

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-75781; File No. SR-CME-2015-016)

August 28, 2015

Self-Regulatory Organizations; Chicago Mercantile Exchange Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Reduce the Minimum IRS Guaranty Fund Contribution of IRS Clearing Members

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “Exchange Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on August 24, 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 prepared primarily by CME. CME filed the proposal pursuant to Section 19(b)(3)(A) of the Act,<sup>3</sup> and Rule 19b-4(f)(4)(ii) thereunder,<sup>4</sup> 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 the proposed rule change that is limited to its business as a derivatives clearing organization. More specifically, the proposed rule change would reduce the minimum IRS Guaranty Fund Contribution of IRS Clearing Members to \$15,000,000 for all IRS Clearing Members (including affiliates).

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>4</sup> 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 ("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 rules would reduce the minimum IRS Guaranty Fund Contribution of IRS Clearing Members to \$15,000,000 for all IRS Clearing Members (including affiliates).

CME periodically reviews its requirements for clearing membership and has determined that it is appropriate to change the minimum contribution to \$15,000,000 as the current minimum, established at the time of launch of the IRS clearing service to ensure a robust financial safeguards for IRS products, can be reduced due to the growth of IRS clearing activity at CME and corresponding growth of the IRS Guaranty Fund size.<sup>5</sup> The change could also encourage more entities to apply for IRS clearing membership which would further the diversification of IRS Clearing Members and provide additional liquidity to the default

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<sup>5</sup> As of March 31, 2015, the IRS Guaranty Fund was approximately \$2.473 billion.

management process. No other changes to IRS clearing membership requirements are being proposed.

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 would become effective upon filing but will be operationalized on August 31, 2015. 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 15-346.

CME believes the proposed rule change is consistent with the requirements of the Exchange Act including Section 17A.<sup>6</sup> The proposed rules change the minimum IRS Guaranty Fund Contribution of IRS Clearing Members to \$15,000,000 as the current minimum, established at the time of launch of the IRS clearing service to ensure a robust financial safeguards for IRS products, can be reduced due to the growth of IRS clearing activity at CME and corresponding growth of the IRS Guaranty Fund size. The change could also encourage more entities to apply for IRS clearing membership which would further the diversification of IRS Clearing Members and provide additional liquidity to the default management process. The proposed rule change is 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

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<sup>6</sup> 15 U.S.C. 78q-1.

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.<sup>7</sup>

Furthermore, the proposed rule change is limited to CME's futures and swaps clearing businesses, which mean they are limited in their 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 DCO 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 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 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 Exchange Act<sup>8</sup> and are properly filed under Section 19(b)(3)(A)<sup>9</sup> and Rule 19b-4(f)(4)(ii)<sup>10</sup> thereunder.

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<sup>7</sup> 15 U.S.C. 78q-1(b)(3)(F).

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 rules reduce the minimum IRS Guaranty Fund Contribution of IRS Clearing Members to \$15,000,000 for all IRS Clearing Members (including affiliates) and could be expected to encourage more entities to apply for IRS clearing membership. Further, the changes are limited to CME's futures and swaps clearing businesses and, as such, do not affect the security-based swap clearing activities of CME in any way and therefore do 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

Pursuant to Section 19(b)(3)(A) of the Exchange Act<sup>11</sup> and Rule 19b-4(f)(4)(ii) thereunder,<sup>12</sup> CME has designated that this proposal constitutes 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 forwards that are not security forwards; and (b) does not significantly affect any securities clearing operations of CME or any rights or obligations of

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<sup>8</sup> 15 U.S.C. 78q-1.

<sup>9</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>10</sup> 17 CFR 240.19b-4(f)(4)(ii).

<sup>11</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>12</sup> 17 CFR 240.19b-4(f)(4)(ii).

CME with respect to securities clearing or persons using such securities-clearing service, which renders the proposed change effective upon filing.

CME believes that the proposal does not significantly affect any securities clearing operations of CME because CME recently filed a proposed rule change that clarified that CME has decided not to clear security-based swaps, except in a very limited set of circumstances.<sup>13</sup> The rule filing reflecting CME's decision not to clear security-based swaps removed any ambiguity concerning CME's ability or intent to perform the functions of a clearing agency with respect to security-based swaps. Therefore, this proposal will have no effect on any securities clearing operations of CME.

At any time within 60 days of the filing of the proposed 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 Exchange 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:

##### Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>), or

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<sup>13</sup> See Securities Exchange Act Release No. 73615 (Nov. 17, 2014), 79 FR 69545 (Nov. 21, 2014) (SR-CME-2014-49). The only exception is with regards to Restructuring European Single Name CDS Contracts created following the occurrence of a Restructuring Credit Event in respect of an iTraxx Component Transaction. The clearing of Restructuring European Single Name CDS Contracts will be a necessary byproduct after such time that CME begins clearing iTraxx Europe index CDS.

- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File No. SR-CME-2015-016 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-CME-2015-016. 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-2015-016 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.<sup>14</sup>

Robert W. Errett  
Deputy Secretary

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<sup>14</sup> 17 CFR 200.30-3(a)(12).