

June 16, 2014

**VIA E-MAIL**

Ms. Melissa Jurgens  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

**RE: CFTC Regulation 40.6(a) Certification. Modifications to the Fee Schedule for Over-the-Counter (“OTC”) Interest Rate Swaps.  
CME Submission No. 14-239**

Dear Ms. Jurgens:

Chicago Mercantile Exchange Inc. (“CME”) hereby notifies the Commodity Futures Trading Commission (“CFTC” or “Commission”) that it plans to modify the fee schedule (“Fee Schedule”) that applies to over-the-counter (“OTC”) Interest Rate Swaps (“IRS”) cleared at CME. The modifications to the Fee Schedule will become effective on July 1, 2014.

The modifications to the Fee Schedule specify that certain qualifying back-loaded trades will be eligible for rebated clearing fees provided that certain conditions and criteria are met. In order to be eligible for the clearing fee rebates, the following criteria must be satisfied: the entire back-loaded portfolio has an aggregate gross notional equal to or greater than \$500 billion (or US Dollar equivalent); the customer notifies CME five (5) days in advance by contacting [OTCFees@cmegroup.com](mailto:OTCFees@cmegroup.com); the participating back-loaded trades are back-loaded over a period of twenty (20) business days or less; and, the back-loaded trades result in a net increase in customer open interest during back-loading period.

In addition, the modifications also include certain corrections to the Fee Schedule for IRS Clearing Members dealing with end of day offsets for currencies.

Exhibit 1 sets forth the Fee Schedule that will be applicable to OTC IRS transactions cleared at CME with additions underscored and deletions ~~overstruck~~.

CME business staff and the CME legal department collectively reviewed the derivatives clearing organization core principles (“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:

- **Participant and Product Eligibility**. The Fee Schedule sets forth fees that apply to all market participants and the proposed modifications describe the criteria and conditions necessary to qualify for the proposed fee changes. CME believes the modifications should encourage customers to submit additional volume into the system and would promote increased central clearing of OTC IRS transactions.
- **Rule Enforcement**. CME does not believe the Fee Schedule or proposed modifications incentivize market abuse in any way and do not otherwise impact any aspects of CME’s risk management, settlement procedures, treatment of funds or default rules or procedures. Chapter 4

of CME rules includes prohibitions against fraudulent, non-competitive, unfair or abusive practices.

CME certifies that the Fee Schedule and proposed modifications set forth in Exhibit 1 comply with the CEA and the regulations thereunder. There were no substantive opposing views to the Fee Schedule or proposed modifications.

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

If you require any additional information regarding this submission, please contact me at 212-299-2228 or via e-mail at [Jason.Silverstein@cmegroup.com](mailto:Jason.Silverstein@cmegroup.com). Please reference our CME Submission No. 14-239 in any related correspondence.

Sincerely,

/s/ Jason Silverstein  
Executive Director and Associate General Counsel

Attachment: Exhibit 1

# EXHIBIT 1

## OTC INTEREST RATE SWAPS CUSTOMER FEE SCHEDULE

### STANDARD TRANSACTION FEE SCHEDULE

#### Transaction Fee:

- Charged on all new and back-loaded transactions<sup>1</sup>
  - There are no transaction fees for transfers
- All market participants that clear OTC IRS products will be entitled to receive discounted base clearing fees for short-dated IRS (0-6 months) in accordance with the table below through December 31, 2014.
- Transaction fees will be billed in the same currency as the swap notional, and are subject to the below schedule:

Transaction Maturity	Rate Per Million Notional In Transaction's Currency
0 – 3 months	0.25
3+ – 6 months	0.50
6+ – 12 months	1.00
1+ – 3 years	2.50
3+ – 6 years	4.50
6+ – 9 years	6.00
9+ – 12 years	8.00
12+ – 16 years	10.00
16+ – 21 years	12.50
21+ – 26 years	15.00
26+ – 31 years	17.50
31+ – 51 years	24.00

“**Transaction Maturity**” shall be calculated for a transaction as the lesser of (x) the number of full months from the clearing date for the transaction to the transaction maturity date and (y) the number of full months from the transaction effective date to the transaction maturity date.

#### Maintenance Fee:

- 2.00 per million notional, charged in the same currency as the swap notional.
- Maintenance fees are charged annually, on the anniversary date of each line item. If that anniversary date is not a valid business day, then the fee will be charged on the next good business day.
- Maintenance fees will not be charged for trades which are terminated before the anniversary date.

#### Volume Discounts:

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<sup>1</sup> Customer fees are assessed on back-loaded trades the same as other trades, Back-loaded trades are eligible for rebates if the following criteria are met:

- Entire back-loaded portfolio has an aggregate gross notional equal to or greater than \$500 billion (or US Dollar equivalent);
- Customer notifies CME five (5) days in advance by contacting OTCFees@cmegroup.com;
- Back-loaded trades are back-loaded over a period of twenty (20) business days or less;
- Back-loaded trades result in a net increase in customer open interest during back-loading period.

Each calendar quarter, customers may qualify to receive a fixed discount applicable to base OTC IRS fees for the following calendar quarter on the basis of the USD equivalent base fees incurred during the current quarter. The discount applicable to the following calendar quarter will be calculated on a weighted average basis using the USD equivalent base fees for the current calendar quarter and the discount percentages set forth in the table below. Additionally, from September 1, 2012 to December 31, 2013, a customer will be eligible to receive a one-time rebate on current calendar quarter activity during the first calendar quarter that its weighted average discount is equal to or greater than 15%.

- Look back period is based on calendar quarters, ending 15 days prior to the beginning of the next quarter
- New Discount percentage becomes effective on the first business day of each calendar quarter

<b>Single Beneficial Account Owner Schedule</b> <i>Quarterly USD or USD equivalent base fees incurred</i>	<b>Multiple Accounts Owner Schedule</b> <i>Quarterly USD or USD equivalent base fees incurred</i>	<b>Discount Earned</b>
<b>\$0 – \$75,000</b>	\$0 – \$225,000	0%
<b>\$75,000 – \$150,000</b>	\$225,000 – \$450,000	15%
<b>\$150,000 – \$300,000</b>	\$450,000 – \$900,000	30%
<b>\$300,000+</b>	\$900,000+	60%

- Single Beneficial Account Owner Schedule applies to customers with one or many accounts all with the same beneficial account owner
- Multiple Accounts schedule applies to an Investment Manager who manages many accounts with different beneficial account owners

## ALTERNATE FEE SCHEDULE

Subject to the timing requirements below, customers may elect to be subject to an alternate fee schedule for OTC IRS.

- Firms that elect the alternative fee schedule will be charged:
  - A \$25.00 *per ticket* fee; <sup>1</sup>
  - Monthly charge of Ten (10) basis points annualized on the client's initial margin requirement (360 day count).
- Election of the alternative fee schedule requires notice to CME which must be given (i) during the firm's onboarding process, or (ii) at least fifteen (15) days prior to a calendar quarter that the firm elects to receive the alternative fee schedule.

# EXHIBIT 2

## OTC INTEREST RATE SWAPS IRS CLEARING MEMBER FEE SCHEDULE

### STANDARD TRANSACTION FEE SCHEDULE

#### Transaction Fee:

- \$250 fee charged on all trades cleared at CME on a pre-allocation basis (Dealer side of a trade will be treated as one trade even if it is allocated and cleared as multiple trades).
  - o The fee will always be charged in dollars regardless of the denomination of currency of the swap.
  
- The following exceptions will apply:
  - o The transaction fee will be waived on all back-loaded trades, defined as where the Trade Date is prior to the Cleared Date (if a trade is resubmitted for clearing, its Cleared Date is the original submission date for this purpose).
  
  - o The transaction fee will be waived on all trades executed to facilitate client terminations, defined as where the Effective Date is no more than the Standard Day Offset for that currency denomination after the Cleared Date.

“Standard Day Offset” for a swap denominated in a currency shall mean the number of Business Days specified below for that currency:

<b>Standard Day Offset</b>	
0 Business Days	AUD, CAD, DKK (non-CIBOR2) GBP, HKD, NZD, ZAR
1 Business Day	MXN, AUD
2 Business Days	All other currencies