

June 21, 2012

**VIA E-MAIL**

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

**RE: Regulation 40.6(a) Rule Certification. Chicago Mercantile Exchange Inc.  
Submission # 12-216: Deletion of Rule 537 (“Substitution of Futures for Forwards (SUB)”) and Conforming Amendments**

Dear Mr. Stawick:

The Chicago Mercantile Exchange Inc. (“CME”) is notifying the Commodity Futures Trading Commission (“CFTC” or “Commission”) that it is self-certifying the deletion of Rule 537 (“Substitution of Futures for Forwards (SUB)”) and, as a result of the deletion, adopting conforming amendments to several other CME Rules.

CME certified Rule 537 in November 2005 as a means for eligible contract participants to execute, transact or match certain contracts as OTC derivatives contracts on a bilateral basis and present the transaction for clearing wherein the original bilateral contract would be extinguished and replaced by a futures contract. The Rule was initially deployed in Eurodollars and failed to gain any significant traction. With the host of regulatory changes resulting from the passage of the Dodd-Frank Act, particularly in connection with the clearing of OTC products, CME has decided to eliminate Rule 537 from the Rulebook. As a result of the elimination of the Rule, certain other conforming amendments are also required.

The Market Regulation Department and the Legal Department collectively reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA”). During the review, we have identified that the deletion of Rule 537 and the conforming amendments may have some bearing on the following Core Principles:

- Availability of General Information: The marketplace will be notified of the deletion of Rule 537 and the conforming amendments to other CME Rules via a CME Group Special Executive Report that will be issued nearer to the effective date of the changes.

CME certifies that the deletion of Rule 537 and the conforming amendments comply with the CEA and regulations thereunder. There were no substantive opposing views to this proposal. The changes will be effective on Monday, July 9, 2012.

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

The deletion of Rule 537 and the revisions to other CME Rules are set forth below, with additions underscored and deletions overstruck.

If you have any questions regarding this submission, please contact Robert Sniegowski, Market Regulation, at 312.341.5991 or via email at [Robert.Sniegowski@cmegroup](mailto:Robert.Sniegowski@cmegroup). Please reference CME Submission # 12-216 in any related correspondence.

Sincerely,

/s/ Tim Elliott  
Executive Director and Associate General Counsel

## CME Chapter 5

### 536. RECORDKEEPING REQUIREMENTS FOR PIT, GLOBEX, AND NEGOTIATED TRADES

#### 536.E. Negotiated Trades

All orders executed in accordance with Rules 526, ~~537~~ and 538, unless otherwise exempted by rule, are subject to the recordation requirements pursuant to Section A.1.

### 537. ~~[RESERVED] SUBSTITUTION OF FUTURES FOR FORWARDS (SUB)~~

~~A Substitution of futures contracts for over-the-counter (OTC) forward instruments shall be permitted by arrangement between eligible contract participants and comprised of two discrete transactions, where, the buyer and seller of the futures contract must be, respectively, the buyer and seller of the forward instrument. The forward instrument component shall involve the commodity underlying the futures contract (or a derivative, by product or related product of such commodity). The quantity covered by the forward instrument must be approximately equivalent to the quantity covered by the futures contract. The parties to the transaction shall maintain a record of the transaction together with all pertinent memoranda. The forward instrument component of a Sub transaction must comply with applicable CFTC forward regulatory requirements, if any. The Exchange shall determine eligible futures contracts and over the counter instruments.~~

## CME Chapter 8

### 804. SUBSTITUTION

Except with respect to trades made pursuant to Rules 526, ~~537~~, 538 and 853, the Clearing House shall, through the process of novation, be substituted as, and assume the position of, seller to the buyer and buyer to the seller of the relevant number of Exchange or Marketplace contracts upon the successful matching of trade data submitted to the Exchange by the clearing members on the long and short sides of a trade. With respect to contracts that are traded on and matched by another exchange or market, the Clearing House shall be substituted as, and assume the position of, seller to buyer and buyer to seller of the relevant number of such contracts upon matching of trade data submitted to and accepted by the Exchange.

Upon such substitution, each clearing member shall be deemed to have bought the contracts from or sold the contracts to the Clearing House, as the case may be, and the Clearing House shall have all the rights and be subject to all the liabilities of such member with respect to such transaction. Such substitution shall be effective in law for all purposes.

With regard to trades made pursuant to Rules 526, ~~537~~, 538 and 853, the Clearing House shall be substituted at the time payment of the first settlement variation and performance bond due for such trades pursuant to Rule 814 is confirmed by the appropriate settlement bank for both members.

### 808. CME CLEARPORT: PROCEDURES FOR TRADE SUBMISSION

[Sections (A) and (B) are unchanged.]

(C) Submission of Transactions. The process of submission of a Transaction shall not be deemed to have been completed unless and until the Parties to the Transaction have successfully concluded the submission of the Transaction to the Exchange as an exchange of futures for physicals ("EFP"), an exchange of futures for risk ("EFR"), ~~or a Block Trade or as a Substitution transaction~~, as applicable, pursuant to the respective provisions of Exchange rules 538, ~~and~~ 526 ~~and 537~~, and the provisions of this rule.

[The remainder of the rule is unchanged.]

## CME Chapter 452 – Three-Month Eurodollar Futures

### 45230. ~~[RESERVED] SCOPE OF CLEARED ONLY FUTURES RULE~~

~~Unless otherwise noted below, the following Rules supersede the Rules presented earlier in this chapter. All other contract specifications remain the same as presented earlier in this chapter.~~

### 45231. ~~[RESERVED] CLEARED ONLY FUTURES CHARACTERISTICS~~

#### ~~45231.A. Nature of Cleared Only Futures Contracts~~

~~"Cleared only" futures contracts shall be permitted for clearing during such hours, and for final settlement and last day of clearing on such dates, as may be determined by the Exchange. "Cleared only" futures contracts shall be permitted~~

~~for final settlement and last day of clearing on any London bank business day that is also an Exchange business day, other than the applicable standard dates for final settlement and termination of trading in futures that are offered for "trading and clearing." Cleared only contracts may be assigned to the Clearing House only through the Substitution process per CME Rule 537.~~

~~**45231.B. Clearing Unit**~~

~~(Refer to Rule 45202.B Trading Unit.)~~

~~**45231.C. Price Increments**~~

~~Positions shall be marked in terms of the IMM Index, 100.0000 minus the three-month Eurodollar interbank time deposit rate on an annual basis for a 360-day year. (For example, a rate of 7.20 percent shall be quoted as 92.8000.)~~

~~Minimum fluctuations of the IMM Index shall be in multiples of .0025 Index points, equal to \$6.25 per contract. For each .0025 increase in the Index, the Clearing House shall credit \$6.25 per contract to those clearing members holding open long positions and debit \$6.25 per contract from those clearing members holding open short positions. For each .0025 decline in the Index, the Clearing House shall debit \$6.25 per contract from those clearing members holding open long positions and credit \$6.25 per contract to those clearing members holding open short positions.~~

~~**45231.D. Position Accountability**~~

~~(Refer to Rule 45202.D. Position Accountability)~~

~~**45231.E. Accumulation of Positions**~~

~~(Refer to Rule 45202.E. Accumulation of Positions)~~

~~**45231.F. [Reserved]**~~

~~**45231.G. Last Day of Clearing**~~

~~Clearing of a "cleared only" futures contracts shall terminate at 11:00 a.m. London Time\* on any London bank business day that is also an Exchange business day, that is permissible under Rule 45231.A., and that is mutually agreed to by buyer and seller.~~

~~\* This is 5:00 a.m. Chicago Time except when Daylight Savings Time is in effect in either, but not both, London or Chicago.~~

~~**45231.H. Contract Modifications**~~

~~(Refer to Rule 45202.H. Contract Modifications)~~