SUBMISSION COVER SHEET

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Registered Entity Identifier Code (optional): 26-546

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

Filing as a: ☐ **DCM** ☐ **SEF** ☒ **DCO** ☐ **SDR**

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 11/12/26 Filing Description: Notification to the Commission Regarding Revisions to Various CME Clearing Policies for Accepting Tokenized Collateral

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:

Maureen Guilfoile
Managing Director and Chief Regulatory Counsel
Legal Department

November 12, 2026

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 40.10(a) Advance Notice. Revisions to Various CME Clearing Policies for Accepting Tokenized Collateral. CME Submission No. 26-546.

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission ("CFTC" or "Commission") Regulation 40.10(a), Chicago Mercantile Exchange Inc. ("CME"), in its capacity as a registered derivatives clearing organization ("DCO") ("CME Clearing" or "Clearing House"), hereby submits this advance notice to the Commission that CME proposes amendments to the Risk Management Framework ("RMF"), Collateral Policy, Credit Policy, Counterparty Exposure Methodology ("CEM"), Credit Risk Management Assessment Methodology ("CAM"), Investment Policy, and Operational Risk Management Framework ("ORMF") (collectively, the "Policies" and such proposed amendments, the "Policy Amendments") in connection with its plans to accept Tokenized Collateral Types, as described below.

The Policy Amendments to the RMF, Collateral Policy, Credit Policy, CEM, CAM, and Investment Policy were approved by CME's Clearing House Oversight Committee ("CHOC")[1] on September 14, 2026. The Policy Amendments to the Collateral Policy and Credit Policy were also reviewed and approved by the Clearing House Risk Committee ("CHRC")[2] on August 20, 2026. The Policy Amendments to the ORMF were approved by the Board Risk Committee[3] on September 18, 2026. At the CHOC's meeting on September 14, 2026, the CHOC was presented with the Clearing House's proposal to accept Tokenized Collateral Types and had the opportunity to discuss this proposal with members of the Senior Management of CME Clearing. The Board received a draft of this advance notice and the amended RMF and ORMF ahead of its November meeting, and on November 4, 2026, approved this advance notice and the amended RMF and ORMF. This submission shall become effective following applicable regulatory reviews periods. CME intends to implement the Policy Amendments following the receipt of required regulatory reviews.

I. Amendments to CME Clearing's Policies

The Policy Amendments provide that Clearing Members may post to CME, in its capacity as a DCO, digital representations on distributed ledger technology ("DLT") of existing acceptable collateral types (i.e.,

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[1] CME, Clearing House Oversight Committee Charter (May 2026) (noting, the CHOC is a Board-established committee that is composed of Board members), *available at*: https://investor.cmegroup.com/static-files/16d6afbf-c684-41eb-ad3f-2abf91234717?_gl=1*88w5u3*_gcl_au*MjUxNDQ4MDY0LjE3OTIwMDg2Mzk.*_ga*MTQ4MzM5OTE0OC4xNzcxOTU2NTcw*_ga_L69G7D7MMN*czE3OTI1OTM4NjQkbzMwJGcxJHQxNzkyNTk0NDM4JGo1OSRsMCRoMA..

[2] CME, Clearing House Risk Committee Charter (May 2026) (noting, the CHRC is a Board-established committee that is composed primarily of market participants), *available at*: https://investor.cmegroup.com/static-files/7445789a-8aaa-46ec-8539-069e8cbf0fab?_gl=1*zqal7u*_gcl_au*MjUxNDQ4MDY0LjE3OTIwMDg2Mzk.*_ga*MTQ4MzM5OTE0OC4xNzcxOTU2NTcw*_ga_L69G7D7MMN*czE3OTI1OTM4NjQkbzMwJGcxJHQxNzkyNTk0NTE0JGo0MyRsMCRoMA..

[3] CME Group Inc./CME/CBOT/NYMEX/COMEX, Risk Committee of the Board of Directors Charter (May 2026) (noting, the Board Risk Committee is a Board-established committee that is composed of Board members), *available at*: https://investor.cmegroup.com/static-files/7445789a-8aaa-46ec-8539-069e8cbf0fab?_gl=1*4a6i9w*_gcl_au*MjUxNDQ4MDY0LjE3OTIwMDg2Mzk.*_ga*MTQ4MzM5OTE0OC4xNzcxOTU2NTcw*_ga_L69G7D7MMN*czE3OTI1OTM4NjQkbzMwJGcxJHQxNzkyNTk0NDQwJGo1NyRsMCRoMA..

"Tokenized Collateral Types" as defined in the amended Collateral Policy). Consistent with CME Clearing's existing practice of accepting collateral with minimal credit, market, and liquidity risks, acceptance of Tokenized Collateral Types must also have minimal credit, market, and liquidity risks. Regarding the acceptance of Tokenized Collateral Types, the Policy Amendments recognize that third-party vendors may be utilized to provide services related to wallet and key management (i.e., "Digital Custody Service Provider" or "DCSP" as defined in the amended Collateral Policy), two services which are inherent with DLT. Wallets are applications connected to a ledger which creates a view for users to review the Tokenized Collateral Types coupled with the associated keys. As noted in the amended Collateral Policy, wallets utilized on DLT will be reconciled daily by Clearing House staff. Keys are incorporated in DLT to unlock or authorize transactions on the DLT. The amended Collateral Policy provides that wallets for private keys can be: i) hosted (i.e., custodial), whereby a DCSP provides the wallet and holds the private keys on behalf of the Clearing House; or ii) unhosted (i.e., non-custodial), whereby the DCSP provides the wallet, but the Clearing House holds the private keys directly.

a. RMF

The amended RMF recognizes that collateral may be posted to the Clearing House in traditional form or as a digital representation on DLT (i.e., Tokenized Collateral Types). The Clearing House's overarching risk management practices for its acceptance of Tokenized Collateral Types are established in the amended RMF and are described in more detail in the other Policy Amendments.

The amended RMF clarifies that CME Clearing's Credit & Liquidity Committee's (i.e., staff internal governance committee) role in reviewing and evaluating new collateral types includes Tokenized Collateral Types. The amended RMF also provides that CME Clearing's existing risk management practices for evaluating collateral types for acceptance also applies to Tokenized Collateral Types. Pursuant to the amended RMF, in evaluating the Clearing House's ability to obtain the necessary liquidity in accordance with the Liquidity Risk Management Framework,[4] CME Clearing evaluates its ability to convert a given token into the underlying collateral type. The amended RMF establishes that the collateral haircuts and limits applied to a collateral type posted in traditional form are the baseline for those applied to the same collateral type posted in tokenized form and that CME Clearing will consider if any adjustments to the baseline haircuts and limits are warranted, based on any differences in the risk profile of the tokenized form.

The amended RMF clarifies that collateral custodians include third-party vendors utilized to provide wallets and hold private keys on DLT on behalf of the Clearing House with respect to its acceptance of Tokenized Collateral Types (i.e., hosted DSCPs). Pursuant to the amended RMF, new hosted DCSPs, like any new collateral custodian,[5] would be subject to the review and approval of the Credit & Liquidity Committee, CHRC, and CHOC. Consistent with CME Clearing's existing counterparty risk management practices, hosted DCSPs would also be subject to CME Clearing's existing counterparty risk management practices for collateral custodians, including being rated and reviewed under CME Clearing's internal credit rating methodology (i.e., CAM) and subject to CME Clearing's existing due diligence review process.

b. Collateral Policy

The amended Collateral Policy details each collateral type that the Clearing House accepts, and in line with the amended RMF, establishes that existing collateral types accepted for performance bond and Guaranty Fund obligations may be accepted in the form of their digital representation on DLT. The amended Collateral Policy explicitly provides that Tokenized Collateral Types must have minimal credit, market, and liquidity risks. A given token would also only be accepted by the Clearing House where CME Clearing is provided with the same or functionally equivalent legal and economic rights as is provided in accepting the collateral type in its traditional form. The amended Collateral Policy, supplementing the amended RMF, details that CME Clearing considers if adjustments to collateral haircuts applied to a collateral type in its

[4] While CME Clearing's primary framework for managing liquidity risk is outlined in the RMF, the Liquidity Risk Management Framework further describes CME Clearing's practices for monitoring, measuring, and managing potential liquidity events and resources available to satisfy potential liquidity obligations, including under extreme but plausible market conditions.

[5] Existing collateral custodians may also act as hosted DCSPs.

traditional form is warranted, based on any settlement timeline differences and any other differences in credit, market, or liquidity risks. A collateral limit across all non-cash Tokenized Collateral Types (per Clearing Member) is also established under the amended Collateral Policy,[6] while deposit tokens and tokenized cash would be subject to the relevant counterparty limits under the amended CEM. The daily and ongoing monitoring applied to existing acceptable collateral types would also equally apply to Tokenized Collateral Types.

The amended Collateral Policy provides that the Credit & Liquidity Committee is required to review and approve the acceptance of a given Tokenized Collateral Type, as well as the acceptance of each specific token associated with a Tokenized Collateral Type and each distinct DLT on which a given token is issued, provided that the DLT has been approved by CME Group's Global Information Security ("GIS") team.[7] Each token would be subject to an initial review prior to acceptance that includes an assessment of the time required to convert the token into the collateral type posted in its traditional form, where applicable, and such assessment includes a test of the conversion mechanism to affirm operational readiness. Token issuers must also agree to support ongoing tests for converting the given token into the underlying collateral type posted in its traditional form, where applicable, at a frequency determined by the Credit & Liquidity Committee. The amended Collateral Policy also requires that, prior to posting any Tokenized Collateral Types, Clearing Members must execute an agreement with the Clearing House acknowledging their understanding of the terms and conditions associated with posting Tokenized Collateral Types on DLT.

Given the nature of certain Tokenized Collateral Types, the Policy Amendments encompass some revisions that are specific to certain Tokenized Collateral Types, including tokenized money market mutual funds ("MMFs") and deposit tokens. The Clearing House currently accepts MMFs via Clearing Member directed investments in MMFs under CME Clearing's IEF2 program.[8] Tokenized MMFs would be accepted via the use of DLT and not CME Clearing's IEF2 program, which is documented in the amended Collateral Policy.[9] The amended Collateral Policy provides that MMFs, posted through the IEF2 program or DLT (i.e., for tokenized MMFs), must be registered under the Investment Company Act of 1940, as amended, and hold themselves out to investors as government MMFs in accordance with SEC Rule 270.2a7.[10] The amended Collateral Policy also specifies that deposit tokens are digital representations of traditional bank deposits recorded on DLT and that Clearing Members cannot post deposit tokens issued by itself or its affiliates.

As described in Section I of this advance notice, the amended Collateral Policy also describes the role of a DCSP, as well as the use of wallets and keys as it relates to the Clearing House's acceptance of Tokenized Collateral Types.

c. Credit Policy

The amended Credit Policy provides that hosted DCSPs and custodians holding the underlying assets associated with the acceptance of Tokenized Collateral Types must be reviewed and rated under CME Clearing's internal credit rating methodology (i.e., CAM), in the same way as all other collateral custodians. Hosted DCSPs must be located in the United States and be a bank or trust company within the meaning prescribed in CFTC Regulation 1.49. Consistent with the amended RMF, the amended Collateral Policy also provides that hosted DCSPs must be reviewed by the Credit & Liquidity Committee and recognizes that although the Clearing House holds the private keys directly regarding its use of unhosted DCSPs (i.e., non-custodial), they must be approved by CME Group's Third Party Risk Management ("TPRM") team.

d. CEM

[6] Note, the size of the collateral limit imposed across all non-cash Tokenized Collateral Types would be publicly disclosed prior to CME Clearing's acceptance of any Tokenized Collateral Types.

[7] *See also*, amended Credit Policy.

[8] *See* https://www.cmegroup.com/solutions/clearing/financial-and-collateral-management/ief2-money-funds-program.html.

[9] *See also*, amended CEM.

[10] Similar to existing MMFs, CME Clearing plans to retain committed liquidity for its acceptance of tokenized MMFs. Given this, no tokenized MMFs shall be accepted until committed liquidity can be retained and any necessary collateral limits specific to tokenized MMFs would be calculated relative to the retention of the committed liquidity.

The amended CEM recognizes the counterparty exposures that arise from the Clearing House's acceptance of Tokenized Collateral Types and describes how such exposures would be managed in accordance with existing risk management practices.

As part of CME Clearing's overall counterparty exposure to cash depositories, CME Clearing may have exposure to bank counterparties via tokenized cash and/or tokenized deposit programs. The amended CEM describes that: i) tokenized cash refers to an arrangement in which a Clearing Member deposits cash into an account in CME's name at a bank and the bank distributes tokens to the Clearing Member that can be used to meet its performance bond requirements; and ii) tokenized deposits are traditional deposits at a banks that can be moved intra-bank through the use of DLT. The counterparty exposure from tokenized cash and tokenized deposits would be part of the Clearing House's overall exposure to any traditional cash depository and as a result, the sum of all Clearing Member cash on deposit at a bank counterparty (i.e., traditional, tokenized cash and tokenized deposits) would be subject to the existing monitoring and applicable cash deposit limit for the given depository.

The amended CEM also identifies hosted DCSPs and deposit token banks each as a new counterparty exposure type and includes descriptions of them that are consistent with the amended Collateral Policy, as well as provides additional information on the nature of the Clearing House's counterparty exposure to them. For the purposes of the Clearing House's counterparty monitoring, i) for hosted DCSPs, the monitoring focuses on the value of the Tokenized Collateral Types associated with the keys that are held at each hosted DCSP and ii) for deposit token banks, the monitoring focuses on the sum of all deposit tokens at the particular bank posted by Clearing Members to meet their performance bond requirements. Consistent with the approach taken to existing collateral custodians and settlement banks, CME Clearing does not intend to apply a relationship type limit to hosted DCSPs, since it is dictated by Clearing Members posting of Tokenized Collateral Types. In contrast, the amended CEM provides that deposit token limits for a given bank would be calculated in the same manner as limits for traditional cash deposits. Since deposit tokens represent an unsecured exposure (i.e., direct liability claim on the balance sheet of the issuing bank), the limit is also set with consideration to any existing letter of credit limit on the same bank.

The amended CEM also clarifies that custodians may also provide safekeeping services in holding the underlying assets related to Tokenized Collateral Types posted by Clearing Members.

e. CAM

The amended CAM provides that non-financial corporates, which may encompass hosted DCSPs, include firms providing services related to the digital asset ecosystem, and where hosted DCSPs fall into the category of non-financial corporates, they would be rated under the corresponding scorecard defined in the CAM.

f. Investment Policy

The amended Investment Policy provides that tokenized cash reserves are not eligible for investment.

g. ORMF

The amended ORMF recognizes that the Clearing House's collateral movement process, which is part of the Clearing House's core clearing process of processing and managing settlements and collateral, could be subject to risk arising from a technical issue affecting the availability of the mechanisms underpinning Tokenized Collateral Types that could prevent the ability to facilitate collateral movements of tokens.

h. General Policy Amendments

The Clearing House also took the opportunity to correct grammatical errors and amend the language in the Policies to provide clarity on existing practices without changing the meaning, where appropriate. For

example, the Policy Amendments codified the documentation of CME's existing committed liquidity facilities.

II. Expected effects on risks to CME Clearing and CME Clearing's plans to manage identified risk

As described in Section I of this advance notice, the Policy Amendments would provide that Clearing Members may post Tokenized Collateral Types in satisfaction of their collateral obligations, and that consistent with CME Clearing's existing practices, Tokenized Collateral Types must have minimal credit, market, and liquidity risks. The Policy Amendments provide Clearing Member's enhanced flexibility in meeting their collateral obligations and an additional mechanism for moving collateral during non-traditional banking hours. The Policy Amendments ultimately support the stability of the broader financial system and protect the safety and efficiency of the Clearing House by allowing Clearing Members to meet their collateral obligations with collateral types that continue to have minimal risk, while also supporting risk management efficiencies.

CME reviewed the risks of accepting Tokenized Collateral Types from a legal, collateral, credit, liquidity, custody, and operational risk perspective and the Policy Amendments are designed in a manner that effectively mitigates and manages these risks without presenting additional undue risk to CME and its market participants. More specifically, CME Clearing plans to address the risks relating to Policy Amendments as follows:

- Legal risk: Existing CME Rules provide for a well-founded, transparent, and enforceable legal framework for the Clearing House's acceptance of Tokenized Collateral Types.[11] Consistent with CME Clearing's existing practices for reviewing acceptable collateral types, each Tokenized Collateral Type will be reviewed prior to acceptance to affirm that CME Clearing continues to operate pursuant to a well-founded, transparent, and enforceable legal framework, including by providing for the Clearing House's interest in collateral. As established in the amended Collateral Policy, Tokenized Collateral Types must have the same or functionally equivalent legal and economic rights as is provided in accepting the collateral types in their traditional form.

- Collateral risk: To manage the collateral risk that may arise from accepting Tokenized Collateral Types, the Policy Amendments require that Tokenized Collateral Types have minimal credit, market, and liquidity risks, like all currently accepted collateral types. Notably, Tokenized Collateral Types include the digital representation on DLT of already accepted collateral types, each of which have minimal credit, market, and liquidity risks. Pursuant to the Policy Amendments, CME Clearing would review each Tokenized Collateral Type prior to acceptance, which would, in part, affirm that the given Tokenized Collateral Type presents minimal market, credit, and liquidity risks. Such review would also be used to determine the appropriate collateral haircuts and limits, where applicable. The collateral haircuts and limits applied to a collateral type posted in its traditional form serve as the baseline for haircuts and limits applied to the same collateral type posted in tokenized form. CME Clearing will consider if any adjustments to the baseline haircuts and limits are warranted, based on any differences in the risk profile of the tokenized form. In addition to applying collateral haircuts and limits, as applicable, to each Tokenized Collateral Type, a collateral limit across all non-cash Tokenized Collateral Types (per Clearing Member) is also applied under the Policy Amendments. Additionally, the underlying collateral for Tokenized Collateral Types will also be subject to CME Clearing's existing risk-based collateral valuation procedures.

  The acceptance of Tokenized Collateral Types is also subject to governance arrangements that are designed to appropriately evaluate the given Tokenized Collateral Type prior to acceptance. The Credit & Liquidity Committee is required to review and approve the acceptance of a given Tokenized Collateral Type, as well as the acceptance of each specific token associated with a Tokenized Collateral Type and each distinct DLT on which a given token is issued. Further, the Policy Amendments provide that daily and ongoing monitoring applied to currently acceptable

[11] *See* CME Rules 820, 819, and 8G08.

collateral will equally apply to Tokenized Collateral Types. CME Clearing will also review any collateral haircuts and limits applied to Tokenized Collateral Types on at least a monthly basis, consistent with the current practice for existing collateral types.

The practices for reviewing Tokenized Collateral Types for acceptance, coupled with the ongoing collateral risk management practices (e.g., collateral haircuts and limits), are designed to effectively mitigate and manage the collateral risk arising from accepting Tokenized Collateral Types.

- Credit risk: To manage the counterparty credit risk that may arise from accepting Tokenized Collateral Types, the Policy Amendments define risk management practices for monitoring and managing the counterparty exposures that arise from the Clearing House's acceptance of Tokenized Collateral Types. More specifically, the Policy Amendments define the counterparty monitoring practices for bank counterparties for tokenized cash, tokenized deposits, and deposit tokens and hosted DCSP counterparties,[12] which are consistent with current monitoring practices for bank counterparties and collateral custodians.

  Recognizing that the nature of the counterparty exposure that may arise related to the acceptance of tokenized cash and tokenized deposits is comparable to the counterparty exposure to existing cash depositories, the Policy Amendments provide that the sum of all Clearing Member cash on deposit at a bank counterparty (i.e., traditional, tokenized cash and tokenized deposits) would be subject to the existing monitoring and applicable cash deposit limit for the given depository. The Policy Amendments also provide that deposit token limits for a given bank would be calculated in the same manner as limits for existing cash deposits and since deposit tokens represent an unsecured exposure, the limit is also set with consideration to any existing letter of credit limit on the same bank. Additionally, a Clearing Member cannot post deposit tokens issued by itself or its affiliates. Hosted DCSPs and custodians holding the underlying assets associated with the acceptance of Tokenized Collateral Types, like any new collateral custodian, would also be subject to CME Clearing's existing governance arrangements for review and approval, as well as subject to existing due diligence review practices and rated under CME Clearing's internal credit rating methodology (i.e., CAM).

  The practices for initially reviewing counterparty relationships related to the acceptance of Tokenized Collateral Types, coupled with the ongoing monitoring of the counterparty credit risk that may arise from these relationships, including applying limits, as appropriate, are designed to effectively mitigate and manage the counterparty credit risk arising from accepting Tokenized Collateral Types.

- Custody risk: To manage the custody risk that may arise from accepting Tokenized Collateral Types, the Policy Amendments provide that where a DCSP provides the wallet and holds the private keys on behalf of the Clearing House (i.e., hosted DCSP), such DCSP must be located in the U.S. and maintain designation as a bank or trust company within the meaning prescribed in CFTC Regulation 1.49. Additionally, where a DCSP provides the wallet, but the Clearing House holds the private keys directly (i.e., unhosted DSCP), CME, as a DCO, would be a permissible depository under CFTC Regulation 1.49.[13] More generally, Tokenized Collateral Types posted by Clearing Member on behalf of their customers will be subject to the same customer protections as collateral types posted in traditional form receive today. As described above in the context of managing counterparty credit risk, CME Clearing would apply its existing criteria designed to ensure it faces creditworthy counterparties when selecting a counterparty to act as a hosted DSCP. The manner in which tokens associated with Tokenized Collateral Types would be managed under

[12] In the case of unhosted DCSPs (i.e., non-custodial), the Clearing House holds the private keys directly, while the DCSP provides the wallet.
[13] CFTC Regulation 1.49(d)(2) provides that a DCO is an eligible depository to hold futures commission merchant customer funds.

the Policy Amendments is designed to effectively mitigate and manage the custody risk arising from accepting Tokenized Collateral Types.[14]

- Operational risk: To manage the operational risk that may arise from accepting Tokenized Collateral Types, the Policy Amendments provide that prior to accepting a Tokenized Collateral Type, CME Clearing perform an assessment of the time required to convert a given token into the traditional underlying collateral type, where applicable, in order to obtain any necessary liquidity using the Clearing House's qualifying resources. Further, token issuers must agree to support ongoing tests of their conversion mechanisms at a frequency determined by the Credit & Liquidity Committee. However, CME Clearing acknowledges that the acceptance of Tokenized Collateral Types can present operational risk, thus, the Policy Amendments recognize that the Clearing House's collateral movement process could be subject to risk arising from a technical issue affecting the mechanisms underpinning Tokenized Collateral Types that could prevent the ability to facilitate collateral movements of tokens.

  The acceptance of Tokenized Collateral Types will also be integrated with CME Clearing's existing systems and program of risk analysis and oversight, as are described in the RMF and ORMF. For example, each distinct DLT on which a given token is issued must be approved by CME Group's GIS team. Third-party DCSPs that provide unhosted (i.e. non-custodial) services, must be reviewed and approved by CME Group's TPRM team, which includes assessments by the TPRM Risk Domains. These Risk Domains consist of risk subject-matter experts who partner with TPRM and include CME Group's Information Governance, GIS, and Operational Resilience ("OpRes") teams.[15]

  Additionally, CME Clearing needs to make only minor changes to its own systems to accommodate the acceptance of Tokenized Collateralized Types. CME Clearing will make these necessary changes pursuant to the governance structures already in place as part of its overall system safeguard-related programs, including its systems development and quality assurances policies and procedures. CME Group's OpRes team continues to include these systems in its program, including but not limited to its system resilience program and periodic disaster recovery testing. Likewise, CME Group's GIS team continues to include these systems in its programs, including, but not limited to, vulnerability testing and management, information technology controls testing and compliance, identify and access management, and cybersecurity monitoring and incident response.

  The practices for affirming that tokens can be converted into their underlying collateral type to access the necessary liquidity, as well as applying CME Clearing's existing systems safeguards practices to the acceptance of Tokenized Collateral Types, is designed to effectively mitigate and manage the operational risk arising from accepting Tokenized Collateral Types.

III. Compliance with Core Principles

CME Clearing has reviewed the DCO core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA") and identified that the Policy Amendments may have some bearing on the following Core Principles:

- DCO Core Principle B – Financial Resources: The Policy Amendments are consistent with DCO Core Principle B, which requires a DCO to have adequate financial resources to discharge each responsibility of the DCO. The Policy Amendments allow the Clearing House to accept Tokenized Collateral Types from Clearing Members in satisfaction of their performance bond and Guaranty Fund (i.e., financial resources) obligations. As described below, the Policy Amendments establish

[14] For avoidance of doubt, as described in Section I of this advance notice, the Policy Amendments provide that custodians holding the underlying assets associated with the acceptance of Tokenized Collateral Types would also be subject to CME Clearing existing risk management practices for collateral custodians.
[15] *Id*.

CME Clearing's risk management practices for its acceptance of Tokenized Collateral Types that are consistent with CFTC Regulations 39.11(d)(1) and (e)(4)(i).

- DCO Core Principle D – Risk Management: The Policy Amendments are consistent with Core Principle D, which requires that a DCO possess the ability to manage the risks associated with discharging its responsibilities through the use of appropriate tools and procedures. Consistent with CFTC Regulation 39.13(g)(10), the Policy Amendments establish that Tokenized Collateral Types must have minimal market, credit, and liquidity risks. Prior to accepting any Tokenized Collateral Types, CME Clearing would review a given Tokenized Collateral Type to confirm that it has minimal market, credit, and liquidity risks. Consistent with CFTC Regulation 39.13(g)(11), the underlying collateral for Tokenized Collateral Types will also be subject to CME Clearing's existing risk-based collateral valuation procedures.

  Additionally, the Policy Amendments provide that collateral haircuts and limits will be applied to Tokenized Collateral Types, as appropriate, and that the baselines for those haircuts and limits are those applied to the collateral type in its traditional form. Consistent with CFTC Regulations 39.13(g)(12) and (13), since the baseline haircuts and limits for Tokenized Collateral Types are those applied to the given collateral type in its traditional form, these haircuts inherently take into consideration stressed market conditions and these limits are inherently designed to ensure CME Clearing has the ability to liquidate such assets quickly with minimal adverse price effects. CME Clearing will also consider if any adjustments to the baseline haircuts and limits are warranted, based on any differences in the risk profile of the Tokenized Collateral Type. The Policy Amendments also establish a collateral limit across all non-cash Tokenized Collateral Types (per Clearing Member). Any haircuts and limits applied to Tokenized Collateral Types would also be reviewed on at least a monthly basis. Further, the Policy Amendments provide that Tokenized Collateral Types that are tokenized cash, tokenized deposits, and deposit tokens are subject to the relevant counterparty limits.

- DCO Core Principle F – Treatment of Funds: The Policy Amendments are consistent with Core Principle F, which requires that a DCO have procedures that are designed to protect and ensure the safety of Clearing Member funds and assets. Tokenized Collateral Types posted on behalf of customers will receive the same customer protections as are provided today with traditional collateral types. Hosted DCSPs (i.e., custodial) that provide wallets and hold the private keys must be located in the U.S. and maintain designation as a bank or trust company within the meaning of CFTC Regulation 1.49, whereas, in the case of unhosted DCSPs that provides wallets, CME, as a DCO, would be the custodian and hold the private keys. Tokens will be maintained in segregated wallets by applicable origin, consistent with how collateral is currently held—i.e., customer segregated, cleared swaps customer, and house accounts.

- DCO Core Principle G – Default Rules and Procedures: The Policy Amendments are consistent with DCO Core Principle G, which requires a DCO to have rules and procedures designed to allow for the efficient, fair, and safe management of Clearing Member default events. The Policy Amendments establish that, prior to the acceptance of a given token, CME Clearing conducts an assessment of the time required to convert the token into the underlying collateral type posted in its traditional form, where applicable. CME Clearing may need to convert the tokens of a defaulted Clearing Member in order to access the necessary liquidity and CME Clearing would leverage its qualifying liquidity resources to do so, after converting such token into its underlying collateral type, where applicable.[16] Further, token issuers must agree to support ongoing tests of their conversion mechanisms at a frequency determined by the Credit & Liquidity Committee, which is designed, in part, to ensure that CME Clearing can take timely action to contain liquidity pressures and continue to meet its obligations in the event of a Clearing Member default.

[16] As noted above, CME Clearing plans to retain committed liquidity for its acceptance of tokenized MMFs. Given this, no tokenized MMFs shall be accepted until committed liquidity can be retained.

- DCO Core Principle I: System Safeguards: The Policy Amendments are consistent with DCO Core Principle I, which requires a DCO to establish and maintain a program of risk analysis and oversight to identify and minimize sources of operational risk. The acceptance of Tokenized Collateral Types will be integrated with CME Clearing 's existing systems and program of risk analysis and oversight, as defined in the RMF and ORMF.

- DCO Core Principle L – Public Information: The Policy Amendments are consistent with DCO Core Principle L, which requires that a DCO provide to market participants sufficient information to enable the market participants to identify and evaluate accurately the risks and costs associated with using the DCO's services. The Policy Amendments are established in accordance with the CME Rules, which are publicly available on the CME Group website. In addition, CME will release a notice to the marketplace in advance of accepting a Tokenized Collateral Type.

- DCO Core Principle O – Governance Fitness Standards: The Policy Amendments are consistent with DCO Core Principle O, which requires that a DCO establish transparent governance arrangements. The Policy Amendments establish the governance arrangements for accepting Tokenized Collateral Types, including reviewing and approving the acceptance of each specific token associated with a Tokenized Collateral Type and each distinct DLT and reviewing and approving counterparty relationships that arise from the acceptance of Tokenized Collateral Types.

- DCO Core Principle R – Legal Risk: The Policy Amendments are consistent with DCO Core Principle R, which requires that a DCO shall have a well-founded, transparent, and enforceable legal framework for each aspect of its activities. CME Rules provide a well-founded, transparent, and enforceable legal framework for the Clearing House's acceptance of Tokenized Collateral Types.

CME Clearing has requested confidential treatment with respect to the Policies, which have been submitted concurrently with this submission under separate cover.

Pursuant to Section 5c(c) of the CEA and CFTC Regulation 40.10(a), CME Clearing certifies that the Policy Amendments comply with the Act and regulations thereunder. There were no substantive opposing views to the Policy Amendments.

CME Clearing certifies that this submission, with the confidential documents redacted, has been concurrently posted on the CME Group website at http://www.cmegroup.com/market-regulation/rule-filings.html. Should you have any questions or require more information concerning the above, please contact me at (312) 930-8141 or via e-mail at CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/ Maureen Guilfoile
Managing Director and Chief Regulatory Counsel

Attachments:
Exhibit A – Amendments to Risk Management Framework (blackline format) (confidential treatment requested)
Exhibit B – Amendments to Collateral Policy (blackline format) (confidential treatment requested)
Exhibit C – Amendments to Credit Policy (blackline format) (confidential treatment requested)
Exhibit D – Amendments to Counterparty Exposure Methodology (blackline format) (confidential treatment requested)
Exhibit E – Amendments to Credit Risk Management Assessment Methodology (blackline format) (confidential treatment requested)
Exhibit F – Amendments to Investment Policy (blackline format) (confidential treatment requested)

Exhibit G – Amendments to Operational Risk Management Framework (blackline format) (confidential treatment requested)

EXHIBIT A

Risk Management Framework

(CONFIDENTIAL TREATMENT REQUESTED)

[REDACTED]

EXHIBIT B

Collateral Policy

(CONFIDENTIAL TREATMENT REQUESTED)

[REDACTED]

EXHIBIT C

Credit Policy

(CONFIDENTIAL TREATMENT REQUESTED)

[REDACTED]

EXHIBIT D

Counterparty Exposure Methodology

(CONFIDENTIAL TREATMENT REQUESTED)

[REDACTED]

EXHIBIT E

Credit Risk Management Assessment Methodology

(CONFIDENTIAL TREATMENT REQUESTED)

[REDACTED]

EXHIBIT F

Investment Policy

(CONFIDENTIAL TREATMENT REQUESTED)

[REDACTED]

EXHIBIT G

Operational Risk Management Framework

(CONFIDENTIAL TREATMENT REQUESTED)

[REDACTED]