

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 21-508

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

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 11/09/21 **Filing Description:** Acceptance of Singapore Overnight Rate Average (SORA) 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: 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

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:

November 9, 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: CFTC Regulation 39.5(b) Certification. Acceptance of Singapore Overnight Rate Average (SORA) Interest Rate Swaps for Clearing.
CME Submission No. 21-508**

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 acceptance of Singapore Overnight Rate Average (“SORA”) denominated overnight index swaps (“SORA Swaps”) and 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, November 15, 2021].

SORA is the average rate of overnight Singapore Dollar (“SGD”) borrowing transactions by banks in Singapore, calculated by reference to the volume-weighted average rate of borrowing transactions in the unsecured overnight interbank SGD cash market in Singapore between 8am and 6.15pm, Singapore time. SORA is administered and published by the Monetary Authority of Singapore (“MAS”) and is accessible at no charge on the MAS website.¹

Publication of SORA by MAS began on July 1, 2005. SORA is computed by MAS based on actual transactions and meets the standards of international best practice set out in the IOSCO Principles for Financial Benchmarks.²

As part of regulatory and industry initiatives to transition away from certain key interbank offered rates (“IBORs”) and interest rate benchmarks, on August 30, 2019 the Association of Banks in Singapore and the Singapore Foreign Exchange Market Committee (“ABS-SFEMC”) recommended SORA as the most suitable and robust benchmark to replace the SGD Swap Offer Rate (“SOR”) for interest rate derivatives denominated in SGD. MAS established the Steering Committee for SOR & SIBOR Transition to SORA, comprising senior representatives from key banks, relevant industry associations and MAS, to provide

¹ Further details are available on the MAS website at <https://www.mas.gov.sg/monetary-policy/sora>. The SORA rate is published at <https://eservices.mas.gov.sg/statistics/dir/DomesticInterestRates.aspx>.

² See: <https://www.mas.gov.sg/-/media/MAS/SORA/IOSCO-Statement.pdf?la=en&hash=14AD57BBE559FE6157F4E641481108025E3E37ED>

strategic direction and oversee the industry transition from the SGD Swap Offer Rate (“SOR”)³ and the Singapore Interbank Offered Rate (“SIBOR”)⁴ to SORA (“SC-STs”).

In accordance with the SC-STs SORA Transition Roadmap, market participants are preparing for the transition of bilateral and cleared OTC IRS from SIBOR and SOR to SORA. CME currently supports SOR interest rate swaps and proposes to launch SORA Swaps to facilitate market participants in this transition process.

As shown in Exhibit 2, CME’s cleared OTC IRS product scope will be increased to include SORA 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 SORA Swaps 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

Publication of SORA by MAS began on July 1, 2005. SORA represents the average rate of overnight SGD borrowing transactions by banks in Singapore, based on the volume-weighted average rate of borrowing transactions in the unsecured overnight interbank SGD cash market in Singapore. MAS is the administrator and overseer of the SORA rate, which is calculated in accordance with the SORA methodology published by MAS. As at October 2021, a total of 24 reporting banks, comprising the most active market participants in the underlying unsecured overnight interbank SGD cash market, contributed data to MAS for the calculation of SORA.⁵

A. SORA Swaps

Based on information published by SC-STs, SORA derivatives market activity has increased significantly in 2021; in June 2021, turnover in SORA derivatives reached SGD 41 billion, equal to around 17% of the equivalent amount for SOR derivatives (compared to 3% in May 2021). SC-STs expects this trend to continue to accelerate as part of industry efforts to transition from SIBOR and SOR to SORA, in line with the transition roadmap published by the SC-STs.⁶

³ SOR is the synthetic rate for deposits in SGD, which represents the effective cost of borrowing SGD synthetically by borrowing U.S. Dollars for the same maturity (utilizing the USD London Interbank Offered Rate (“USD LIBOR”) for the purposes of computation), and swap out the USD in return for the SGD. SOR is set by the Association of Banks in Singapore. USD LIBOR is scheduled to be discontinued immediately after June 30, 2023. As such, SOR will also be discontinued immediately after June 30, 2023. See: <https://abs.org.sg/benchmark-rates/sor-sibor-to-sora>

⁴ SIBOR is the daily reference rate set by the Association of Banks in Singapore and is based on the interest rates at which banks offer to lend unsecured funds to other banks in the Singapore wholesale money market. Certain SIBOR tenors will be discontinued in 2022 and all SIBOR tenors will cease to be published from the end of 2024: <https://www.abs.org.sg/docs/library/timelines-to-cease-issuance-of-sor-derivatives-and-sibor-linked-financial-products.pdf>

⁵ The SORA Methodology is available at <https://www.mas.gov.sg/-/media/MAS/SORA/Methodology-document.pdf?la=en&hash=76D9DE4B8FED3DD9661BCCDB47F4A59C29AA0CB1>

⁶ The SC-STs SORA Transition Roadmap is available at <https://www.abs.org.sg/benchmark-rates/transition-roadmap>. Data on notional and volumes is taken from SC-STs data available at: <https://abs.org.sg/docs/library/sc-sts-recommendations-for-transition-of-legacy-sor-contracts.pdf>.

CME expects further development of the SORA derivatives market in the near future, particularly in the lead up to and following the discontinuation of SIBOR tenors from 2022 onwards and the discontinuation of SOR scheduled to take place immediately after June 30, 2023.

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

The rule framework for SORA Swaps is the same as all other IRS cleared by CME and is set forth in the CME Rulebook.⁷ 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.⁸ 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 SORA 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 SORA Swaps.

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

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

⁷ The CME Rulebook is available at <https://www.cmegroup.com/rulebook/CME/>

⁸ The Risk Management Brochure is available at <http://www.cmegroup.com/clearing/files/financialsafeguards.pdf>

300 Vesey Street New York, NY 10282 T 212 299 2200 F 212 301 4645 christopher.bowen@cmegroup.com cmegroup.com

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.

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 SORA Swaps. These specifications will be added, without the conditional statement of being subject to further regulatory review upon the effectiveness of this submission, to CME’s IRS product scope slate at <https://www.cmegroup.com/trading/interest-rates/cleared-otc.html>. SORA Swaps will settle in SGD.

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

We have concurrently submitted in CME Submission 21-508S, a document, marked for confidential treatment, describing the curve building for cleared SORA Swaps.

SORA swaps rely on a single-curve valuation methodology. The SGD-SORA curve will be used for forecasting and discounting the cashflows of cleared SORA Swaps.

CME will continue to value cleared SGD SOR swaps using the current single-curve valuation methodology. SGD SORA curve quotes will be sourced at 4:00 p.m. Singapore time.

SORA Swap Rate

The SORA Swaps reference the SORA. The SORA is calculated by MAS in accordance with the published methodology and published on the next business day at 9am Singapore time. SORA is an overnight rate but MAS also publishes SORA averages calculated using the compounded methodology of daily SORA over 1-month, 3-month and 6-month tenors (“Compounded SORA”). Details of the methodology for calculation and publication of SORA and Compounded SORA are available on the MAS website and summarized below.

SORA is computed from reporting banks’ concluded arm’s-length eligible transactions between 8.00am and 6.15pm Singapore time on each relevant day. Eligible transactions of reporting banks meet the following criteria: (a) unsecured overnight interbank SGD borrowing; (b) traded with onshore (Singapore) banks (including foreign bank branches located in Singapore) and booked in the window between 8.00am and 6.15pm; (c) booked in Singapore or outside of; (d) settled on the trade date; and (e) at least SGD 1 million. Transactions between the reporting bank and its affiliates are excluded as only arms-length transactions are used in the computation of SORA. The MAS methodology further sets out the conditions for data sufficiency, each of which must be met: (i) minimum of 5 reporting banks with eligible transactions; (ii) minimum of 10 eligible transactions; and (iii) minimum of SGD 500 million in eligible transaction notional volume. In the event that eligible transactions are insufficient or not available on a given day, SORA will be

produced by MAS using contingent data processes and sources set out in the relevant SORA public methodology.⁹

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

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

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 SORA Swaps. 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 SORA Swaps. Further, the existing IRS financial safeguards will be utilized to cover any additional exposures related to the clearing of SORA Swaps. 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 SORA Swaps are being added to Chapter 901 of the CME Rulebook and are enclosed in Exhibit 1 which is attached hereto. The product rules and attendant non-substantive conforming revisions to add SGD-SORA-OIS Compound is 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 (212) 299-2200 or via e-mail at CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/ Christopher Bowen
Managing Director & Chief Regulatory Counsel

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

⁹ The SORA Methodology is available at <https://www.mas.gov.sg/-/media/MAS/SORA/Methodology-document.pdf?la=en&hash=76D9DE4B8FED3DD9661BCCDB47F4A59C29AA0CB1>

300 Vesey Street New York, NY 10282 T 212 299 2200 F 212 301 4645 christopher.bowen@cmegroup.com cmegroup.com

EXHIBIT 1

CME RULEBOOK Chapter 901 Interest Rate Swap Contract Terms

(additions underscored)

90102. CONTRACT TERMS

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
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
7.	GBP-SONIA-COMPOUND	GBP-SONIA-OIS Compound
8.	JPY-LIBOR-BBA	JPY-LIBOR
9.	JPY-TONA-OIS-COMPOUND	JPY-TONA-OIS Compound
10.	CHF-LIBOR-BBA	CHF-LIBOR
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.	SGD-SOR-VWAP	SGD-SOR
23.	HUF-BUBOR-Reuters	HUF-BUBOR
24.	PLN-WIBOR-WIBO	PLN-WIBOR
25.	CZK-PRIBOR-PRBO	CZK-PRIBOR
26.	ZAR-JIBAR-SAFEX	ZAR-JIBAR
27.	MXN-TIIE-Banxico	MXN-TIIE
28.	USD-SOFR-COMPOUND	USD-SOFR-OIS Compound

29.	EUR-EuroSTR-COMPOUND	EUR-EuroSTR-OIS Compound
30.	CHF-SARON-OIS-COMPOUND	CHF-SARON-OIS Compound
31.	USD-BSBY <i>(also effective November 15, 2021 – see CME Submission No. 21-471)</i>	USD-BSBY <i>(also effective November 15, 2021 – see CME Submission No. 21-471)</i>
32.	<u>Not supported</u>	<u>SGD-SORA-OIS Compound</u>

[Remainder of Rule unchanged.]

EXHIBIT 2

SORA Swaps Product Specifications

SORA OIS

Product Type	Interest Rate Swap - Fixed versus SORA
Currency	SGD
Floating Rate Index	SGD-SORA-OIS Compound
Maximum Maturity	21 years
Settlement Convention	SGD will be settled on a two day (T+2) basis
Floating Index Tenor	1D
Price Alignment Rate	SORA
Fixing Calendar	Singapore Holiday Calendar (SGSI)
Fixing Offset	0D
Day Count	ACT/365.FIXED
Payment Calendar	SGSI required, others optional
Payment Frequency	1M, 3M, 6M, 1Y, 1T
Payment Offset	2D
Variable Notional, Spreads, Stubs	Yes; to be supported