



## Special Executive Report

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**DATE:** August 23, 2018

**SER#:** 8224

**SUBJECT:** Amendments to CME/CBOT/NYMEX/COMEX Rules 403.A. (Clearing House Risk Committee), 901.H. (General Requirements and Obligations), 912. (Approval), 913. (Withdrawal from Clearing Membership) and CME Rule 8G913.A. (Withdrawal from IRS Clearing Membership)

Effective Tuesday, September 4, 2018, and pending all relevant CFTC regulatory review periods, Chicago Mercantile Exchange Inc. ("CME"), The Board of Trade of the City of Chicago, Inc. ("CBOT"), New York Mercantile Exchange, Inc. ("NYMEX") and Commodity Exchange, Inc. ("COMEX") (collectively, the "Exchanges") will adopt amendments to CME/CBOT/NYMEX/COMEX Rules 403.A. ("Clearing House Risk Committee"), 901.H. ("General Requirements and Obligations"), 912. ("Approval"), 913. ("Withdrawal from Clearing Membership") and CME Rule 8G913.A. ("Withdrawal from IRS Clearing Membership").

The Exchanges' rule amendments reflect a realigned governance structure for approval of certain clearing member actions. The amendments to the Exchanges' Rulebooks appear below, with additions underscored and deletions overstruck.

If you have any questions regarding the amendments, please contact [FRSMembershipTeam@cme.com](mailto:FRSMembershipTeam@cme.com).

**CME/CBOT Rulebook**  
**Chapter 4**  
**Enforcement of Rules**

**403. CLEARING HOUSE RISK COMMITTEE**

**403.A Jurisdiction and General Provisions**

The Clearing House Risk Committee (or any subcommittee thereof) (collectively, "CHRC"), shall ~~determine whether an applicant satisfies the review each applicant's~~ qualifications for status as a Clearing Member. ~~The CHRC decision shall be subject to appeal and refer each such application for Clearing Membership along with the CHRC's feedback to the Board by an applicant. Clearing House Oversight Committee for approval.~~ The CHRC may adopt regulations regarding qualifications for admission to membership in the Clearing House, which regulations, when approved by the Board, shall have the same effect as Rules of the Exchange. The CHRC shall ~~act upon applications for review any changes to the Clearing Membership requirements and new types of clearing membership and applications for assignment of trading rights for clearing purposes. Applications for clearing membership and for assignment of trading rights for clearing purposes, when approved by the CHRC, shall be effective approve all substantive changes and thereafter ratified by recommend them to the Board. Clearing House Oversight Committee for its approval.~~

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**NYMEX/COMEX Rulebook**  
**Chapter 4**  
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**CBOT/NYMEX/COMEX Rulebook**  
**Chapter 9**  
**Clearing Members**

**Rule 901. GENERAL REQUIREMENTS AND OBLIGATIONS**

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**901.H**

It shall notify the Exchange prior to any significant business transaction or significant change in operations which shall include, but is not limited to the following:

1. The merger, combination or consolidation between the clearing member and another

person or entity;

2. The assumption or guarantee by the clearing member of all or substantially all of the liabilities of another in connection with a direct or indirect acquisition of all or substantially all of that person's or entity's assets;
  3. The sale by the clearing member of a significant part of its business and/or assets to another person or entity;
  4. A change in the direct or indirect beneficial ownership of 20% or more of the clearing member;
  5. Any change in the system provider used by the clearing member to process its trades; and
  6. A significant increase in the number of members that a clearing member qualifies.
- Additionally, a clearing member that qualifies members must provide fifteen days notice to the Exchange of any proposal to terminate such business or any material part of such business.

The ~~Clearing House Risk Committee~~relevant committee or Exchange staff, upon such notice, may disapprove or approve, subject to certain conditions, such changes in structure or operations if it determines that the proposed change could jeopardize the financial or operational integrity of the Exchange. For purposes of this Rule, the Clearing House Oversight Committee shall be the relevant committee with respect to corporate organization and structure changes and the Clearing House Risk Committee shall be the relevant committee with respect to all other changes.

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**CME Rulebook**  
**Chapter 9**  
**Clearing Members**

**Rule 901. GENERAL REQUIREMENTS AND OBLIGATIONS**

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**901.H**

It shall notify the Exchange prior to any significant business transaction or significant change in operations which shall include, but is not limited to the following:

7. The merger, combination or consolidation between the clearing member and another person or entity;
8. The assumption or guarantee by the clearing member of all or substantially all of the liabilities of another in connection with a direct or indirect acquisition of all or substantially all of that person's or entity's assets;
9. The sale by the clearing member of a significant part of its business and/or assets to another person or entity;
10. A change in the direct or indirect beneficial ownership of 20% or more of the clearing member;
11. Any change in the system provider used by the clearing member to process its trades; and
12. A significant increase in the number of members that a clearing member qualifies. Additionally, a clearing member that qualifies members must provide fifteen days notice to the Exchange of any proposal to terminate such business or any material part of such business.

The ~~Clearing House Risk Committee~~relevant committee or Exchange staff, upon such notice, may disapprove or approve, subject to certain conditions, such changes in structure or operations if it determines that the proposed change could jeopardize the financial or operational integrity of the Exchange or the Clearing House. For purposes of this Rule, the Clearing House Oversight Committee shall be the relevant committee with respect to corporate organization and structure changes and the Clearing House Risk Committee shall be the relevant committee with respect to all other changes.

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**CME/CBOT/NYMEX/COMEX Rulebook**  
**Chapter 9**  
**Clearing Members**

**Rule 912. APPROVAL**

An applicant for clearing membership receiving a majority vote of the ~~full membership of the~~ Clearing House RiskOversight Committee shall be approved effective immediately.

An applicant that fails to receive a majority vote shall be informed by the Clearing House RiskOversight Committee chairman and shall have 10 days thereafter to file an appeal to the Board seeking further consideration. The Board may approve the applicant by a majority vote if it is satisfied that the Clearing House RiskOversight Committee's decision was arbitrary, capricious or an abuse of the Clearing House Oversight Committee's discretion.

**Rule 913. WITHDRAWAL FROM CLEARING MEMBERSHIP**

**913.A Voluntary Withdrawal**

A clearing member that intends to withdraw from clearing membership for Base Guaranty Fund Products shall provide written notice of such intent to the Clearing House and the Clearing House RiskOversight Committee. A clearing member's withdrawal shall be effective on the earlier of (i) the date Clearing House Staff approves such withdrawal or (ii) the 10th Business Day following the date of the clearing cycle in which the withdrawing clearing member liquidates or transfers to an appropriate clearing member all of its open customer and house positions in Base Guaranty Fund Products (such earlier date, the "Base Withdrawal Date"); provided that the withdrawing clearing member shall remain liable for Base Guaranty Fund contributions and assessments in accordance with Rule 913.B. Promptly following the Base Withdrawal Date, the Clearing House shall post a notice of the clearing member's withdrawal.

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**CME Rulebook**  
**Chapter 8G**  
**Interest Rate Derivative Clearing**

**8G913. WITHDRAWAL FROM IRS CLEARING MEMBERSHIP**

**8G913.A. Voluntary Withdrawal**

An IRS Clearing Member that intends to withdraw from clearing membership for IRS Products shall provide written notice of such intent to the Clearing House and the ~~IRS Risk-Clearing House Oversight~~ Committee. An IRS Clearing Member's withdrawal shall be effective on the earlier of (i) the date Clearing House Staff approves such withdrawal or (ii) the 10th Business Day following the date of the clearing cycle in which the withdrawing IRS Clearing Member liquidates or transfers to an appropriate IRS Clearing Member all of its open customer and house positions in IRS Contracts (such earlier date, the "IRS Withdrawal Date"); provided that the withdrawing IRS Clearing Member shall remain liable for IRS Guaranty Fund contributions and IRS Assessments in accordance with Rule 8G913.B. Promptly following the IRS Withdrawal Date, the Clearing House shall post a notice of the IRS Clearing Member's withdrawal.

An IRS Clearing Member may withdraw from serving as an IRS Clearing Member clearing IRS Products without withdrawing as a CME, CBOT, NYMEX or COMEX clearing member for any other products, if applicable.

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