



Christopher Bowen
Managing Director and Chief Regulatory Counsel
Legal Department

May 8, 2012

VIA E-MAIL

Mr. David Stawick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

**RE: Modification to the CME Incentive Program for Over-The-Counter Interest Rate Swaps
CME Submission No. 12-136**

Dear Mr. Stawick:

Chicago Mercantile Exchange Inc ("CME" or the "Clearing House") hereby notifies the Commodity Futures Trading Commission ("Commission") of certain modification to the CME Incentive Program for Over-The-Counter Interest Rate Swaps ("Program"). The proposed modifications to the Program will become effective on May 23, 2012.

Exhibit 1 sets forth the terms of this Program. The modifications appear below, with additions underscored and deletions ~~overstruck~~.

CME business staff responsible for the Program and the CME legal department collectively reviewed the derivatives clearing organization core principles (the "Core Principles") as set forth in the Commodity Exchange Act ("CEA"). During the review, CME staff identified the following Core Principles as potentially being impacted;

Derivatives Clearing Organization ("DCO") Core Principles: Financial Resources, Participant and Product Eligibility, Rule Enforcement Recordkeeping, Public Information and Information Sharing;

The incentives in this Program will have a non-material impact on the financial resources of the Clearing House. As such, it will not prevent the Clearing House from demonstrating that it has adequate financial, operational, and managerial resources to discharge its responsibilities as a DCO. When selecting an applicant into the Program, CME will take into account multiple factors from a candidate firm including those set forth in Exhibit 1. The incentives provided under the Program will not impact the Clearing House's ability to perform its monitoring or enforcement obligations under the CEA. Chapter 4 of the CME rules includes prohibitions against fraudulent, non-competitive, unfair or abusive practices. The Program and proposed modifications will be subject to these rules. The Program will be subject to the Clearing House's records retention policies which comply with the CEA. The Program contains "information concerning" each clearing and other fee that the DCO charges members and participants. A potential participant in the Program who wishes to subscribe to the program may contact the Clearing House to receive further information regarding the fees that are charged to Program participants.

CME certifies that the Program complies with the CEA and the regulations thereunder. There were no substantive opposing views to this Program.

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

If you require any additional information regarding this submission, please contact Robert Lev at 312-930-3019 or via e-mail at robert.lev@cmegroup.com, or contact me at 212-299-2200. Please reference our CME Submission No. 12-136 in any related correspondence.

Sincerely,

/s/ Christopher Bowen
Managing Director, Chief Regulatory Counsel

Attachments

EXHIBIT 1

CME Incentive Program for Over-The-Counter Interest Rate Swaps

Program Purpose

The purpose of the Program is to incentivize participants to increase the volume in CME over-the-counter ("OTC") interest rate swaps which will improve market liquidity. The resulting addition of liquidity for these Products (as defined below) benefits all participants in the market.

Product Scope

CME OTC Interest Rate Swaps cleared by the Clearing House ("Products").

Eligible Participants

CME may designate up to ~~five (5)~~ six (6) participants in the Program based on their level of expertise and experience with the Products. Participants may be CME members and/or non-members. CME will also take potential participants' experience in the Products and historical volume in the Products with the Clearing House when making its selections.

Program Term

Non-Asset Managers

Qualification Period: January 6, 2012 through December 31, 2012
Earned Incentive Period: January 1, 2013 through December 31, 2016

Asset Managers

Qualification Period: January 6, 2012 through December 31, 2012
Earned Incentive Period: January 1, 2013 through December 31, 2021

Hours

N/A

Obligations

Participants must provide designated accounts to CME in order for the account to receive consideration for the incentives described below.

Incentives

1. Fee Discounts. Once accepted into the Program, participants will be eligible to receive predetermined discounts for transaction fees and maintenance fees in the Products during the Term.

2. Volume Discount Incentives. Additionally, once accepted into the Program, participants may qualify for predetermined fee discounts based on the overall fees charged for transactions in the Products submitted to the Clearing House during the Qualification Period.

Monitoring and Termination of Status

The Clearing House shall monitor participants' activity and performance and shall retain the right to revoke Program participant status if they conclude from review that a Program participant no longer meets the eligibility requirements of the Program.