve building for cleared WIRON OIS.

WIRON OIS use a single curve methodology for daily valuation. The same curve is used both for forecasting, as well as discounting. The curve is built using WIRON OIS swap inputs ranging from the 1M tenor to the 10Y tenor. Quotes used for curve generation will be sourced at 4pm Warsaw Time, along with existing PLN WIBOR swaps.

### **WIRON Swap Rate**

The WIRON OIS reference the WIRON rate that is administered and published by GPW Benchmarks S.A.. In July 2023, as a part of the global shift to risk free rates, GPW announced that WIRON would be selected as the new benchmark index, shifting away from the current Warsaw Interbank Offer rate (“WIBOR”). The cessation of WIBOR is currently scheduled for the end of 2027. The WIRON rate has been published by GPW since January 2023.

WIRON is determined as the volume-weighted mean interest rate (with rounding precision of 3 decimal places), calculated on a set of daily transactions after symmetrical volume-weighted trimming, i.e., cutting off both tails of the daily volume-weighted distribution of transactions’ interest rates according to a specified percentage of the total volume of all transactions on a given day. In the case of the WIRON, the cut-off point for each side of the volume-weighted interest rate distribution is 25% of total volume. The set of transactions remaining after the trimming process is used to calculate the volume-weighted mean interest rate.

As a part of the methodology, a minimum level of a single transaction’s volume threshold for eligible transactions as well as a maximum level of a single transaction’s volume threshold for eligible transactions were introduced. The minimum threshold was defined at the fixed level of PLN 1 million, while the maximum threshold for 2023 was set at the level of PLN 2.35 billion. This value is reviewed annually and calculated based on a cyclical procedure that ensures its adequacy to current market conditions. The filter for a minimum volume threshold results in exclusion of transactions below the threshold, while the maximum volume threshold in the case of transactions with volume above the threshold results in an overwriting of the volume value of such transaction with the level set by the threshold. The maximum threshold in 2024 was changed to PLN 2.30 bn.

WIRON is published daily throughout the year at the following times:

– at 1:30 pm Central European Time (CET) or shortly after – from January through March.

– at 12:55 pm CET or shortly after – from April through December.

Further information on how the WIRON rate is calculated can be found on the GPW Benchmark's webpage.<sup>4</sup>

CME has a license agreement with GWP Benchmarks S.A. to support the clearing of WIRON OIS swaps.

**39.5(b)(3)(vi): Risk Management Procedures**

The Risk Management Brochure summarizes CME's risk management procedures applicable to the clearing of WIRON OIS.

CME has performed various tests to ensure the existing IRS margin model and related parameters do not require any enhancements to cover the clearing of WIRON OIS. 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 clearing of WIRON OIS. Further, the existing IRS financial safeguards will be utilized to cover any additional exposures related to the clearing of WIRON OIS. The IRS financial safeguards will continue to provide risk management protection beyond daily settlement variation and performance bonds.

**39.5(b)(3)(vii): Rules, Manuals, Policies, or Procedures**

The product rules for WIRON OIS are being added to Chapter 901 of the CME Rulebook and are enclosed in Exhibit 1 which is attached hereto. The product rules to add PLN-WIRON-OIS Compound are reflected in amendments to Rule 90102.E.1. ("Interest Rate Swaps Rate Options"). Exhibit 1 below provides amendments to Rule 90102.E.1. in blackline format.

**39.5(b)(3)(viii): Notice of Submission**

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

Should you have any questions concerning the above, please contact the undersigned at (312) 466-7478 or via e-mail at [CEGSubmissionInquiry@cmegroup.com](mailto:CEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Timothy Elliott  
Managing Director & Chief Regulatory Counsel

Attachments:           Exhibit 1 – Amendments to Rule 90102.E.1. ("Interest Rate Swaps Rate Options")  
                                  Exhibit 2 – WIRON OIS Product Specifications

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<sup>4</sup> <https://gpwbenchmark.pl/indices-details>.

## EXHIBIT 1

### CME RULEBOOK Chapter 901 Interest Rate Swap Contract Terms

(additions underscored)

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#### 90102. CONTRACT TERMS

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#### 90102.E. Rate Options

##### 90102.E.1. Interest Rate Swaps Rate Options

With respect to an IRS Contract, the Floating Rate Option elected by the IRS Clearing Participant in accordance with Rule 90002.F from the following Floating Rate Options names specified in the 2006 ISDA Definitions or Floating Rate Options names specified in the ISDA Definitions Floating Rate Matrix, or combination of rate options:

	2006 ISDA Definitions Floating Rate Option ("FRO") Name	2021 ISDA Definitions FRO Name
1.	USD-LIBOR-BBA	USD-LIBOR
<b>****As set out in <a href="#">CME Clearing Advisory Notice 23-096</a>, effective July 3, 2023, CME will cease to accept for clearing IRS Contracts referencing USD-LIBOR-BBA or USD-LIBOR except where the start date of such swap is on or after July 3, 2023.</b>		
2.	USD-Federal Funds-H.15-OIS-COMPOUND	USD-Federal Funds-OIS Compound
3.	USD-Federal Funds-H. 15	USD-Federal Funds
4.	EUR-EURIBOR-Reuters	EUR-EURIBOR
5.	EUR-EURIBOR-Telerate (as defined in the 2000 ISDA Definitions, as published by ISDA)	Not applicable
6.	GBP-LIBOR-BBA*	GBP-LIBOR*
<b>*As set out in <a href="#">CME Clearing Advisory Notice 21-434</a>, effective January 4, 2022, CME will cease to accept for clearing IRS Contracts referencing GBP-LIBOR-BBA or GBP-LIBOR except where the start date of such swap is on or after January 4, 2022.</b>		
7.	GBP-SONIA-COMPOUND	GBP-SONIA-OIS Compound
8.	JPY-LIBOR-BBA**	JPY-LIBOR**
<b>**As set out in <a href="#">CME Clearing Advisory Notice 21-434</a>, effective January 4, 2022, CME will cease to accept for clearing IRS Contracts referencing JPY-LIBOR-BBA or JPY-LIBOR except where the start date of such swap is on or after January 4, 2022.</b>		
9.	JPY-TONA-OIS-COMPOUND	JPY-TONA-OIS Compound
10.	CHF-LIBOR-BBA***	CHF-LIBOR***
<b>***As set out in <a href="#">CME Clearing Advisory Notice 21-434</a>, effective January 3, 2022, CME will cease to accept for clearing IRS Contracts referencing CHF-LIBOR-BBA or CHF-LIBOR except where the start date of such swap is on or after January 3, 2022.</b>		
11.	CAD-BA-CDOR	CAD-CDOR
12.	CAD-CORRA-OIS-COMPOUND	CAD-CORRA-OIS Compound
13.	AUD-BBR-BBSW	AUD-BBSW
14.	AUD-AONIA-OIS-COMPOUND	AUD-AONIA-OIS Compound
15.	SEK-STIBOR-SIDE	SEK-STIBOR
16.	DKK-CIBOR-DKNA13	DKK-CIBOR
17.	DKK-CIBOR2-DKNA13	DKK-CIBOR2
18.	NOK-NIBOR-NIBR	NOK-NIBOR
19.	NOK-NIBOR-OIBOR	NOK-NIBOR

20.	HKD-HIBOR-HKAB	HKD-HIBOR
21.	NZD-BBR-FRA	NZD-BKBM FRA
22.	HUF-BUBOR-Reuters	HUF-BUBOR
23.	PLN-WIBOR-WIBO	PLN-WIBOR
24.	CZK-PRIBOR-PRBO	CZK-PRIBOR
25.	ZAR-JIBAR-SAFEX	ZAR-JIBAR
26.	MXN-TIIE-Banxico	MXN-TIIE
27.	USD-SOFR-COMPOUND	USD-SOFR-OIS Compound
28.	EUR-EuroSTR-COMPOUND	EUR-EuroSTR-OIS Compound
29.	CHF-SARON-OIS-COMPOUND	CHF-SARON-OIS Compound
30.	USD-BSBY	USD-BSBY
31.	Not supported	SGD-SORA-OIS Compound
...	...	...
<a href="#">33.</a>	<a href="#">Not supported</a>	<a href="#">PLN-WIRON-OIS Compound</a>

[Remainder of Rule unchanged]



## **EXHIBIT 2**

### **WIRON SWAP PRODUCT SPECIFICATIONS**

<b>Attribute</b>	<b>Description</b>
Currency	PLN
Product Type	OIS
Maximum Maturity	11 Years
Floating Rate Indices	PLN-WIRON-OIS Compound
Floating Index Tenor	1D
Price Alignment	PLN PAA (WIRON)
Settlement Currency & Convention	PLN (T+2*)
Variation, Coupon and Fees	PLN
Holiday Calendar	Poland Warsaw Calendar (PLWA)
Business Day Convention	ACT/365.FIXED
Leg Fixing Offset	0D is market standard, -10D to -1D optional
Payment Frequency	1M, 3M, 6M, 1Y, 1T
Payment Offset	2D is market standard for Float and Fixed; 0D, 1D optional