

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-74587; File No. SR-CME-2015-005)

March 26, 2015

Self-Regulatory Organizations; Chicago Mercantile Exchange Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to to Establish a Default Management Committee and Address OTC Products that are Subject to CME's Base Financial Safeguards

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on March 23, 2015, Chicago Mercantile Exchange Inc. ("CME") filed with the Securities and Exchange Commission ("Commission") the proposed rule change described in Items I, II and III, below, which Items have been primarily prepared by CME. CME filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act,³ and Rule 19b-4(f)(4)(ii)⁴ thereunder, so that the proposed rule change was effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

CME is filing a proposed rule change that is limited to its business as a derivatives clearing organization. More specifically, the proposed rule change would make amendments to existing rules to establish a default management committee ("Active Base OTC Default Management Committee" or "Committee") and address

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(4)(ii).

over-the-counter (“OTC”) products that are subject to CME’s base financial safeguards, including OTC FX.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, CME included statements concerning the purpose and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. CME has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

CME is registered as a derivatives clearing organization with the Commodity Futures Trading Commission (“CFTC”) and currently offers clearing services for many different futures and swaps products. With this filing, CME proposes to make rulebook changes that are limited to its business clearing futures and swaps under the exclusive jurisdiction of the CFTC. More specifically, the proposed rule change would make amendments to existing rules to establish a default management committee and address OTC products that are subject to CME’s base financial safeguards, including OTC FX.

CME currently has an IRS Default Management Committee to assist with the management of a defaulting IRS Clearing Member’s positions and a CDS Default Management Committee to assist with the management of a defaulting CDS Clearing Member’s positions. The proposed rule change establishes the Committee as a similar construct to assist with the management of portfolio of its OTC Clearing Member’s positions. The Committee will be comprised of traders in OTC products that are

employees or directors of Base OTC Clearing Members (or their affiliates) and will serve on the Committee on a rotating basis. The Committee will assist CME in structuring hedges and portfolios for auction. Members of the Committee will also participate in default management drills for Base OTC products.

The proposed rule amendments are summarized further as follows:

- New CME Rule 8F025. (Active Base OTC Default Management Committee) will establish the Committee and specify its composition of traders in the relevant OTC products who will serve on a rotational basis;
- CME Rule 8F004 (OTC Clearing Member Obligations and Qualifications) amendments will add requirements for OTC Clearing Members to (i) avail traders with proper experience to the Committee and (ii) participate in OTC Derivative default drill exercises;
- CME Rule 8F014 (Mitigation of Losses) amendments will harmonize with the related OTC IRS and OTC CDS rules, including the deletion of allocations of OTC positions;
- CME Rule 8F002 (Definitions) amendments will add the terms “Base OTC Clearing Member” and “OTC Derivative Product Category.”

The proposed rule change that is described in this filing is limited to CME’s business as a derivatives clearing organization clearing products under the exclusive jurisdiction of the CFTC. CME has not cleared security based swaps and does not plan to, and therefore the proposed rule change does not impact CME’s security-based swap clearing business in any way. The proposed rule change will become effective

immediately. CME notes that it has also submitted the proposed rule change that is the subject of this filing to its primary regulator, the CFTC, in CME Submission 14-080.

CME believes the proposed rule change is consistent with the requirements of the Act including Section 17A of the Act.⁵ The establishment of the Committee and OTC Clearing Member requirements to provide traders and participate in auction as set forth in the proposed rule change forms part of CME's default procedures for OTC products to permit CME to take timely action to contain losses resulting from OTC positions in the event of a default of a CME OTC Clearing Member. The proposed rule change should therefore be seen to be designed to promote the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivatives agreements, contracts, and transactions, to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible, and, in general, to protect investors and the public interest consistent with Section 17A(b)(3)(F) of the Act.⁶

Furthermore, the proposed rule change is limited to CME's futures and swaps clearing businesses, which means it is limited in its effect to products that are under the exclusive jurisdiction of the CFTC. As such, the proposed rule change is limited to CME's activities as a derivatives clearing organization clearing futures that are not security futures and swaps that are not security-based swaps. CME notes that the policies of the CFTC with respect to administering the Commodity Exchange Act are comparable to a number of the policies underlying the Act, such as promoting market transparency

⁵ 15 U.S.C. 78q-1.

⁶ 15 U.S.C. 78q-1(b)(3)(F).

for over-the-counter derivatives markets, promoting the prompt and accurate clearance of transactions and protecting investors and the public interest.

Because the proposed rule change is limited in its effect to CME's futures and swaps clearing businesses, the proposed rule change is properly classified as effecting a change in an existing service of CME that:

- (a) primarily affects the clearing operations of CME with respect to products that are not securities, including futures that are not security futures, swaps that are not security-based swaps or mixed swaps; and forwards that are not security forwards; and
- (b) does not significantly affect any securities clearing operations of CME or any rights or obligations of CME with respect to securities clearing or persons using such securities-clearing service.

As such, the proposed rule change is therefore consistent with the requirements of Section 17A of the Act⁷ and is properly filed under Section 19(b)(3)(A)⁸ and Rule 19b-4(f)(4)(ii)⁹ thereunder.

B. Self-Regulatory Organization's Statement on Burden on Competition

CME does not believe that the proposed rule change will have any impact, or impose any burden, on competition. The proposed rule change would make amendments to existing rules to establish a default management committee to further strengthen CME's ability to take timely action to contain losses resulting from OTC positions in the

⁷ 15 U.S.C. 78q-1.

⁸ 15 U.S.C. 78s(b)(3)(A).

⁹ 17 CFR 240.19b-4(f)(4)(ii).

event of a default of a CME OTC Clearing Member. Further, the proposed rule change is limited to CME's futures and swaps clearing businesses and, as such, does not affect the security-based swap clearing activities of CME in any way and therefore does not impose any burden on competition that is inappropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

CME has not solicited, and does not intend to solicit, comments regarding this proposed rule change. CME has not received any unsolicited written comments from interested parties.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)¹⁰ of the Act and paragraph (f)(4)(ii) of Rule 19b-4¹¹ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

¹⁰ 15 U.S.C. 78s(b)(3)(A).

¹¹ 17 CFR 240.19b-4(f)(4)(ii).

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>), or
- Send an e-mail to rule-comments@sec.gov. Please include File No. SR-CME-2015-005 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC, 21049-1090.

All submissions should refer to File Number SR-CME-2015-005. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of CME and on CME's website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-CME-2015-005 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹²

Brent J. Fields
Secretary

¹² 17 CFR 200.30-3(a)(12).