

**SUBMISSION COVER SHEET**

**IMPORTANT:** Check box if Confidential Treatment is requested

Please check this box if confidential treatment will be requested.]

Registered Entity Identifier Code (optional): 25-329

Organization: Chicago Mercantile Exchange Inc. ("CME")

Filing as a:  DCM  SEF  DCO  SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 11/19/25 Filing Description: Acceptance of Event Contract Swaps for Clearing

**SPECIFY FILING TYPE**

Please note only ONE choice allowed per Submission.

**Organization Rules and Rule Amendments**

- Certification § 40.6(a)
- Approval § 40.5(a)
- Notification § 40.6(d)
- Advance Notice of SIDCO Rule Change § 40.10(a)
- SIDCO Emergency Rule Change § 40.10(h)

**Rule Numbers:**

**New Product**

Please note only ONE product per Submission.

- Certification § 40.2(a)
- Certification Security Futures § 41.23(a)
- Certification Swap Class § 40.2(d)
- Approval § 40.3(a)
- Approval Security Futures § 41.23(b)
- Novel Derivative Product Notification § 40.12(a)
- Swap Submission § 39.5

**Product Terms and Conditions (product related Rules and Rule Amendments)**

- Certification § 40.6(a)
- Certification Made Available to Trade Determination § 40.6(a)
- Certification Security Futures § 41.24(a)
- Delisting (No Open Interest) § 40.6(a)
- Approval § 40.5(a)
- Approval Made Available to Trade Determination § 40.5(a)
- Approval Security Futures § 41.24(c)
- Approval Amendments to enumerated agricultural products § 40.4(a), § 40.5(a)
- "Non-Material Agricultural Rule Change" § 40.4(b)(5)
- Notification § 40.6(d)

**Official Name(s) of Product(s) Affected:**

**Rule Numbers:**

November 19, 2025

**VIA ELECTRONIC PORTAL**

Mr. Christopher J. Kirkpatrick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, DC 20581

**Re: CFTC Regulation 39.5(b) Submission: Acceptance of Event Contract Swaps for Clearing.  
CME Submission No. 25-329**

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange Inc. (“CME” or the “Clearing House”), a registered derivatives clearing organization (“DCO”) under the Commodity Exchange Act, as amended (the “Act”), hereby submits to the Commodity Futures Trading Commission (“CFTC” or the “Commission”), pursuant to CFTC Regulation 39.5(b), its plan to accept event swap over-the-counter (“OTC”) derivatives (“Event Contract Swaps”)<sup>1</sup> for clearing, beginning on December 5, 2025. Event Contract Swaps will be listed for trading on CME’s designated contract market (“DCM”) and cleared by the Clearing House.

**39.5(b)(3)(i): Eligibility to Clear**

Pursuant to Regulation 39.5(b)(3)(i), CME states that it is eligible to accept Event Contract Swaps for clearing. Should the Commission determine that such swaps are required to be cleared, CME will be able to maintain compliance with the DCO core principles set forth in Section 5b(c)(2) of the Act and the regulations promulgated thereunder, noting that all executed trades in Event Contract Swaps are required to be cleared by the Clearing House.

In accordance with Regulation 39.5(b)(3)(ii)-(viii), CME is providing the following information in support of this submission.

**39.5(b)(3)(ii)(A) Statement on Outstanding Derivatives Notional Exposure, Trading Liquidity and Pricing Data**

There is no outstanding notional exposure or trading liquidity in Event Contract Swaps, which will be available for trading exclusively on the CME as a DCM. DCM-based trading activity will be the sole source of pricing for the instruments.

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<sup>1</sup> CME’s Chapter 8-F Rules, which govern clearing membership requirements for OTC Derivatives other than interest rate swaps, refer to such contracts as event swap OTC Derivatives in broad alignment with existing terminology in Chapter 8-F. CME’s Chapter 22 Rules, which include product terms and conditions for these contracts, refer to them as “Event Contract Swaps”, which is the term used throughout this submission.

### **39.5(b)(3)(ii)(B): Rule Framework, Capacity, Operational Expertise and Resources, and Credit Support Infrastructure**

The rule framework for Event Contract Swaps is established in the CME Rulebook. This Rulebook is available at [www.cmegroup.com/market-regulation/rulebook.index.html](http://www.cmegroup.com/market-regulation/rulebook.index.html), which includes links to pertinent product chapters in the CME Rulebook. Chapter 22 of CME's Rules establishes the product terms and conditions for Event Contract Swaps. Chapter 8-F of CME's Rules establishes clearing and settlement terms for OTC Derivatives, including Event Contract Swaps, that are cleared in the Base Guaranty Fund.

CME has demonstrated capacity and operational expertise to clear Event Contract Swaps, the design of which is based on CME's existing Event Contracts that are structured and cleared as options on futures. Event Contract Swaps will follow similar operational flows, taking into account applicable requirements for swaps clearing.

CME Clearing PFMI Disclosure document ("PFMI Disclosure")<sup>2</sup> contains additional information regarding CME's risk management capacity, expertise, resources, and financial safeguards system.

### **39.5(b)(3)(ii)(C): Statement on the Mitigation of Systemic Risk**

CME does not expect the clearing of Event Contract Swaps to have any impact on systemic risk. There is currently no existing OTC market for Event Contract Swaps. Following the listing of Event Contract Swaps on the CME as a DCM, all positions in such contracts will be cleared at CME Clearing. CME, in its capacity as a derivatives clearing organization ("DCO"), will interpose itself between counterparties to the swaps that it clears, becoming the buyer to every seller and the seller to every buyer. For each swap that it clears, CME provides all applicable clearing house services, which serve to mitigate potential systemic risk while providing operational, risk management and settlement efficiencies. For example, CME's daily risk management practices enhance customer risk management while standardization and centralized clearing enable consolidation of collateral and position management and cash flows. As further described in the PFMI Disclosure, CME has sufficient financial resources available to clear Event Contract Swaps.

### **39.5(b)(3)(ii)(D): Statement on Competition and Appropriate Fees and Charges**

CME does not believe that clearing Event Contract Swaps will have any negative impact, or impose any burden, on competition. CME's schedule of fees for Event Contract Swaps can be found at <https://www.cmegroup.com/company/clearing-fees.html>.

### **39.5(b)(3)(ii)(E): Statement on Legal Certainty and Insolvency**

The bankruptcy of a DCO is governed by subchapter IV of Chapter 7 of the U.S. Bankruptcy Code (11 U.S.C. §§ 761-767), and by Part 190 (Bankruptcy) of the Commission's regulations. Also relevant in the event that CME were to enter into bankruptcy proceedings is CME Rule 818 (Close-Out Netting) included in Chapter 8 (Clearing House and Performance Bonds) of the CME Rulebook.<sup>3</sup>

The bankruptcy of a clearing member that is a U.S. futures commission merchant ("FCM") would be governed by subchapter IV of Chapter 7 of the U.S. Bankruptcy Code (11 U.S.C. §§ 761-767) and Part 190 (Bankruptcy) of the Commission's regulations. If an FCM is registered as a broker-dealer, certain aspects of its insolvency proceeding may also be governed by the Securities Investor Protection Act.

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<sup>2</sup><https://www.cmegroup.com/clearing/risk-management/files/cme-clearing-principles-for-financial-market-infrastructures-disclosure.pdf>

<sup>3</sup> <http://www.cmegroup.com/rulebook/CME/I/8/8.pdf>

### **39.5(b)(3)(iii): Product Specification**

Event Contract Swaps are USD cash-settled, European style, premium style, binary options that clear as swaps and whose moneyness depends on the occurrence or non-occurrence of an event, as defined by the Exchange. Attached as Exhibit A are the product specifications for the initial Event Contract Swaps, the underlying of which are events related to economic indicators, cryptocurrencies, and various sport events. Additional Event Contract Swaps on a wider range of potential events may follow.

### **39.5(b)(3)(iv): Participant Eligibility Standards**

An OTC Clearing Member that clears Event Contract Swaps must satisfy applicable requirements under the CME Rules, including but not limited to the eligibility requirements in CME Rule 8F004 (OTC Clearing Member Obligations and Qualifications).

### **39.5(b)(3)(v) Pricing Sources**

While the Event Contract Swaps will clear as swaps, they are DCM-listed binary options that will be traded on a central limit order book. Pricing for each instrument will be derived from trading activity in the centralized DCM market. The final settlement value will depend on moneyness of the option, which for the initial Event Contract Swaps will be based on specified event indicators and cryptocurrency index values defined in the CME Rules, and will utilize objectively determined values.

### **39.5(b)(3)(vi): Risk Management Procedures**

Event Contract Swaps are subject to premium style collateralization, which means that the participant establishing a long position will pay the full premium amount for each such contract. The maximum risk on a long position in an Event Contract Swap will be the amount of money the market participant pays as the premium for that binary option swap. Due to the fixed payout feature, the maximum per contract risk for a short position is the notional size of the swap, which for the initial Event Contract Swaps is \$1. For each Event Contract Swap, CME will collect long option value for the long position holder and hold the full notional value of the contract for the short position holder until contract expiry, covering the maximum exposure under the position. Event Contract Swaps settle at expiration by the payment of an absolute amount to the holder of one side of the option and no payment to the counterparty.

As noted above, the PFMI Disclosure summarizes CME's financial safeguards for the Base Guaranty Fund, which will be applicable to the clearing of Event Contract Swaps.

### **39.5(b)(3)(vii): Rules, Manuals, Policies, or Procedures**

The product terms and conditions for Event Contract Swaps are included at Chapter 22 of the CME Rulebook. As noted above, Chapter 8-F, and Rule 8F004 in particular, establish the applicable clearing membership requirements for Event Contract Swaps. CME Rulebook Chapters 22 and 8-F are attached as Exhibit B.

### **39.5(b)(3)(viii): Notice of Submission**

Notice of this submission has been concurrently posted on CME Group's website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

Should you have any questions concerning the above, please contact the undersigned at (312) 930-8141 or via e-mail at [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Maureen Guilfoile  
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A: Event Contract Swaps Product Specifications  
Exhibit B: CME Rule Chapter 8-F (OTC Derivatives Clearing); CME Rule Chapter 22  
(Event Contract Swaps)

# Exhibit A

## Event Contract Swaps Product Specifications

### *Event Contract Swaps on Sports*

<b>Contract Title</b>	Event Contracts on Pro Basketball Game	Event Contracts on Pro Football Game	Event Contracts on Pro Football Season Champion	Event Contracts on College Football Game
<b>Clearing Code</b>	See Table 1	See Table 2	See Table 3	See Table 4
<b>CME Globex Code</b>	See Table 1	See Table 2	See Table 3	See Table 4
<b>Rulebook Chapter</b>	CME 22			
<b>Settlement Method</b>	Financially Settled			
<b>Contract Size</b>	\$1.00			
<b>Price Quotation</b>	U.S. dollars and cents			
<b>Minimum Price Fluctuation</b>	0.01			
<b>Value Per Tick</b>	\$0.01			
<b>Exercise Style</b>	European			
<b>Exercise Procedure</b>	Exact At-The-Money Characteristics			
<b>Exact At-The-Money Characteristics</b>	Exercise Calls, Puts Expire with no Value			
<b>Listing Schedule</b>	Contracts typically listed only for games scheduled within the next three (3) calendar days	Contracts typically listed only for the next scheduled pro football game for each applicable team	One contract listed for each pro football team per season	Contracts typically listed only for the next scheduled college football game for each applicable team
<b>Initial Listing Schedule</b>	Initial contracts listed on Globex on 12/7/25 for games scheduled to occur on 12/9/25	Initial contracts listed on Globex on 12/5/25 at 4:01 P.M CT for single game scheduled to occur on 12/8/25. The typical listing schedule will commence on 12/7/25 for subsequent weeks.	Contracts available for each applicable college football team on 12/7/25	Initial contracts listed for College Football Playoff game scheduled to occur on 12/19/25

<b>Trading Hours</b>	The Exchange intends to avail 24-hour trading, 7 days a week inclusive of up to two 2-hour maintenance periods per week from 3:00 A.M. Eastern Time/ET – 5:00 A.M. ET on Saturday and Tuesday.  In addition, there will be a one (1) minute trading halt each day from 5:00 P.M.ET to 5:01 p.m. ET that will serve to advance the trade date.
<b>Termination of Trading</b>	Trading will terminate when the occurrence of the event is known
<b>CME Globex Matching Algorithm</b>	S - FIFO with Top Order and LMM and configuration of 0% LMM

***Event Contract Swaps on Bitcoin***

<b>Contract Title</b>	Event Contracts on Bitcoin 10:00 A.M. ET	Event Contracts on Bitcoin 11:00 A.M. ET	Event Contracts on Bitcoin 1:00 P.M. ET	Event Contracts on Bitcoin 3:00 P.M. ET	Event Contracts on Bitcoin 4:00 P.M. ET
<b>Clearing Code</b>	CCB10	CCB11	CCB13	CCB15	CCB16
<b>CME Globex Code</b>	CCB10	CCB11	CCB13	CCB15	CCB16
<b>Rulebook Chapter</b>	CME 22				
<b>Settlement Method</b>	Financially Settled				
<b>Contract Size</b>	\$1.00				
<b>Price Quotation</b>	U.S. dollars and cents				
<b>Minimum Price Fluctuation</b>	0.01				
<b>Value Per Tick</b>	\$0.01				
<b>Exercise Style</b>	European				
<b>Exercise Procedure</b>	Exact At-The-Money Characteristics				
<b>Exact At-The-Money Characteristics</b>	Exercise Puts, Abandon Calls				
<b>Listing Schedule</b>	One contract on the CME CF Bitcoin Real Time Index listed daily				

<b>Initial Listing Schedule</b>	December 6, 2025				
<b>Trading Hours</b>	The Exchange intends to avail 24-hour trading, 7 days a week inclusive of up to two 2-hour maintenance periods per week from 3:00 A.M. Eastern Time/ET – 5:00 A.M. ET on Saturday and Tuesday. In addition, there will be a one (1) minute trading halt each day from 5:00 P.M. ET to 5:01 P.M. ET that will serve to advance the trade date.				
<b>Termination of Trading</b>	10:00AM ET	11:00AM ET	01:00PM ET	03:00PM ET	04:00PM ET
<b>CME Globex Matching Algorithm</b>	S - FIFO with Top Order and LMM and configuration of 0% LMM				

***Event Contract Swaps on Ether***

<b>Contract Title</b>	Event Contracts on Ether 10:00 A.M. ET	Event Contracts on Ether 11:00 A.M. ET	Event Contracts on Ether 1:00 P.M. ET	Event Contracts on Ether 3:00 P.M. ET	Event Contracts on Ether 4:00 P.M. ET
<b>Clearing Code</b>	CCE10	CCE11	CCE13	CCE15	CCE16
<b>CME Globex Code</b>	CCE10	CCE11	CCE13	CCE15	CCE16
<b>Rulebook Chapter</b>	CME 22				
<b>Settlement Method</b>	Financially Settled				
<b>Contract Size</b>	\$1.00				
<b>Price Quotation</b>	U.S. dollars and cents				
<b>Minimum Price Fluctuation</b>	0.01				
<b>Value Per Tick</b>	\$0.01				
<b>Exercise Style</b>	European				
<b>Exercise Procedure</b>	Exact At-The-Money Characteristics				
<b>Exact At-The-Money Characteristics</b>	Exercise Puts, Abandon Calls				
<b>Listing Schedule</b>	One contract on the CME CF Ether-Dollar Real Time Index listed daily				

<b>Initial Listing Schedule</b>	December 6, 2025				
<b>Trading Hours</b>	The Exchange intends to avail 24-hour trading, 7 days a week inclusive of up to two 2-hour maintenance periods per week from 3:00 A.M. Eastern Time/ET – 5:00 A.M. ET on Saturday and Tuesday. In addition, there will be a one (1) minute trading halt each day from 5:00 P.M. ET to 5:01 P.M. ET that will serve to advance the trade date.				
<b>Termination of Trading</b>	10:00AM ET	11:00AM ET	01:00PM ET	03:00PM ET	04:00PM ET
<b>CME Globex Matching Algorithm</b>	S - FIFO with Top Order and LMM and configuration of 0% LMM				

***Event Contract Swaps on Financial Indicators***

<b>Contract Title</b>	Event Contracts on Consumer Price Index - Urban All Items (CPI - U)	Event Contracts on Gross Domestic Product (GDP) Advance Estimate	Event Contracts on Non-Farm Payroll	Event Contracts on Unemployment Rate	Event Contracts on Personal Consumption Expenditures (PCE) - Core excl. Food and Energy	Event Contracts on Federal Open Market Committee (FOMC) Meetings
<b>Clearing Code</b>	ECCP	ECGD	ECNF	ECUN	ECPC	ECFD
<b>CME Globex Code</b>	ECCPI	ECGDP	ECNFP	ECUNE	ECPCE	ECFD
<b>Rulebook Chapter</b>	CME 22					
<b>Settlement Method</b>	Financially Settled					
<b>Contract Size</b>	\$1.00					
<b>Price Quotation</b>	U.S. dollars and cents					
<b>Minimum Price Fluctuation</b>	0.01					
<b>Value Per Tick</b>	\$0.01					
<b>Exercise Style</b>	European					
<b>Exercise Procedure</b>	Exact At-The-Money Characteristics					
<b>Exact At-The-Money Characteristics</b>	Exercise Calls, Puts Expire with no Value					

<b>Listing Schedule</b>	One contract listed for each of the scheduled CPI reports (12 in a calendar year)	One contract listed for each of the scheduled GDP Advance Estimate reports (4 in a calendar year)	One contract listed for each of the scheduled Non-Farm Payroll reports (12 in a calendar year)	One contract listed for each of the scheduled Unemployment Rate reports (12 in a calendar year)	One contract listed for each of the scheduled PCE reports (12 in a calendar year)	One contract listed for each of the scheduled FOMC meetings (8 in a calendar year)
<b>Initial Listing Schedule</b>	December 2025	January 2026	January 2026	January 2026	December 2025	December 2025
<b>Trading Hours</b>	<p>The Exchange intends to avail 24-hour trading, 7 days a week inclusive of up to two 2-hour maintenance periods per week from 3:00 A.M. ET – 5:00 A.M. ET on Saturday and Tuesday.</p> <p>In addition, there will be a one (1) minute trading halt each day from 5:00 p.m. Eastern Time/ET to 5:01 p.m. ET that will serve to advance the trade date.</p>					
<b>Termination of Trading</b>	8:29 a.m. Eastern Time/ET on the date that Consumer Price Index (CPI) is announced	8:29 a.m. Eastern Time/ET on the date that Gross Domestic Product (GDP) is announced	8:29 a.m. Eastern Time/ET on the date that Non-Farm Payroll is announced	8:29 a.m. Eastern Time/ET on the date that Unemployment Rate is announced	8:29 a.m. Eastern Time/ET on the date that Personal Consumption Expenditure (PCE) is announced	1:59 p.m. Eastern Time/ET on the FOMC Announcement Date. "FOMC Announcement Date" for this purpose is the second date specified in the FOMC's published calendar for each meeting.
<b>CME Globex Matching Algorithm</b>	S - FIFO with Top Order and LMM and configuration of 0% LMM					

# **Exhibit B**

## **Event Contract Swaps Rules CME Rulebook Chapter 8-F and Chapter 22**

### **Chapter 8-F Over-the-Counter Derivative Clearing**

#### **8F001. SCOPE OF CHAPTER**

This chapter sets forth the rules governing clearing and settlement of all products, instruments, and contracts in Over-The-Counter Derivatives, including, but not limited to, swaps and forward rate agreements, that the Clearing House has designated as eligible for clearing, but excluding interest rate swaps, which, for the avoidance of doubt, are governed by Chapter 8G. OTC Clearing Members are also subject to all applicable Rules in the CME, CBOT, NYMEX and/or COMEX Rulebooks that apply to CME, CBOT, NYMEX or COMEX Clearing Members as applicable, unless an exemption from such rule has been granted by staff or the Clearing House Risk Committee. In the event there is a conflict between a rule in this Chapter 8-F and another rule in the Rulebooks, the Chapter 8-F Rule shall supersede the conflicting rule with respect to OTC Derivatives transactions.

#### **8F002. DEFINITIONS**

##### **BASE OTC CLEARING MEMBER**

A Base OTC Clearing Member is an entity that has been approved by CME to clear OTC Derivatives that are Base Guaranty Fund Products.

##### **OTC FX CLEARING MEMBER**

An OTC FX Clearing Member is a Clearing Member that has been approved by CME to clear OTC FX Products, as defined in CME Rule 60002. Unless an OTC FX Clearing Member is also approved to clear other Base Guaranty Fund Products, such entity is not required to own, hold or lease any Exchange membership solely as a precondition to OTC FX Clearing Membership. Notwithstanding the foregoing, an OTC FX Clearing Member that does not hold or lease one or more Exchange memberships shall continue to be responsible for violations of Exchange Rules as a Base OTC Clearing Member and agrees to have any disputes that relate to or arise out of any transaction cleared by the Exchange during the time in which the entity is approved as a Base OTC Clearing Member resolved in accordance with Exchange Rules, including but not limited to the arbitration provisions of Chapter 6. For avoidance of doubt, each OTC FX Clearing Member is a 'member' as defined at Rule 601.A.4, a Base OTC Clearing Member and an OTC Clearing Member.

##### **OTC CLEARING MEMBER**

An OTC Clearing Member is an entity that has been approved by CME to clear OTC Derivatives. An OTC Clearing Member that is not also a CME, CBOT, NYMEX or COMEX Clearing Member may not clear CME, CBOT, NYMEX or COMEX transactions, as applicable, other than OTC Derivatives.

Subject to approval by CME Clearing (for addition of OTC Derivatives products for existing CME, CBOT, NYMEX and COMEX Clearing Members) or the Clearing House Oversight Committee pursuant to Rules 403 and 912, CME, CBOT, NYMEX and COMEX Clearing Members may be afforded full rights and privileges to trade and clear OTC Derivatives that are listed for clearing by CME, CBOT, NYMEX or COMEX, as applicable. Such CME, CBOT, NYMEX and COMEX Clearing Members shall then be considered "OTC Clearing Members," as applicable, for purposes of the Rules. This chapter shall be applicable to entities that are approved as "OTC Clearing Members" and CME, CBOT, NYMEX and COMEX Clearing Members approved to clear OTC Derivatives.

##### **OTC DERIVATIVES**

Agreements, contracts or transactions that the Clearing House clears as 'swaps', as that term is defined under the Commodity Exchange Act. For purposes of this Chapter 8-F, the term 'OTC Derivatives' does not include interest rate swaps cleared by the Clearing House.

##### **OTC DERIVATIVE PRODUCT CATEGORY**

Each category and sub-category of OTC Derivatives as determined by the Clearing House for mandatory Base OTC Clearing Member participation in default management processes.

## **CLOSE-OUT AMOUNT**

The amount of losses and costs of the CME that are or would be incurred by the CME, net of any gains incurred in replacing, or in providing the CME the economic equivalent of the material terms of the terminated OTC Derivatives, net of any gains incurred (if such net amount is positive), including (a) the payments and deliveries that would, absent termination, have been required after the termination date, (b) any option rights in respect of the terminated transactions, (c) all unpaid amounts due to the CME under the terminated transaction with the relevant Clearing Member less all unpaid amounts due to such Clearing Member under the terminated transactions and (d) all related fees, costs and expenses incurred by the CME.

## **8F003. CLASSIFICATION OF POSITIONS**

OTC Derivatives submitted for clearing by an OTC Clearing Member for its proprietary account shall be assigned to and held in a proprietary account of such Clearing Member. All collateral deposited as performance bond to support positions in the proprietary account of an OTC Clearing Member shall be deemed the property of the OTC Clearing Member and shall be subject to the Clearing House's lien and security rights as described in Rule 8F008.

OTC Derivatives submitted for clearing for the account of a Clearing Member's Cleared Swaps Customers shall be assigned and held in a Cleared Swaps Customer Account of such Clearing Member. All Clearing Members must comply with the requirements set forth in CME Rule 971 for such Cleared Swaps Customer Accounts.

Notwithstanding the foregoing, if the CFTC issues an order or otherwise approves permitting OTC Clearing Members to commingle customer funds used to margin particular OTC Derivatives that are cleared by CME with other funds held in CEA Section 4d(a)(2) customer segregated accounts, such positions may be held in the customer segregated accounts of an OTC Clearing Member and, if so held, all collateral deposited as performance bond to support such positions and all settlement variation payments made to such accounts shall be commingled with similar property of regulated customers. All Clearing Members must comply with the requirements set forth in CME Rule 971 for such customer segregated accounts.

## **8F004. OTC CLEARING MEMBER OBLIGATIONS AND QUALIFICATIONS**

OTC Clearing Members are subject to all relevant CME, CBOT, NYMEX and COMEX Rules and the Clearing House Manual unless an exemption has been granted by staff or the Clearing House Oversight Committee. OTC Clearing Members must execute all agreements and documents required by the Clearing House. The qualifications and requirements to become an OTC Clearing Member are set forth below.

An OTC Clearing Member clearing OTC Derivatives must satisfy the requirements set forth below.

1. An OTC Clearing Member must be in "good standing" under each applicable regulatory regime to which it is subject at the time it applies for OTC clearing membership and it must maintain its good standing status while it is an OTC Clearing Member.
2. An OTC Clearing Member must be in compliance with all applicable regulatory capital requirements and an OTC Clearing Member must maintain minimum capital of:
  - i. \$5 million if it clears only commodity and/or event swap OTC Derivatives; and
  - ii. \$50 million if it clears other OTC Derivatives

3. [Reserved]

4. [Reserved]

5. [Reserved]

6. An OTC Clearing Member and an OTC Clearing Member applicant shall be engaged in or demonstrate immediate capacity to engage in the conduct of the business of an OTC Clearing Member and to perform all other obligations of an OTC Clearing Member as described or referenced in these Rules, including the ability to properly risk manage OTC Derivatives, monitor OTC Derivatives exposures and comply with default management obligations. In the event that an OTC Clearing Member does not have the capabilities to perform such responsibilities or obligations, such OTC Clearing Member may contract with a third-party (including an Affiliate) to fulfill certain operational or risk requirements; provided that all agreements relating to such service shall be subject to the prior review and approval by the Clearing House staff and consultation with the Clearing House Risk Committee, as appropriate. The Clearing House may impose limitations on OTC Clearing Member utilization of service providers, including limitations on the number of OTC Clearing Members to which a service provider may provide services.

Notwithstanding the above, each OTC Clearing member remains liable to the Clearing House for failure to comply with the obligations of an OTC Clearing Member.

7. [Reserved]

8. An OTC Clearing Member must comply with the financial requirements set forth in CME Rule 970. However, if the OTC Clearing Member is regulated by another regulatory authority, then it shall submit to CME annual audited financial statements as well as all unaudited financial statements provided to its primary regulator within five days after such statements are provided to its regulator. All financial statements shall be in the English language.

9. The books and records of an OTC Clearing Member regarding OTC Derivatives cleared by the Clearing House shall be made promptly available for inspection upon request by CME and such books and records shall be subject to reasonable standards of confidentiality.

10. Each OTC Clearing Member that is a Futures Commission Merchant shall keep the types of information and records that are described in Section 4g of the Commodity Exchange Act and CFTC regulations thereunder including, but not limited to, Regulation 1.35, with respect to all OTC Derivatives submitted for clearing.

11. Each Base OTC Clearing Member shall make at least two traders (one primary and one backup) per OTC Derivative Product Category available to the Clearing House to participate in the Active Base OTC Default Management Committee immediately upon notice from the Clearing House that it is convening the Active Base OTC Default Management Committee for (i) a potential or actual default of a Base OTC Clearing Member and (ii) for OTC Derivative default drill exercises.

Upon acceptance as a Base OTC Clearing Member and upon any update request by Clearing House, each Base OTC Clearing Member shall provide a list of traders that the Base OTC Clearing Member nominates for the Active Base OTC Default Management Committee. Any such trader shall have a title at the level of Vice President (or equivalent title) and/or shall have the minimum level of experience the Clearing House deems necessary for the relevant OTC Derivatives. Each Base OTC Clearing Member shall make at least one trader per each OTC Derivative Product Category available to the Clearing House to participate in the Active Base OTC Default Management Committee immediately upon notice from the Clearing House that it is convening the Active Base OTC Default Management Committee for (i) a potential or actual default of an OTC Clearing Member or (ii) for OTC default drill exercises. Base OTC Clearing Members shall make traders available for each OTC Derivative Product Category as requested by the Clearing House until the later of (i) the end of the relevant default management process or drill or (ii) the end of such traders' rotation.

12. Each OTC Clearing Member or a third-party approved to act on its behalf shall participate in OTC Derivative default drill exercises as prescribed by the Clearing House.

#### **8F005. SUBSTITUTION AND TIMEFRAME OF ACCEPTANCE FOR CLEARING**

An OTC Derivative that is both executed and submitted to the Clearing House on the current business date at prevailing market prices, and in accordance with the rules governing such transaction shall be guaranteed by the Clearing House once accepted at the Clearing House. An existing OTC Derivative (i.e., a backloaded trade) that is submitted to the Clearing House for clearing, shall be guaranteed by the Clearing House at the time payment of initial settlement of mark to market, performance bond and any other applicable initial OTC cash flows for such OTC Derivative, in accordance with the procedures set forth in Rule 814, is confirmed by the appropriate settlement bank for both OTC Clearing Members. The Clearing House shall substitute itself as the counterparty to each party to the original transaction at the time of guarantee.

With regard to an OTC Derivative submitted for clearing that is executed on or subject to the rules of a Designated Contract Market or a Swap Execution Facility, the Clearing House shall accept or reject such OTC Derivative for clearing in accordance with the time frames required under CFTC Regulation 39.12(b)(7)(B)(ii). Except with respect to a backloaded trade, an OTC Derivative submitted for clearing that is not executed on or subject to the rules of a Designated Contract Market or a Swap Execution Facility, or that is executed noncompetitively on or subject to the rules of a Designated Contract Market or a Swap Execution Facility, shall be accepted or rejected for clearing in accordance with the time frames required under CFTC Regulation 39.12(b)(7)(B)(iii).

The OTC Clearing Member shall be deemed the principal to the transaction when executed by that Clearing Member for its own proprietary account, as a guarantor agent to the transaction when executed by that Clearing Member for the account of a proprietary affiliate, or the agent when executed by the clearing member for the account of an authorized customer of that Clearing Member. After that substitution, there shall be two equal and offsetting over-the-counter transactions as follows: one between

the buyer and the Clearing House, as seller; and an equal and offsetting transaction between the Clearing House and the seller.

#### **8F006. CLEARING MEMBER DEFAULT**

If an OTC Clearing Member fails promptly to discharge any obligation to the Clearing House, it shall be in default and the Clearing House may take all actions permitted by these Rules in the event of a default. All of the assets and collateral of an OTC Clearing Member that are available to CME including, but not limited to, its guaranty fund deposit and performance bond shall be applied by the Clearing House to discharge the obligation. The Clearing House may engage in any commercially reasonable transaction or action contemplated by the Rules and the Base Default Management Guidelines to manage, eliminate or reduce the risk created by the default, including but not limited to, entering into hedges, liquidating positions in the market, auctioning or selling a portion or all of the portfolio of the defaulting firm and, if applicable, its customers, and combining or offsetting by book-entry positions in eligible accounts of one or more defaulters. All obligations, costs and expenses incurred by entering into any transactions contemplated under the Rules shall be an obligation of the defaulting OTC Clearing Member to the Clearing House. If the defaulting clearing member has proprietary or customer positions in contracts traded on an execution platform with which CME has a clearing services agreement, the Clearing House, acting in good faith and a commercially reasonable manner, will determine the appropriate default management approach, which may include but is not limited to the determination to close out and cash settle all open positions in contracts executed on such execution platform.

#### **8F007. GUARANTY FUND DEPOSIT**

An OTC Clearing Members' guaranty fund deposit may be used to cover losses incurred by the Clearing House if a defaulting OTC Clearing Member's assets, including amounts available pursuant to any guarantee from an affiliated Clearing Member, available to the Clearing House are insufficient to cover such loss, regardless of the cause of default.

The detailed guaranty fund deposit rules applicable to Clearing Members are set forth in Rule 816.

#### **8F008. LIEN ON COLLATERAL**

Each OTC Clearing Member hereby grants to the Clearing House to secure obligations of such OTC Clearing Member to the Clearing House a first priority and unencumbered security interest and lien against any property, cash, securities or collateral deposited with, transferred or pledged to, or otherwise where control is given to the Clearing House by the OTC Clearing Member. OTC Clearing Members shall take any action that may be required by the Clearing House to create, preserve, perfect, validate or enforce any such security interest.

#### **8F009. CUSTOMER REGISTRATION**

All OTC Derivatives including, but not limited to, give-ups or transfers that are cleared at CME shall be identified with an account number which identifies the originator of that transaction, specifying whether the transaction was executed as a proprietary transaction of the OTC Clearing Member or arises from a transaction by a customer. OTC Clearing Members shall register, on CME approved forms, all of the "ultimate" (or end) customer.

#### **8F010. RISK MANAGEMENT**

OTC Clearing Members will be subject to risk management and monitoring practices by CME relating to transactions submitted to the Clearing House. OTC Clearing Members shall promptly provide all information requested by Clearing House staff, including, without limitation, information respecting risk, settlement, liquidity, and operational issues. OTC Clearing Members shall make information and documents regarding their risk management policies, procedures and practices available to the CFTC upon the CFTC's request.

In limited circumstances, the Clearing House may decline to accept certain OTC Derivatives trades or migration positions if the Clearing House determines in good faith that, based on the exercise of prudent risk management standards, the Clearing House should not accept the OTC Derivatives trades or migration positions. In the event that the Clearing House declines to accept certain OTC Derivative trades or migration positions, it shall incur no liability with respect to the trades and positions that are not accepted. It shall be the sole responsibility of the OTC Clearing Members who are parties to such trades or positions to take action as they deem necessary or proper for their own protection.

In addition, if the Clearing House determines in good faith that, based on the exercise of prudent risk management standards, that an OTC Clearing Member poses undue risk to the Clearing House based

on its OTC Derivatives portfolio, the Clearing House may take any or all of the following actions with respect to such OTC Clearing Member: 1) impose an additional performance bond requirement; 2) prohibit the addition of any new OTC Derivative positions, or 3) require the reduction or unwinding of OTC Derivatives positions.

OTC Clearing Members shall permit on-site risk reviews in accordance with CME Rules and subject to reasonable standards of confidentiality. OTC Clearing Members will also be subject to on-going oversight by the Clearing House Risk Committee and the Clearing House Oversight Committee regarding their activities related to the CME Clearing House. All such inquiries shall be conducted in a manner consistent with oversight of CME Clearing Members and in accordance with reasonable standards of confidentiality.

#### **8F011. FINANCIAL REQUIREMENTS**

- A. Subject to exceptions granted by CME staff regarding CME imposed financial requirements, OTC Clearing Members must comply with the following:
  - 1. Maintenance of minimum capital requirements;
  - 2. Notification requirements to the Financial and Regulatory Surveillance Department when a clearing member:
    - (i) Fails to maintain minimum capital requirements;
    - (ii) Fails to maintain current books and records; or
    - (iii) Changes its fiscal year.
- B. CME staff may prescribe additional accounting, reporting, and other financial and/or operational requirements and OTC Clearing Members must comply with such requirements. All OTC Clearing Members must provide immediate notice to the Financial and Regulatory Surveillance Department of a failure to comply with the additional accounting, reporting, financial, and/or operational requirements.
- C. CME staff may grant exceptions to the financial requirements of Rule 970 if it is determined that such exceptions will not jeopardize the financial integrity of CME.

#### **8F012. SETTLEMENT**

An OTC Clearing Member must demonstrate, at all times, the operational capabilities and infrastructure necessary to meet all of the delivery requirements applicable to the OTC Derivatives cleared by such OTC Clearing Member.

#### **8F013. INSOLVENCY AND LIQUIDATION**

In the event of a bankruptcy, insolvency or liquidation of an OTC Clearing Member or any other clearing member carrying OTC Derivatives in its proprietary or customer accounts, the default Rules and risk management procedures of CME shall apply, including, but not limited to, the provisions in Rule 975. Upon the bankruptcy, insolvency or liquidation of such a clearing member, the Clearing House will terminate, or offset, any open OTC Derivatives of the bankrupt or insolvent Clearing Member and of its customers, however, the Clearing House shall have discretion to transfer such customer positions to one or more other Clearing Members. The Clearing House may mitigate or eliminate the risks incurred by it as a result of offsetting or terminating such open OTC Derivatives by any one or more of the following means: 1) replace all or a portion of the OTC Derivatives of the defaulting clearing member by entering into a transaction with a solvent clearing member(s); 2) replace all or a portion of the OTC Derivatives of the defaulting clearing member by entering into OTC Derivatives for its own account in the open market; and/or 3) enter into OTC Derivatives (or exchange-traded contracts) to hedge the economic risks imposed on it as a result of offsetting or terminating such OTC Derivatives by any commercially reasonable means. The Clearing House may also replace any OTC Derivatives it enters into to replace or hedge economic risks from any terminated transaction by substituting a transaction with a solvent clearing member(s) that offsets the original terminated transaction. All information received by an OTC Clearing Member, its affiliate or customer in connection with the Clearing House's liquidation and default management processes shall be treated as confidential.

Any Close-out Amount incurred by the Clearing House in liquidating, transferring and establishing, adjusting and/or replacing positions resulting from the clearing member's default will be deducted from the defaulting clearing member's collateral held by CME. In the event the collateral of the defaulting clearing member is not sufficient to satisfy the Close-Out Amount, the unsatisfied costs will be a claim by the Clearing House against the defaulting clearing member.

#### **8F014. MITIGATION OF LOSSES**

In the event of a default of a Base OTC Clearing Member, all Base OTC Clearing Members shall work cooperatively with their customers, other Base OTC Clearing Members and the Clearing House to mitigate any losses that may occur as a result of such default and shall ensure that human resources required to be provided by Base OTC Clearing Members to any Active Base OTC Default Management Committee are promptly made available.

Bidding OTC Firms shall: 1) provide commercially reasonable bids in all auctions of the defaulted Base OTC Clearing Member's portfolio containing OTC Derivative Product Category cleared by the Base OTC Clearing Member and on the auction terms prescribed by the Clearing House; and 2) take any other action as reasonably requested by the Emergency Financial Committee or Clearing House Risk Committee.

The Base Guaranty Fund contribution of each Participating Base OTC Clearing Member shall be applied in accordance with CME Group Exchange Rule 802.B.

#### **8F015. TRADE SUBMISSION ON CME CLEARPORT**

A. This rule governs all OTC Derivatives that the Clearing House has designated as eligible for clearing that are submitted for clearing via CME ClearPort and that are not extinguished and replaced by positions in regulated futures and options ("Transactions"). The parties to a Transaction and any person authorized under Section C of this Rule with brokering capability or trade submission authority (generically defined as "Broker" or "Brokers") must comply with applicable registration procedures for participation in CME ClearPort and must continue to comply with applicable registration procedures for OTC Derivatives, as may be amended from time to time. Transactions are also subject to the other rules in this chapter.

B. Each Transaction must be submitted in accordance with the procedures established by the Clearing House for this purpose, as amended from time to time. The parties to a Transaction and any Brokers authorized to submit Transactions on such a party's behalf to the Clearing House and authorized for related activities shall be exclusively responsible, both individually and jointly, for accurately confirming the details of the Transaction to the Clearing House. Once submitted, all Transactions shall be deemed final. Neither the Clearing House nor a Clearing Member carrying the account of either party will have any responsibility in the confirmation of trade terms for Transactions.

C. Each Clearing Member must register with the Clearing House staff in the manner required for any customer authorized by the Clearing Member to submit transactions to the Clearing House pursuant to this rule, and must also register with the Clearing House staff the applicable account numbers for each such customer. For each such account, the Clearing Member carrying that account also must submit to Clearing House staff in the manner provided the name of any Broker who has registered with Clearing House staff for services provided under this rule, and who is authorized by the customer to act on its behalf in the submission of Transactions pursuant to this rule and related activity. For any such Brokers authorized by the customer and submitted to Clearing House staff by the Clearing Member, such submission to Clearing House staff of the Broker's information by the Clearing Member will not constitute an endorsement or ratification of the customer's authorization of the Broker. Moreover, submission of a Broker authorized by a customer will not mean that the Clearing Member is in privity with, has a relationship with or is otherwise standing behind any of the customer's authorized Brokers, and the Clearing Member will have no responsibility for any such Brokers selected by the customer and no duty or obligation to supervise the activities of any such Brokers.

D. For each account number that has been registered with the Clearing House staff pursuant to Section C of this rule, a credit check or explicit clearing member acceptance or rejection of a transaction must occur depending on the transaction type.

#### **8F016. FINANCIAL CALCULATIONS**

Financial calculations required for OTC Derivatives will be performed by CME Clearing on the date such OTC Derivatives are cleared in the Clearing House in accordance with CME Clearing's procedures. Financial calculations for OTC Derivatives that are received and processed after the daily clearing cycle will be performed on the next Business Day.

#### **8F018. OTC FX OPTIONS INFORMATION SUBMISSIONS**

1. Each OTC FX Options Clearing Member or a third-party approved to act on its behalf shall submit the OTC FX Options Information Submission File on each Business Day at the time specified by the Clearing House for all FX Options required by the Clearing House. The information submitted by an OTC FX Clearing Member in the OTC FX Options Information Submission File shall be consistent

with the information used by the OTC FX Options Clearing Member for its internal valuation of OTC FX Options.

2. During a calendar month that is not during a Base Cooling Off Period, an OTC FX Options Clearing Member will be assessed a penalty per Failed OTC FX Options Submission based on the following table:

# of Failed OTC FX Options Submissions for that month	Penalty per Failed OTC FX Options Submission
1	0
2	\$5,000
3	\$25,000
4+	\$50,000

During a Base Cooling Off Period, an OTC FX Options Clearing Member will be assessed a penalty per Failed OTC FX Options Submission based on the following table:

# of Failed OTC FX Options Submissions for that month	Penalty per Failed OTC FX Options Submission
1	0
2	\$15,000
3	\$75,000
4+	\$150,000

Penalties shall be assessed monthly and payable with the Base Guaranty Fund payment cycle. In addition, the OTC FX Options Clearing Member may be referred to the Chief Regulatory Officer for potential issuance of charges and further disciplinary action in accordance with Chapter 4 of this Rulebook.

1. As used herein:

“Failed OTC FX Options Submission” means a failure to submit (i) all or a portion of an OTC FX Options Information Submission File at or prior to the time designated by the Clearing House or (ii) the OTC FX Options Information Submission File in the proper format.

“OTC FX Options Clearing Member” means an OTC FX Clearing Member clearing OTC FX Options.

“OTC FX Options Information Submission File” means the file containing the requested market data, internal price levels and such other information as specified by the Clearing House for each money/ness/expiry/currency pair combination.

#### **8F025. ACTIVE BASE OTC DEFAULT MANAGEMENT COMMITTEE**

The Active Base OTC Default Management Committee may be established to provide the Clearing House with advice regarding the potential or actual default of a Base OTC Clearing Member and the management of the liquidation and/or transfer of such Base OTC Clearing Member’s portfolio of OTC Derivatives, including advice relating to the hedging of risk associated with such Base OTC Clearing Member’s portfolio, the structuring of such Base OTC Clearing Member’s portfolio for liquidation or transfer, and the administration of the related default auction process. The Active Base OTC Default Management Committee shall also participate in OTC Derivative default drill exercises, as required by the Clearing House.

The Active Base OTC Default Management Committee will be comprised of traders (on a rotating basis determined by the Clearing House) that are nominated by Base OTC Clearing Members in accordance with Rule 8F004 and approved by the Clearing House.

In the event of a potential or actual default of a Base OTC Clearing Member, the Active Base OTC Default Management Committee may be convened and the Clearing House will undertake a series of processes to protect itself and its counterparties (such plans, as amended from time to time in consultation with the Clearing House Risk Committee, include the “Base Default Management Guidelines”).

## **CME Rulebook Chapter 22 Event Contract Swaps**

### **2200. SCOPE OF CHAPTER**

Event Contract Swaps (the “Contracts” or “Contract”) are cash-settled, European style, premium style, binary options whose moneyness depends on the occurrence or non-occurrence of an Event on specified dates as determined by the Exchange.

The following Rules set forth the terms of Event Contract Swaps. In addition to the Rules of this chapter, the Contracts shall be subject to the general rules of the Exchange as applicable, including but not limited to CME Chapter 8-F provisions governing event swap OTC Derivatives.

Unless otherwise specified, times referenced herein shall refer to and indicate Eastern Time.

### **2201. DEFINITIONS**

“**Expiration**” means the time on the Expiration Date established by these Rules at which a Contract expires, and with reference to which the Settlement Value of that Contract is determined.

“**Expiration Date**” means the day established by these Rules on which the Settlement Value of each Contract is determined.

“**In-the-money**” or “**ITM**” means the condition in which the Contract’s specified Event has occurred as of Contract settlement.

“**Settlement Value**” is the amount paid to the holder of the ITM Contract at Expiration.

“**Event**” means an event as established in the Event Contract Swaps Table.

“**Event Contract Swaps Table**” means the table describing the terms of the Contracts and which is available at the link embedded in Rule 2204.

### **2202. CHARACTERISTICS**

#### **2202.A. Trading Schedule**

The Contracts shall be listed for Expiration on such dates and shall be scheduled for trading during such hours as may be determined by the Exchange.

#### **2202.B. Trading Unit**

Each Contract shall be worth the Settlement Value.

#### **2202.C. Price Quotation and Increments**

Prices shall be quoted in U.S. dollars and cents per Contract. The minimum price increment for each Contract shall be equal to \$0.01.

#### **2202.D. [Reserved]**

#### **2202.E. Termination of Trading**

Termination of trading and any relevant Contingency shall be established by the Exchange as set forth in the Event Contract Swaps Table, on the Expiration Date for which the Contract was listed.

#### **2202.F. Position Limits, Exemptions, Position Accountability and Reportable Levels**

The applicable position limits are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

#### **2202.G. Settlement Value**

The Settlement Value of each Contract shall be determined by the Exchange, as set forth in the Event Contract Swaps Table, based on the occurrence or non-occurrence of an Event by Expiration.

If the Event is deemed to have occurred as determined by the Exchange, the Contract is deemed to have resolved to "Yes", otherwise the Contract shall be deemed to have resolved to "No."

Once final settlement has occurred for the Contract, the ITM position holder of the Contract shall receive the full Settlement Value of the Contract.

#### **2202.H. Final Settlement**

Following the determination of the Settlement Value, the Clearing House shall effectuate the Final Settlement in accordance with its settlement variation procedures. If the Expiration Date of a Contract occurs on a Saturday, Sunday or Exchange holiday, the Clearing House shall effectuate Final Settlement on the next Exchange Business Day.

### **2203. TRADING HALTS AND CONTINGENCIES**

#### **2203.A. Non-Occurred, Delayed, Rescheduled, or Canceled Events**

If an Event does not occur, is delayed, is rescheduled, or is canceled prior to Termination of Trading, Final Settlement determination shall be deferred until the Contingency, as set forth in the Event Contract Swaps Table. If the Event has still not resolved as of the Contingency Expiration, occurrence determination shall determine Final Settlement, as set forth in the Event Contract Swaps Table.

Notwithstanding the above, the Exchange in its sole discretion and authority may establish a settlement price that best reflects the true market valuation at the time of expiration based on all available information.

#### **2203.B. [Reserved]**

#### **2203.C. Discretion to Refrain from Listing Contracts**

The Exchange may, in its discretion, temporarily refrain from the listing of any Contract due to the unavailability of the Event upon which the Contract is based, or any other condition the Exchange determines may be detrimental to the listing of the Contract.

### **2204. EVENT CONTRACT SWAPS TABLE**

Available [here](#).

### **2205. TRADING RESTRICTIONS**

Any Person who is subject to applicable laws, regulations, policies, or contractual obligations that restrict that Person from trading, either directly or indirectly, in the Contracts is not permitted to enter into any trade, either directly or indirectly, in such Contracts.

Trading in Event Contract Swaps shall be limited to the United States and those foreign jurisdictions specified [here](#).