

S-7563R

January 22, 2016

**Adoption of CME/CBOT/NYMEX/COMEX Rule 543 (“Restrictions on Access for Sanctioned Parties and Jurisdictions”) and Amendments to CME/CBOT/NYMEX/COMEX Rules 930.C. (“Acceptable Performance Bond Deposits”) and 960 (“Omnibus and Carrying Broker Accounts”)**

(S-7563R supersedes S-7563 dated January 6, 2016 and clarifies the requirements of Exchange Clearing Member Firms with respect to the upcoming amendments to Rule 960.)

Effective Monday, February 29, 2016, and pending all relevant CFTC review periods, CME, CBOT, NYMEX and COMEX (collectively, the “Exchanges”) will adopt new Rule 543 (“Restrictions on Access for Sanctioned Parties and Jurisdictions”) and amendments to Rules 930.C (“Acceptable Performance Bond Deposits”) and 960 (“Omnibus and Carrying Broker Accounts”)

New Rule 543 provides that any market participant who is a sanctioned party (as defined in the Rule) is not permitted access to the Exchanges. New Rule 543 also requires Exchange Clearing Members to either cancel all direct and indirect access and authorizations if it becomes aware that an account is held for the benefit of a sanctioned party or to provide written instructions to the Exchange directing the Exchange to assist and coordinate in the cancellation of all access and authorizations at the Exchange as may be applicable.

The amendments to Rule 930.C. clarify that debt and equity issued by sanctioned parties may not be posted as acceptable performance bond. The amendments to Rule 960 provide a requirement that an Exchange Clearing Member notify any omnibus account it carries of the restrictions against dealing with sanctioned parties, and requires its omnibus account to do the same with respect to the omnibus customers of the omnibus account.

New Rule 543 is set forth below and the amendments to Rules 930.C. and 960 appear further below, with additions underscored and deletions overstruck.

**CME/CBOT/NYMEX/COMEX  
Chapter 5  
Trading Qualifications and Practices**

(additions are underscored; deletions are ~~overstruck~~)

**543. RESTRICTIONS ON ACCESS FOR SANCTIONED PARTIES AND JURISDICTIONS**

The following parties (defined individually as a “Sanctioned Party” and collectively as “Sanctioned Parties”) are not permitted to access the Exchange, whether directly or indirectly: parties that are (i) identified on the Specially Designated Nationals and Blocked Persons List of the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) (“Restricted Persons”), (ii) 50% or more owned by Restricted Persons, (iii) located in a country or territory subject to comprehensive economic sanctions administered by OFAC (“Restricted Country or Territory ” or “Restricted Countries or Territories”), (iv) owned or controlled by the governments of Restricted Countries or Territories, (v) subject to OFAC restrictions where such restriction

prohibits a specific activity which would in turn prohibit the party from trading on the Exchange or settling a transaction at the Exchange, (vi) subject to restrictions administered or imposed by a state or government authority authorized to issue economic sanctions and blocking measures that has jurisdiction over a Clearing Member (each a "Sanctioning Body") or (vii) acting on behalf of any of the foregoing.

Unless permitted (either not restricted or specifically authorized) by OFAC and/or any Sanctioning Body, as applicable, (a) any Clearing Member that maintains positions or carries an account actively trading on the Exchange for a Person that is or becomes a Sanctioned Party or (b) any Clearing Member becomes aware, or has documentary information, that it maintains positions or carries an account actively trading on the Exchange on behalf of a Sanctioned Party, shall immediately take steps to (i) cancel all direct and indirect access and authorizations issued to such Sanctioned Party and provide written notice to the Exchange of such cancellations; or (ii) provide written instructions to the Exchange directing the Exchange to assist and coordinate in the cancellation of all access and authorizations for the Sanctioned Party at the Exchange as may be applicable.

**5443-545. [RESERVED]**

## **CBOT/NYMEX/COMEX**

### **Chapter 9**

#### **Clearing Members**

(additions are underscored)

#### **930.C. Acceptable Performance Bond Deposits**

Clearing members may accept from their account holders as performance bond cash currencies of any denomination, readily marketable securities (as defined by SEC Rule 15c3-1(c)(11) and applicable SEC interpretations), money market mutual funds allowable under CFTC Regulation 1.25, bank-issued letters of credit, warrants, warehouse receipts and shipping certificates that are registered as deliverable for commodities traded on Chicago Mercantile Exchange Inc., Chicago Board of Trade Inc., New York Mercantile Exchange, Inc. or Commodity Exchange, Inc., and "London Good Delivery" gold, as defined by the London Bullion Market Association.

Clearing members shall not accept as performance bond from an account holder securities that have been issued, sponsored or otherwise guaranteed by the account holder or an affiliate of the account holder unless the clearing member files a petition with and receives permission from Clearing House staff.

Unless permitted (either not restricted or specifically authorized) by the U.S. Department of Treasury's Office of Foreign Assets Control ("OFAC") and/or any Sanctioning Body, as applicable, Clearing members may not accept from their account holders as performance bond any debt or equity issued by Sanctioned Parties as defined in Rule 543, assets in which Sanctioned Parties have an interest, or any other assets that are or would be subject to blocking restrictions or sectoral sanction restrictions imposed by OFAC or are subject to similar restrictions imposed by another Sanctioning Body.

Bank-issued letters of credit must be in a form acceptable to the Clearing House. Such letters of credit must be drawable in the United States. Clearing members shall not accept as performance bond from an account holder letters of credit issued by the account holder, an affiliate of the account holder, the clearing member, or an affiliate of the clearing member.

All assets deposited by account holders to meet performance bond requirements must be and remain unencumbered by third party claims against the depositing account holder.

Except to the extent that Clearing House staff shall prescribe otherwise, cash currency performance bond deposits shall be valued at market value. All other performance bond deposits other than letters of credit, warrants, warehouse receipts and shipping certificates shall be valued at an amount not to exceed market value less applicable haircuts as set forth in SEC Rule 240.15c3-1. Warrants, warehouse receipts and shipping certificates shall be valued at an amount not to exceed the market value of the commodities represented by the warrants, warehouse receipts or shipping certificates, less a deduction in the same amount as the inventory haircut specified in Commission Regulation 1.17(c)(5)(ii).

**CME**  
**Chapter 9**  
**Clearing Members**  
(additions are underscored)

**930.C. Acceptable Performance Bond Deposits**

**1. Non-Security Futures and OTC Derivatives**

Clearing members may accept from their account holders as performance bond cash currencies of any denomination, readily marketable securities (as defined by SEC Rule 15c3-1(c)(11) and applicable SEC interpretations), money market mutual funds allowable under CFTC Regulation 1.25, bank-issued letters of credit, warrants, warehouse receipts and shipping certificates that are registered as deliverable for commodities traded on Chicago Mercantile Exchange Inc., Chicago Board of Trade Inc., New York Mercantile Exchange, Inc. or Commodity Exchange, Inc., and "London Good Delivery" gold, as defined by the London Bullion Market Association.

Clearing members shall not accept as performance bond from an account holder securities that have been issued, sponsored or otherwise guaranteed by the account holder or an affiliate of the account holder unless the clearing member files a petition with and receives permission from Clearing House staff.

Unless permitted (either not restricted or specifically authorized) by the U.S. Department of Treasury's Office of Foreign Assets Control ("OFAC") and/or any Sanctioning Body, as applicable, Clearing members may not accept from their account holders as performance bond any debt or equity issued by Sanctioned Parties as defined in Rule 543, assets in which Sanctioned Parties have an interest, or any other assets that are or would be subject to blocking restrictions or sectoral sanction restrictions imposed by the OFAC or are subject to similar restrictions imposed by another Sanctioning Body.

Bank-issued letters of credit must be in a form acceptable to the Clearing House. Such letters of credit must be drawable in the United States. Clearing members shall not accept as performance bond from an account holder letters of credit issued by the account holder, an affiliate of the account holder, the clearing member, or an affiliate of the clearing member.

All assets deposited by account holders to meet performance bond requirements must be and remain unencumbered by third party claims against the depositing account holder.

Except to the extent that Clearing House staff shall prescribe otherwise, cash currency performance bond deposits shall be valued at market value. All other performance bond deposits other than letters of credit, warrants, warehouse receipts and shipping certificates shall be valued at an amount not to exceed market value less applicable haircuts as set forth in SEC Rule 240.15c3-1. Warrants, warehouse receipts and shipping certificates shall be valued at an amount not to exceed the market value of the commodities represented by the warrants, warehouse receipts or shipping certificates, less a deduction in the same amount as the inventory haircut specified in Commission Regulation 1.17(c)(5)(ii).

[The remainder of the Rule is unchanged.]

**CME/CBOT/NYMEX/COMEX**  
**Chapter 9**  
**Clearing Members**  
(additions are underscored)

**960. OMNIBUS AND CARRYING BROKER ACCOUNTS**

- A. All clearing members must maintain a complete list of all omnibus and carrying broker accounts maintained on their books. Such list shall be promptly provided to the Exchange upon request. Information for each such account must include account name, number and address, and classification of the account as either customer or house. Additionally, the identities and positions of the beneficial owners of any omnibus account must be immediately disclosed to the Exchange upon request.
- B. A clearing member carrying an omnibus account shall have the responsibility for ensuring that each person carried in the account does not exceed speculative limits unless granted an exemption pursuant to Rule 559.
- C. Each clearing member carrying an omnibus account must at all times reflect in its records the gross long and short positions held in such omnibus account.

Prior to the first delivery day in a contract month or as otherwise required by the Clearing House, each clearing member carrying an omnibus account must maintain a complete and accurate list of the purchase and sale dates of all open positions held in such omnibus account for that contract month.

Such list must be current throughout the contract month to ensure that the delivery procedure is not impaired.

- D. Clearing members may only carry omnibus accounts for entities that have received a notice from the clearing member (i) expressly prohibiting the omnibus account from acting for customers of the Exchange, directly or indirectly, that are Sanctioned Parties as defined by Rule 543 and (ii) requiring it to send a similar notice to its omnibus customers.
- E. Each clearing member that maintains an omnibus account with another clearing member shall also bear financial responsibility to the Exchange for that omnibus account.

Questions regarding this Special Executive Report may be directed to one of the following individuals:

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