

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-70605; File No. SR-CME-2013-21)

October 3, 2013

Self-Regulatory Organizations; Chicago Mercantile Exchange Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Related to its IRS Margin Methodology

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 September 30, 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 primarily 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 for interested persons.

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

CME proposes to make an adjustment to one particular component of its current IRS margin model. The proposed change is reflected in an Advisory Notice issued to market participants (included below). Underscored text indicates additions; bracketed text indicates deletions.

To: Clearing Member Firms; Chief Financial Officers; Back Office Managers; Margin Managers
From: CME Clearing

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).

Notice: #13-444
Notice Date: September 26, 2013
Effective Date: October 01, 2013

Please note CME Clearing will deploy SGD denominated swaps to the Production environment Tuesday, October 1st. This deployment will include:

- SGD margin data files and VWAP index support
- To account for negative zero rates that Singapore dollar Swap Offer Rate (SOR) has experienced, CME will shift the data by 4% before computing the returns.

CME has concurrently filed a change with the CFTC which will be effective in accordance with the CFTC Regulation 40.6 timeframes.

Please contact the CME Client Services Team at onboarding@cme.com or 312.338.7712 with any questions/concerns.

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 currently offers clearing for a variety of swaps products under the exclusive jurisdiction of the Commodity Futures Trading Commission (“CFTC”), including, specifically, clearing for over-the-counter (“OTC”) interest rate swaps (“IRS”). CME proposes to make certain changes to its current IRS margin model in relation to Singapore Dollar (“SGD”) IRS.

The current CME IRS margin model utilizes historical inputs. In August 2011, the Singapore Dollar Swap Offer Rate (“SOR”) turned negative due to inflows into the Singapore

dollar. Inputs into the IRS margin model are undefined for negative rate environments. The proposed change will solve for the negative SOR inputs from the August 2011 timeframe. The changes are being communicated to market participants via advisory notices. The text of the most recent advisory notice, which announces the intended October 1, 2013 production date for the change, is the subject of this filing. Prior advisory notices also discussed this change in the context of providing market participants with notice of the change for the purpose of announcing a testing environment.

There are no CME rulebook changes associated with the changes. The changes do not materially affect the CME IRS margin model. The changes only affect CME's interest rate swap clearing offering and do not materially impact CME's security-based swap clearing business. CME also notes that it has also submitted the proposed rule changes that are the subject of this filing to its primary regulator, the CFTC, in a separate filing. The changes became effective with the CFTC as of September 23, 2013. The changes are effective on filing but will become operational on October 1, 2013.

CME believes the proposed rule changes are consistent with the requirements of the Exchange Act including Section 17A of the Exchange Act.⁵ The proposed rule changes involve enhancements to CME's current IRS margin methodology and are therefore 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

⁵ 15 U.S.C. 78q-1.

17A(b)(3)(F) of the Exchange Act.⁶ The proposed rule changes accomplish these objectives because the proposed rule changes help to adjust CME’s IRS margin methodology to address the fact that the Singapore Dollar Swap Offer Rate (“SOR”) turned negative due to inflows into the Singapore dollar and as such the changes contribute to the safeguarding of securities and funds in CME’s custody or control or for which CME is responsible and the protection of investors.

Furthermore, the proposed changes are limited in their effect to swaps products offered under CME’s authority to act as a derivatives clearing organization. These products are 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 proposed changes are limited in their effect to swaps products offered under CME’s authority to act as a derivatives clearing organization, the proposed changes are 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, 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.

⁶ 15 U.S.C. 78q-1(b)(3)(F).

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. The proposed rule changes simply involve enhancements to CME's current IRS margin methodology.

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

CME has not solicited 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 upon filing pursuant to Section 19(b)(3)(A)(iii) of the Act¹⁰ 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.

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).

¹⁰ 15 U.S.C. 78s(b)(3)(A)(iii).

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-2013-21 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-2013-21. 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 (<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-2013-21 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).