

September 14, 2012

BY ELECTRONIC FILING

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

RE: Amendments to CME Rules 8F005, 8G005 and 8H005, CME IRS and CDS Clearing House Manuals, and NYMEX Rule 984, Submission #12-280

Dear Mr. Stawick:

Pursuant to Commission Regulation 40.6(a), Chicago Mercantile Exchange Inc. (CME) and New York Mercantile Exchange, Inc. (NYMEX) hereby notify the Commodity Futures Trading Commission that they will adopt revisions to CME Rules 8F005, 8G005 and 8H005 (Substitution), NYMEX Rule 984 (Clearing Member Acceptance of Executed Customer Trades), and CME's Clearing House Manuals of Operation for Interest Rate Swaps (IRS) and Credit Default Swaps (CDS). The proposed effective date for these revisions is October 1, 2012 (*i.e.*, immediately after the Commission's 10-business-day review period).

CFTC Regulation 39.12(b)(7) (Time Frame for Clearing), which becomes effective on October 1, requires each derivatives clearing organization (DCO) to have rules providing that the DCO: (1) "will accept or reject for clearing as quickly after execution as would be technologically practicable if fully automated systems were used all contracts" listed for clearing and executed competitively on or subject to the rules of a designated contract market (DCM) or a swap execution facility (SEF); and (2) "will accept or reject for clearing as quickly after submission to the [DCO] as would be technologically practicable if fully automated systems were used all swaps" listed for clearing that are not executed on or subject to the rules of a DCM or a SEF or executed noncompetitively on or subject to the rules of a DCM or a SEF. Through conversations with Commission staff, we have confirmed that backloaded trades and transfer trades are not subject to Regulation 39.12(b)(7).

In order to comply with Regulation 39.12(b)(7), we propose to amend CME Rules 8F005, 8G005 and 8H005 as indicated in the attached redline. We also propose to amend Chapter 4 (Trade Entry and Management) of the CME IRS and CDS Manuals of Operations, as indicated in the attached redlines (for which Confidential Treatment is requested). In addition to complying with Regulation 39.12(b)(7), these proposed revisions comport with DCO Core Principle C (Participant and Product Eligibility).

Also going into effect on October 1, 2012 are Commission Regulations 1.73 (Clearing Futures Commission Merchant Risk Management) and 1.74 (Futures Commission Merchant Acceptance For

Mr. David Stawick
September 14, 2012
Page 2

Clearing). Among other things, Regulation 1.73 requires FCM clearing members to “establish risk-based limits in the proprietary account and in each customer account based on position size, order size, margin requirements, or similar factors....” Regulation 1.74 includes a requirement that each FCM that is a clearing member of a DCO “accept or reject each trade submitted by or for its customers as quickly as would be technologically practicable if fully automated systems were used....” In order to avoid any potential conflicts with the requirements of these Regulations, we propose to amend NYMEX Rule 984 as indicated in the attached redline.

No substantive opposing views regarding these proposed rule revisions were expressed to CME or NYMEX. CME and NYMEX certify that this submission has been concurrently posted on its website at <http://www.cmegroup.com/market-regulation/rule-filings.html>. CME and NYMEX further certify that these rule amendments comply with the Commodity Exchange Act and regulations promulgated thereunder.

Should you have any questions regarding this submission, please contact me at (312) 338-2483 or via e-mail at Lisa.Dunsky@cmegroup.com; or Jason Silverstein at (212) 299-2228 or via e-mail at Jason.Silverstein@cmegroup.com. Please reference our Submission No. 12-280 in any related correspondence.

Sincerely,



Lisa Dunsky
Executive Director and Associate General Counsel

Revisions to CME Rule Book

Chapter 8F: Over-the-Counter Derivative Clearing

CME Rule 8F005 (Substitution and Timeframe of Acceptance for Clearing)

An OTC Derivative that is both executed and submitted to the Clearing House on the current business date at prevailing market prices, and in accordance with the rules governing such transaction shall be guaranteed by the Clearing House once accepted at the Clearing House. An existing OTC Derivative (i.e., a backloaded trade) that is submitted to the Clearing House for clearing on a business date after its initial execution date, or an OTC Derivative that is executed outside of prevailing market prices, and in accordance with the rules governing such transaction, shall be guaranteed by the Clearing House at the time payment of initial settlement of mark to market, performance bond and any other applicable initial OTC cash flows for such OTC Derivative, in accordance with the procedures set forth in Rule 814, is confirmed by the appropriate settlement bank for both OTC Clearing Members. The Clearing House shall substitute itself as the counterparty to each party to the original transaction at the time of guarantee. The OTC Clearing Member shall be deemed the principal to the transaction when executed by that Clearing Member for its own proprietary account, as a guarantor agent to the transaction when executed by that Clearing Member for the account of a proprietary affiliate, or the agent when executed by the clearing member for the account of an authorized customer of that Clearing Member. After that substitution, there shall be two equal and offsetting over-the-counter transactions as follows: one between the buyer and the Clearing House, as seller; and an equal and offsetting transaction between the Clearing House and the seller.

With regard to an OTC Derivative submitted for clearing that is executed on or subject to the rules of a designated contract market or a swap execution facility, the Clearing House shall accept or reject such OTC Derivative for clearing in accordance with the time frames required under CFTC Regulation 39.12(b)(7)(B)(ii). Except with respect to a backloaded trade, an OTC Derivative submitted for clearing that is not executed on or subject to the rules of a designated contract market or a swap execution facility, or that is executed noncompetitively on or subject to the rules of a designated contract market or a swap execution facility, shall be accepted or rejected for clearing in accordance with the time frames required under CFTC Regulation 39.12(b)(7)(B)(iii).

The OTC Clearing Member shall be deemed the principal to the transaction when executed by that Clearing Member for its own proprietary account, as a guarantor agent to the transaction when executed by that Clearing Member for the account of a proprietary affiliate, or the agent when executed by the clearing member for the account of an authorized customer of that Clearing Member. After that substitution, there shall be two equal and offsetting over-the-counter transactions as follows: one between the buyer and the Clearing House, as seller; and an equal and offsetting transaction between the Clearing House and the seller.

Chapter 8G: Interest Rate Derivative Clearing

CME Rule 8G005 (Substitution and Timeframe of Acceptance for Clearing)

If an IRS Product or a portfolio of IRS Products (i) is submitted by IRS Clearing Members who are in good standing, (ii) was executed and submitted in accordance with the rules governing such IRS Product and (iii) does not exceed the credit limits established by the Clearing House for the IRS Clearing Member submitting such IRS Product or portfolio of IRS Products, then the Clearing House shall substitute itself as the counterparty to each party of each original transaction and there shall be two equal and offsetting contracts for each original transaction as follows: one between the original buyer and the Clearing House, as seller and one between the original seller and the Clearing House, as buyer.

An existing IRS Product or portfolio of IRS Products (i.e., a backloaded trade) submitted to the Clearing House for clearing, shall be guaranteed by the Clearing House at the time payment of initial settlement of mark to market, performance bond and any other applicable initial OTC cash flows for such IRS Product or portfolio of IRS Products, in accordance with the procedures set forth in Rule 814, is confirmed by the appropriate settlement bank for both IRS Clearing Members. The Clearing House shall substitute itself as the counterparty to each party to the original transaction at the time of guarantee.

With regard to an IRS Product submitted for clearing that is executed on or subject to the rules of a designated contract market or a swap execution facility, the Clearing House shall accept or reject such OTC Derivative for clearing in accordance with the time frames required under CFTC Regulation 39.12(b)(7)(B)(ii). Except with respect to a backloaded trade, an IRS Product submitted for clearing that is not executed on or subject to the rules of a designated contract market or a swap execution facility, or that is executed noncompetitively on or subject to the rules of a designated contract market or a swap execution facility, shall be accepted or rejected for clearing in accordance with the time frames required under CFTC Regulation 39.12(b)(7)(B)(iii).

The IRS Clearing Member shall be deemed the principal to the IRS Contract when cleared by such IRS Clearing Member for its own proprietary account and shall be deemed a guarantor and agent of the IRS Contract when cleared by such IRS Clearing Member for the account of an affiliate or customer of such IRS Clearing Member.

Chapter 8H: Credit Default Swaps Clearing

CME Rule 8H005 (Substitution and Timeframe of Acceptance for Clearing)

If a CDS Product or a portfolio of CDS Products (i) is submitted by CDS Clearing Members who are not suspended or in default, (ii) was executed and submitted in accordance with the rules governing such CDS Product and (iii) does not exceed the credit limits established by the Clearing House for the CDS Clearing Member submitting such CDS Product or portfolio of CDS Products, then each original transaction is extinguished, the Clearing House shall substitute itself as the counterparty to each party of each original transaction and there shall be two equal and offsetting contracts for each original transaction as follows: one between the original buyer and the Clearing House, as seller and one between the original seller and the Clearing House, as buyer.

An existing CDS Product or portfolio of CDS Products (i.e., a backloaded trade) submitted to the Clearing House for clearing, shall be guaranteed by the Clearing House at the time payment of initial settlement of mark to market, performance bond and any other applicable initial OTC cash flows for such IRS Product or portfolio of IRS Products, in accordance with the procedures set forth in Rule 814, is confirmed by the appropriate settlement bank for both CDS Clearing Members. The Clearing House shall substitute itself as the counterparty to each party to the original transaction at the time of guarantee.

With regard to a CDS Product submitted for clearing that is executed on or subject to the rules of a designated contract market or a swap execution facility, the Clearing House shall accept or reject such OTC Derivative for clearing in accordance with the time frames required under CFTC Regulation 39.12(b)(7)(B)(ii). Except with respect to a backloaded trade, a CDS Product submitted for clearing that is not executed on or subject to the rules of a designated contract market or a swap execution facility, or that is executed noncompetitively on or subject to the rules of a designated contract market or a swap execution facility, shall be accepted or rejected for clearing in accordance with the time frames required under CFTC Regulation 39.12(b)(7)(B)(iii).

The CDS Clearing Member shall be deemed the principal to the CDS Contract when cleared by such CDS Clearing Member for its own account and shall be deemed a guarantor and agent of the CDS Contract when cleared by such CDS Clearing Member for the account of an affiliate or customer of such CDS Clearing Member.

Revisions to NYMEX Rule Book

Chapter 9: Clearing Members

NYMEX Rule 984 (Clearing Member Acceptance of Executed Customer Trades)

The following provisions define the minimum responsibilities and obligations of those parties to the clearance of a customer trade.

The term "executing broker" as used in this Rule is the Member Firm or Floor Broker to whom the order is transmitted.

984.A. Responsibilities and Obligations of Clearing Members

The acceptance for clearance of a trade by a Clearing Member shall not relieve any party to the solicitation, handling, execution or clearance of such trade from the duty to act in good faith and with reasonable care and diligence.

1. ~~Timeframe for a Carrying Clearing Member to Acceptance or Rejection of an Allocated Trade~~

~~A Clearing Member that has been allocated a customer trade must accept or reject such trade within 60 minutes of receiving the allocation. Such trades may only be rejected such trade in accordance with the provisions of section A.3 of this Rule.~~

~~If after accepting an allocated trade a Clearing Member determines that such trade is an error or exceeds limits which have been communicated to an executing broker and his Primary Clearing Member ("PCM") in accordance with section A.3 of this Rule, the Clearing Member may reject such trade any time up to the close of business on the business day following the date of execution.~~

2. Limits Placed by Clearing Member

~~A Clearing Member may, in its discretion, place trading limits or impose a complete cessation on the trades it will accept for clearance for a customer's account from an executing broker, provided, however, that both the executing broker and his respective PCM receive prior written, telephonic or electronic notice from the Clearing Member of the applicable trading limits or trading cessation imposed on that customer account. Such notice must be given to all applicable executing brokers that within the prior 90 days have executed trades on behalf of said customer and allocated such trades to the applicable Clearing Member, and to such executing brokers' PCMs.~~

~~A copy of any and all correspondence evidencing any notice required by section A.2 of this Rule shall be retained as part of the books and records of the Clearing Member, the executing broker and his PCM.~~

3. Trade Rejection

~~A Clearing Member may only reject a trade that has been given up to it for clearance if: (1) the trade exceeds the trading limits established in accordance with section A.2 of this Rule for that customer and such limits have been communicated to the executing broker and his PCM in accordance with section A.2 of this Rule; or (2) the trade is an error for which the executing broker is responsible. If a rejected trade, or an unclaimed but pending trade, was allocated to the Clearing Member by the executing broker beyond the time period required under Rule 536.A, that fact shall be taken into consideration in any dispute between such Clearing Member and executing broker regarding such trade that is governed by Exchange Rules.~~

[Remainder of Rule 984 remains unchanged.]