

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-71088; File No. SR-CME-2013-32)

December 17, 2013

Self-Regulatory Organizations; Chicago Mercantile Exchange Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Regarding Modifications to the OTC IRS Fee Schedule and Changes to the IRS Manual of Operations

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 December 5, 2013, 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 prepared primarily by CME. CME filed the proposal pursuant to Section 19(b)(3)(A) of the Act,³ and Rules 19b-4(f)(2) and 19b-4(f)(4)(ii)⁴ thereunder 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 a proposed rule change that is limited to its business as a derivatives clearing organization. More specifically, the proposed rule change would modify the fee schedule applicable to its over-the-counter (“OTC”) interest rate swap (“IRS”) clearing offering and also make separate changes to the Manual of Operations for CME Cleared Interest Rate Swaps (“IRS Manual”).

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)(2) and 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, 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 and currently offers clearing services for many different futures and swaps products. With this filing, CME proposes to modify the fee schedule (the "Fee Schedule") that applies to over-the-counter ("OTC") Interest Rate Swaps ("IRS") cleared at CME. The fees for clearing members clearing IRS are being modified to a \$250 per ticket fee. In addition, the volume discounts and alternative fee schedules that are included in the current OTC IRS fee schedule are being deleted. CME will also waive the clearing member fee for back-loaded trades and trades associated with customer terminations as defined in the fee schedule. Finally, the alternate customer fee schedule is being revised to remove maintenance fees and a non-substantive change is being made to simplify the fee table from a matrix specifying each currency to a single table referring to the transaction currency.

Separately, CME is also proposing certain conforming changes to its IRS Manual. The IRS Manual changes can be summarized as follows:

- Chapter 3 (The Clearing System; Getting Started) – Changed reference of "platforms" to "SEFs" throughout.

- Chapter 4 (Trade Entry, Messaging, and Management) – Added requirement that IRS Clearing Members pre-approve any trades submitted to clearing from a swap execution facility consistent with the CFTC’s September 26, 2013 Division of Clearing and Risk and the Division of Market Oversight staff guidance on swaps straight-through processing. CME will also require that trades submitted from a platform must be explicitly accepted or pass credit limits at CME for each account. Additionally, CME is enabling functionality for transfers for IRS Clearing Members to initiate transfers directly through the clearing system and is making conforming changes deeming a member that initiates a transfer to have consented to such transfer.
- Chapter 6 (Account Configuration, Money Calculations and Collateral) – Added ISDA ACT/ACT(ISMA) as an eligible day count fraction.

CME plans to operationalize the proposed fee changes on December 1, 2013. The IRS Manual changes will become effective immediately upon filing.

The changes that are described in this filing impact fees and make certain other adjustments to CME’s IRS Manual (as described above) that are limited to CME’s business as a derivatives clearing organization clearing products under the exclusive jurisdiction of the Commodity Futures Trading Commission (“CFTC”) and do not materially impact CME’s security-based swap clearing business in any way. CME notes that it has already submitted the proposed rule change that is the subject of this filing to its primary regulator, the CFTC, in CME Submissions 13-495, 13-520 and 13-520S (which included a supplemental, confidential attachment related to filing 13-520).

CME believes the proposed rule change is consistent with the requirements of the Exchange Act including Section 17A of the Exchange Act.⁵ More specifically, the first aspect of the proposed rule change establishes or changes a member due, fee or other charge imposed by CME under Section 19(b)(3)(A)(ii)⁶ of the Securities Exchange Act of 1934 and Rule 19b-4(f)(2)⁷ thereunder. CME believes that the proposed fee change is consistent with the requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder and, in particular, to 17A(b)(3)(D)⁸, in that it provides for the equitable allocation of reasonable dues, fees and other charges among participants. The proposed changes apply equally to market participants clearing IRS at CME. CME notes that it operates in a highly competitive market in which market participants can readily direct business to competing venues.

Second, the proposed rule change also includes additional conforming changes to CME's IRS Manual to facilitate its IRS clearing offering. The changes conform certain definitions and are also designed to be in accordance with recent CFTC guidance regarding straight through processing of swaps and therefore are designed to promote central clearing of swaps under the CFTC's jurisdiction. As such, CME believes the changes are 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)

⁵ 15 U.S.C. 78q-1.

⁶ 15 U.S.C. 78s(b)(3)(A)(ii).

⁷ 17 CFR 240.19b-4(f)(2).

⁸ 15 U.S.C. 78q-1(b)(3)(D).

of the Exchange Act.⁹ 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 also 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.

As such, the changes are therefore consistent with the requirements of Section 17A of the Exchange Act¹⁰ and are properly filed under Section 19(b)(3)(A)¹¹ and Rule 19b-4(f)(4)(ii)¹² thereunder.

⁹ 15 U.S.C. 78q-1(b)(3)(F).

¹⁰ 15 U.S.C. 78q-1.

¹¹ 15 U.S.C. 78s(b)(3)(A).

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 rule changes simply modify CME's current IRS fee schedule and make conforming changes to CME's IRS Manual that correspond to CFTC guidance on straight through processing of swaps.

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 upon filing pursuant to Section 19(b)(3)(A)¹³ of the Act and paragraphs (f)(2) and (f)(4)(ii) of Rule 19b-4¹⁴ 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.¹⁵

¹² 17 CFR 240.19b-4(f)(4)(ii).

¹³ 15 U.S.C. 78s(b)(3)(A).

¹⁴ 17 CFR 240.19b-4(f)(2) and 17 CFR 240.19b-4(f)(4)(ii).

¹⁵ 15 U.S.C. 78s(b)(3)(C).

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 No. SR-CME-2013-32 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-2013-32. 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-2013-32 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.¹⁶

Kevin M. O'Neill
Deputy Secretary

¹⁶ 17 CFR 200.30-3(a)(12).