

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-67207; File No. SR-CME-2012-21)

June 15, 2012

Self-Regulatory Organizations; Chicago Mercantile Exchange Inc.; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change to Amend CME Rule 971 Reporting Requirements for FCM Clearing Members

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on June 7, 2012, the Chicago Mercantile Exchange Inc. (“CME”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change described in Items I and II below, which items have been prepared primarily by CME. The Commission is publishing this Notice and Order to solicit comments on the proposed rule change from interested persons and to approve the proposed rule change on an accelerated basis.

I. Self-Regulatory Organization’s Statement of Terms of Substance of the Proposed Rule Change

CME proposes amendments to certain reporting requirements for futures commission merchant (“FCM”) clearing members. The enhanced reporting requirements are designed to further safeguard customer funds held at the FCM level. The text of the proposed changes is as follows with additions underlined and deletions in brackets.

Rule 100 – Rule 970 – No Change

CME Rule 971. SEGREGATION, SECURED AND SEQUESTERED REQUIREMENTS

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

- A. All clearing members must comply with the requirements set forth in CFTC Regulations 1.20 through 1.30, 1.32, and 30.7, and CME Rules 8F100 through 8F136. This includes, but is not limited to, the following:
1. Maintaining sufficient funds at all times in segregation [or set aside in separate or], secured 30.7 and sequestered accounts;
 2. Computing, recording and reporting completely and accurately the balances in the:
 - a. Statement of Segregation Requirements and Funds in Segregation;
 - b. Statement of Secured Amounts and Funds Held in Separate Accounts; and
 - c. Statement of Sequestration Requirements and Funds Held in Sequestered Accounts.
 3. Obtaining satisfactory segregation, [separate] secured 30.7 and sequestered account acknowledgement letters and identifying segregated, [separate] secured 30.7 and sequestered accounts as such; and
 4. Preparing complete and materially accurate daily segregation, secured 30.7 and sequestered amount computations in a timely manner.
- B. [Exchange staff may prescribe additional segregation, secured and sequestered amount requirements.] All FCM clearing members must submit a daily segregated, secured 30.7 and sequestered amount statement, as applicable, through Exchange-approved electronic transmissions by 12:00 noon on the following business day.
- C. [All clearing members must provide written notice to the Audit Department of a failure to maintain sufficient funds in segregation or set-aside in separate or sequestered accounts. The Audit Department must receive immediate written notification when a clearing member knows or should have known of such failure.] All FCM clearing members must submit a report of investments in a manner as prescribed through Exchange-approved electronic

transmissions as of the 15th of the month (or the following business day if the 15th is a holiday or weekend) and last business day of the month by the close of business on the following business day. The report of investments shall be prepared and shall identify separately for segregated, secured 30.7 and sequestered funds held:

1. The dollar amount of funds held in cash and each permitted investment identified in CFTC Regulation 1.25(a); and
2. The identity of each depository holding funds and the dollar amount held at each depository.

D. All disbursements not made for the benefit of a customer from a segregated, secured 30.7 or sequestered account which exceed 25% of the FCM clearing members excess segregated, secured 30.7 or sequestered of the respective origin must be pre-approved in writing by the clearing member's Chief Executive Officer or Chief Financial Officer.

1. In determining if a disbursement exceeds the 25% level, such disbursement must be:
 - a. Compared to the most recent calculation of excess segregated, secured 30.7 and sequestered amounts; and
 - b. A single disbursement must be reviewed individually and in the aggregated with all other disbursements not made for the benefit of a customer of the respective segregated, secured 30.7 or sequestered origin since the last calculation of excess funds.
2. Upon approval of a single disbursement or the disbursement which in the aggregated exceeds the 25% level as defined in Rule 971.D.1., the FCM clearing member must provide immediate notification to the Audit Department through Exchange-approved electronic transmissions. Such notification shall include:

- a. Confirmation that the FCM clearing member's Chief Executive Officer or Chief Financial Officer pre-approved in writing the disbursement(s);
 - b. The amount(s) and recipient(s) of such disbursement(s); and
 - c. A description of the reasons for the single or multiple transaction(s) that resulted in the disbursement(s).
- E. All clearing members must provide written notice to the Audit Department of a failure to maintain sufficient funds in segregation, secured 30.7 or sequestered accounts. The Audit Department must receive immediate written notification when a clearing member knows or should have known of such failure.
- F. Each statement and report filing required under this Rule must be submitted by the Chief Executive Officer, Chief Financial Officer or their authorized representative as approved by CME using their assigned User Identification ("User ID"). The User ID will constitute and become a substitute for the manual signature of the authorized signer to the electronically submitted daily segregated, secured 30.7 and sequestered amount statements. The User ID is a representation by the authorized signer that, to the best of his or her knowledge, all information contained in the statement being transmitted under the User ID is true, correct and complete. The unauthorized use of a User ID for electronic attestation by an unauthorized party is expressly prohibited.
- G. Exchange staff may prescribe additional segregation, secured 30.7 and sequestered amount requirements.

Rule 972 – End – No Change

- II. Self-Regulatory Organization's Statement of Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, CME included statements concerning the purpose and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item III below. CME has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of Purpose of, and Statutory Basis for, the Proposed Rule Change

CME is registered as a derivatives clearing organization with the Commodity Futures Trading Commission ("CFTC") and operates a substantial business clearing futures and swaps contracts subject to the jurisdiction of the CFTC. CME proposes to amend CME Rule 971 to impose additional reporting requirements for FCM clearing members that are designed to further safeguard customer funds held at the FCM level.

The proposed rule changes are being made in connection with certain recommendations developed by CME, the National Futures Association and the Futures Industry Association. The changes to the text of CME Rule 971 that are the subject of this filing can be summarized as follows:

- Maintenance of Excess Segregated, Secured 30.7 and Sequestered Funds. Revised Rule 971.A.1 clarifies that FCM clearing members must maintain excess segregated, secured 30.7 and "sequestered" (i.e., customer cleared swaps) funds at all times, including on an intra-day basis.
- Daily Segregated, Secured 30.7 and Sequestered Statements. Subparts B and F of revised Rule 971 require FCM clearing members to file daily segregated, secured 30.7 and sequestered statements, as applicable, through WinJammer, by 12:00 noon on the following business day. These daily statements must be electronically submitted and signed off by the firm's Chief

Executive Officer, Chief Financial Officer or their designated representative, as approved by CME and as authorized on the User Identification Request Form.

- Semi-monthly Investment Reports. Revised Rule 971.C requires FCM clearing members to file semi-monthly reports reflecting how customer segregated, secured 30.7 and sequestered funds are invested and where those funds are held. The reports of investments will be filed electronically through WinJammer as of the 15th of the month and last day of the month.
- Disbursement Approvals. Rule 971.D requires all disbursements made by FCM clearing members of customer segregated, secured 30.7 or sequestered funds that are not made for the benefit of customers of the respective customer origin and that exceed 25% of the excess segregated, secured 30.7 or sequestered funds, as applicable, to be pre-approved in writing by the FCM's Chief Executive Officer or Chief Financial Officer. In determining if the 25% level has been exceeded, all such disbursements not made for the benefit of customers by customer origin should be aggregated and compared to the most current daily segregated, secured 30.7 and sequestered calculations, as applicable. In addition, CME must be immediately notified upon pre-approval of such disbursements through WinJammer notification filings, including a description of the nature of the disbursement(s) and confirmation of pre-approval.

CME notes that it previously announced certain of the enhanced reporting requirements described above when it issued Audit Information Bulletin ("AIB") 12-04 on April 2, 2012. The AIB was filed with the Commission in SR-CME-2012-13.³

CME anticipates making the changes to Rule 971.C effective on July 1, 2012. CME

³ The Commission approved SR-CME-2012-13 on April 26, 2012, as to the new reporting requirement requiring all FCM clearing members to file daily, segregated, secured 30.7 and "sequestered" (or customer cleared swaps) statements, as applicable, on a daily basis. Exchange Act Release No. 34-66867, 77 FR 26062 (May 2, 2012).

anticipates making the changes to Rule 971.D effective at some point in the July 2012 time period. The other changes to Rule 971, the substance of which were addressed by CME's previous filing of AIB 12-04, are scheduled to become effective on June 14, 2012. CME also made a filing, CME Submission 12-178, with the CFTC with respect to the proposed changes.

CME believes the proposed changes are consistent with the requirements of the Act. First, CME, a derivatives clearing organization, is implementing the proposed changes in furtherance with applicable CFTC regulations and Commodity Exchange Act ("CEA"), which contains a number of provisions that are comparable to the policies underlying the Act, including, for example, promoting market transparency for derivatives markets, promoting the prompt and accurate clearance of transactions and protecting investors and the public interest. Second, CME believes the proposed changes are specifically designed to protect investors and the public interest because the requirements help safeguard customer funds held at the FCM level.

B. Self-Regulatory Organization's Statement on Burden on Competition

CME does not believe that the proposed rule change will have any impact or impose any burden on competition.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

CME has not solicited and does not intend to solicit comments regarding this proposed rule change. CME has not received any unsolicited written comments from interested parties.

III. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

- Electronic comments may be submitted by using the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>), or send an e-mail to rule-comments@sec.gov. Please include File No. SR-CME-2012-21 on the subject line.
- Paper comments should be sent in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, D.C., 20549-1090.

All submissions should refer to File Number SR-CME-2012-21. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of CME. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CME-2012-21 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

IV. Commission's Findings and Order Granting Accelerated Approval of Proposed Rule Change

Section 19(b) of the Act⁴ directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization. The Commission finds that the proposed rule change is consistent with the requirements of the Act, in particular the requirements of Section 17A of the Act, and the rules and regulations thereunder applicable to CME.⁵ Specifically, the Commission finds that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act which requires, among other things, that the rules of a clearing agency be designed to protect investors and the public interest because the proposed rule change should allow CME to better monitor the financial status and risk management procedures of its clearing members.⁶

In its filing, CME requested that the Commission approve this proposed rule change on an accelerated basis for good cause shown. CME cites as the reason for this request CME's operation as a DCO, which is subject to regulation by the CFTC under the CEA. This rule change is being made to enhance CME's efforts to protect investors who utilize its clearinghouse services through its FCM clearing members.

The Commission finds good cause for approving the proposed rule change prior to the 30th day after the date of publication of notice in the Federal Register because the proposed rule change allows CME to implement the additional clearing member surveillance designed

⁴ 15 U.S.C. 78s(b).

⁵ 15 U.S.C. 78q-1. In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

⁶ 15 U.S.C. 78q-1(b)(3)(F).

specifically to protect investors and the public interest.

V. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (SR-CME-2012-21) is approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁷

Kevin M. O'Neill
Deputy Secretary

⁷ 17 CFR 200.30-3(a)(12).