CME Group | Advisory Notice

TO: Clearing Member Firms
Chief Financial Officers

FROM: CME Clearing

ADVISORY #: 19-290

DATE: September 10, 2019

SUBJECT: Regulation 40.10(a) Submission – Amendments to CME Chapter 8G ("Interest Rate Derivative Clearing") and Chapter iii. ("CME Definitions") Regarding End of Waterfall Rules for Interest Rate Swaps.
CME Submission No.19-336

On September 6, 2019, the Chicago Mercantile Exchange Inc. ("CME"), a registered derivatives clearing organization ("DCO") under the Commodity Exchange Act, as amended ("CEA" or "Act") provided advance notice to the Commodity Futures Trading Commission ("CFTC") of proposed changes to Chapter 8G ("Interest Rate Derivative Clearing and Chapter iii. ("CME Definitions") of the rules of the CME (the "Rulebook") applicable to IRS Contracts (as defined in the Rulebook, which includes any positions in Base Guaranty Fund Products that are commingled with IRS Contracts pursuant to Rule 8G831 ("Commingling of Eligible Futures and Swap Positions")) ("IRS products")[1] on the earlier of November 6, 2019, or the receipt of regulatory approval or non-objection[2].

CME also posted the advance notice on its website and can be found by clicking the following links.

https://www.cmegroup.com/content/dam/cmegroup/market-regulation/rule-filings/2019/9/19-336.pdf

https://www.cmegroup.com/content/dam/cmegroup/market-regulation/rule-filings/2019/9/19-336_APPA.pdf

If you have questions, please contact Dorothea Pacini at Dorothea.Pacini@cmegroup.com or by phone at

312-930-1352 or Will Ingram at Will.Ingram@cmegroup.com.

Regards,

CME Clearing

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[1] "IRS Contract" is defined in Rule 90002.R as "An IR Swap Contract or an IR Swaption Contract" except that, in accordance with proposed rule 8G831, the term "IRS Contract" shall include Commingled Futures Positions when used in Chapter 8G except as otherwise provided therein. As used herein, "IRS product" means an IR (Interest Rate) Swap Contract, IR Swaption Contract and any positions commingled with IRS Contracts ("Commingled Futures Positions") (which together constitute "IRS Contracts" for the purposes of Chapter 8G). Commingled Futures Positions are positions in Base Guaranty Fund Products that are commingled with positions in IRS Contracts in accordance with Rule 8G831 in order to provide for risk offsets for proprietary and customer positions on the basis that the price risks with respect to such products are significantly and reliably correlated. The Commingled Futures Positions are subject to the financial safeguards package for IRS Contracts and risk methodology associated with IRS Contracts to the extent provided under the Rulebook.

[2] CME, in its capacity as a designated contract market, will make a filing with the CFTC under CFTC Regulation 40.6(a) with conforming rule changes before CME implements the rule changes proposed herein.