

 **CME Group** | Advisory Notice

TO: Clearing Member Firms
Chief Financial Officers
Back Office Managers

FROM: CME Clearing

ADVISORY #: 25-273

SUBJECT: Amendments to CME Rules 8F002.-8F004., and 8F010. in Connection with Plans to List CME Event Contract Swaps.

DATE: August 25, 2025

Effective on September 10, 2025, and pending all relevant CFTC regulatory review periods, Chicago Mercantile Exchange Inc. (“CME”), in its capacities as a derivatives clearing organization (“DCO” or “Clearing House”) will amend CME Rules 8F002.-8F004. and 8F010. (collectively, the “Rule Amendments”) in connection with plans to list CME Event Contract Swaps.

CME Chapter 8-F (“Over-the-Counter Derivative Clearing”) establishes rules for approving firms as OTC Clearing Members to clear OTC Derivatives (e.g., commodity swaps and Event Contract Swaps) in the Base Guaranty Fund, as those terms are defined in Chapter 8-F.¹

The Rule Amendments may be found in Exhibit 1 below with additions underscored and deletions ~~struck through~~. Please also see [SER-9600](#) also dated August 25, 2025 for additional rule amendments regarding plans to list CME Event Contract Swaps.

If you are not already an OTC Clearing Member and are interested in being approved as one, including with regards to the clearing of event contract swaps, or have any questions, please contact Clearing Risk Management: clearingmembership@cmegroup.com or +1(312)-648-3888

¹ For avoidance of doubt, the definition for OTC Derivatives excludes interest rate swaps.

Exhibit 1

CME Rulebook

(additions underscoring; deletions ~~struck through~~)

Chapter 8-F

Over-the-Counter Derivative Clearing

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 Risk 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 ~~Risk Oversight~~ Risk 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 agricultural commodity and/or event swap OTC Derivatives; and
 - ii. \$50 million if it clears other OTC Derivatives, ~~excluding interest rate swaps.~~
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.

...

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.

...