

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-70725; File No. SR-CME-2013-19)

October 21, 2013

Self-Regulatory Organizations; Chicago Mercantile Exchange Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Regarding Adoption of CME Rule 1001

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “Exchange Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on October 17, 2013, Chicago Mercantile Exchange Inc. (“CME”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change described in Items I and II below, which Items have been prepared by CME. CME filed the proposal pursuant to Section 19(b)(3)(A) of the Act,³ and Rule 19b-4(f)(4)(ii) thereunder,⁴ so that the proposal 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 proposed rules changes that are limited to its business as a derivatives clearing organization. The new CME rule simply specifies that CME will discharge any swap data reporting obligations it has with respect to the swaps it clears under applicable Commodity Futures Trading Commission (“CFTC”) by making reports to the CME SDR.

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).

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

In its filing with the Commission, the self-regulatory organization 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. The self-regulatory organization 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 ("DCO") with the Commodity Futures Trading Commission and currently offers clearing services for swaps products. In connection with its business as a DCO clearing swaps, CME is required to make certain reports regarding the swaps it clears to a swap data repository ("SDR") registered with the CFTC in accordance with applicable CFTC regulations.

The rule that is the subject of this filing, CME Rule 1001, specifies that CME DCO will discharge any applicable swap reporting requirements that it has in its capacity as a DCO clearing swaps by making reports to the CME SDR. CME Rule 1001 was reviewed and affirmatively approved by the CFTC.

The scope of CME Rule 1001 is limited to CME's business as a derivatives clearing organization clearing products under the exclusive jurisdiction of the Commodity Futures Trading Commission ("CFTC"). CME Rule 1001 does not materially impact CME's security-based swap clearing business in any way. As such, the changes will be effective upon filing.

CME believes the rule that is the subject of this filing is consistent with the requirements of the Exchange Act including Section 17A of the Exchange Act.⁵ The rule simply clarifies how CME will make required swap data reports regarding the swaps its clears in an operationally efficient manner and in accordance with applicable CFTC requirements, and as such it is 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 Exchange Act.⁶

Furthermore, the rule is limited in its effect to swaps offered under CME's authority to act as a derivatives clearing organization. Swaps fall under the exclusive jurisdiction of the CFTC. As such, the proposed CME changes are limited to CME's activities as a derivatives clearing organization clearing 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 Exchange Act, such as promoting market transparency for over-the-counter derivatives markets, promoting the prompt and accurate clearance of transactions and protecting investors and the public interest.

Because the changes are limited in their effect to swaps offered under CME's authority to act as a derivatives clearing organization, the changes are properly classified as effecting a change in an existing service of CME that:

⁵ 15 U.S.C. 78q-1.

⁶ 15 U.S.C. 78q-1(b)(3)(F).

(a) primarily affects the clearing operations of CME with respect to products that are not securities, including futures that are not security futures, and swaps that are not security-based swaps or mixed swaps; 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 changes are therefore consistent with the requirements of Section 17A of the Exchange Act⁷ and are 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. As a general matter, CME Rule 1001 should not be seen to have any effect on competition because it does not act as a restraint.

CME Rule 1001 simply codifies how CME's clearinghouse will discharge its own CFTC-required swap data reporting obligations for swaps cleared by CME in an operationally efficient manner. The Rule states that CME will discharge any DCO reporting obligations it has by making required swap data reports regarding CME-cleared swaps to its affiliated SDR. In addition, it should be noted that the Rule separately provides that CME will also make voluntary, supplemental reports regarding the same cleared swap data it reports to the CME SDR to any third party swap data repositories selected by any counterparty to a swap cleared at CME. 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).

reporting arrangements contemplated by Rule 1001 regarding swaps under the exclusive jurisdiction of the CFTC were reviewed and approved by the CFTC.

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

CME separately submitted Rule 1001 to the CFTC for affirmative approval pursuant to Regulation 40.5 of CFTC Regulations. This process involved a public comment period. A series of comment letters from various market participants were submitted. These letters made a variety of arguments alleging that CME Rule 1001 was inconsistent with the Commodity Exchange Act. CME submitted multiple response letters addressing these arguments. After a lengthy review process, the CFTC concluded that "CME Rule is not inconsistent with either the [Commodity Exchange] Act or the regulatory structure implemented by the Commission to effectuate the Act." All of the industry comment letters, CME's response letters, the CFTC's approval order and separate CFTC Commissioners statements regarding Rule 1001 can be found at the following public website: <http://www.cftc.gov/PressRoom/PressReleases/pr6525-13>.

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

The foregoing rule change has become effective upon filing pursuant to Section 19(b)(3)(A)¹⁰ of the Act and Rule 19b-4(f)(4)(ii)¹¹ 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.

¹⁰ 15 U.S.C. 78s(b)(3)(A).

¹¹ 17 CFR 240.19b-4(f)(4)(ii).

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:

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 Number SR-CME-2013-19 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC, 20549-1090.

All submissions should refer to File Number SR-CME-2013-19. 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-2013-19 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

Kevin M. O'Neill
Deputy Secretary

¹² 17 CFR 200.30-3(a)(12).