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SECURITIES AND EXCHANGE COMMISSION
[Release No. 34-71853; File No. SR-CME-2014-11]

Self-Regulatory Organizations; Chicago Mercantile Exchange Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Regarding Clarifications to its Chapter 7 Delivery Rules

April 3, 2014.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Exchange Act” or “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on March 27, 2014, 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. CME filed the proposal pursuant to Section 19(b)(3)(A)(i) of the Act³ and Rule 19b-4(f)(1)⁴ thereunder so that the proposal was effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

CME is filing the proposed rule change that is limited to its business as a derivatives clearing organization. More specifically, the proposed rule change would clarify certain aspects of CME’s Chapter 7 rules with respect to deliveries of futures products.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(i).

⁴ 17 CFR 240.19b-4(f)(1).

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

CME is registered as a DCO with the Commodity Futures Trading Commission ("CFTC") and offers clearing services for many different futures and swaps products. The proposed rule change that is the subject of this filing is limited to its business as a DCO clearing futures contracts.

Per existing CME Rule 702, CME guarantees financial performance (i.e., replacement cost) for all physically deliverable futures products. In assessing the current rulebook, CME noted that certain provisions in current Chapter 7 should be clarified to more clearly state CME's obligations in deliveries and delivery failures as the existing rule contains some language that may be seen as inconsistent with the overriding impact of CME Rule 702. As a result, CME is now proposing clarifying amendments to more clearly state CME's obligations for deliveries and delivery failures as specified below.

The proposed amendments to CME Rules 730-732 and 742.A delete the operational mechanics of the currency delivery rules in light of the guaranty of financial performance per Rule 702 for deliveries.

The proposed amendments to CME Rule 743.B clarify that the clearing member causing a currency delivery failure is liable to CME for any financial performance paid by CME to the contra-clearing member. The proposed amendments to CME Rule 743.A delete the reference to charging a clearing member overdraft fees for late or inaccurate deliveries.

Finally, CME is proposing changes to CME Rule 702 to harmonize and more clearly state that CME is responsible for financial performance to the clearing member that did not cause or contribute to the delivery failure by strengthening the operative language (the current rule states that CME “shall seek to ensure financial performance...”). “Financial performance” is defined as payment of the commercially reasonable costs of the affected clearing member for replacing the failed delivery and includes any fines, penalties and fees incurred in replacing the delivery and does not include physical performance or legal fees. The changes further include a deadline for affected clearing members to seek a claim for financial performance and codification of the requirement to submit supporting documentation.

The rule change that is described in this filing is limited to CME’s business as a DCO clearing products under the exclusive jurisdiction of the CFTC and does not materially impact CME’s security-based swap clearing business in any way. The above listed change is a clarification to existing rules and does not result in changes to the operational processes or the nature or level of the risks posed to CME or clearing members. The change will be effective on filing and CME plans to operationalize it on March 27, 2014. CME notes that it has also certified the proposed rule change that is the subject of this filing to its primary regulator, the CFTC, in a separate filing, CME Submission No. 14-077.

CME believes the proposed rule change is consistent with the requirements of the Exchange Act including Section 17A.⁵ The proposed change is intended to clarify existing CME obligations for deliveries in a manner consistent with CFTC Regulation 39.14(g), which requires DCOs to state their obligations with respect to deliveries, including obligations to make or accept deliveries. The proposed change simply clarifies existing practices by revising current rules to more clearly state that, in the event of a delivery failure, CME's obligations will be for financial performance to the clearing member whose actions or omissions did not cause or contribute with respect to the delivery failure (the proposed change also clearly defines the term "financial performance"). These clarifications to CME's existing delivery process rules will provide greater clarity to the marketplace regarding CME's obligations in the delivery process and as such are designed to promote the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivatives agreements, contracts, and transactions, to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible, and, in general, to protect investors and the public interest consistent with Section 17A(b)(3)(F) of the Exchange Act.⁶

Furthermore, the proposed change is limited in its effect to futures products currently offered under CME's authority to act as a DCO. These products are under the exclusive jurisdiction of the CFTC. CME notes that the policies of the CFTC with respect to administering the Commodity Exchange Act are comparable to a number of the policies underlying the Exchange Act, such as promoting the prompt and accurate clearance of transactions and protecting investors and the public interest.

⁵ 15 U.S.C. 78q-1.

⁶ 15 U.S.C. 78q-1(b)(3)(F).

Because the proposed change is limited to making clarifications to more clearly state CME's obligations in the delivery process under already existing CME rules, the change is therefore consistent with the requirements of Section 17A of the Exchange Act⁷ and is properly filed under Section 19(b)(3)(A)⁸ and Rule 19b-4(f)(1)⁹ thereunder.

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. The proposed change clarifies existing CME practices and simply states that in the event of a delivery failure, CME's obligations will be for financial performance to the clearing member whose actions or omissions did not cause or contribute with respect to the delivery failure and defines financial performance to be payment of the commercially reasonable costs of the affected clearing member for replacing the failed delivery and includes any fines, penalties and fees incurred in replacing the delivery and does not include physical performance or legal fees.

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. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

⁷ 15 U.S.C. 78q-1.

⁸ 15 U.S.C. 78s(b)(3)(A).

⁹ 17 CFR 240.19b-4(f)(1).

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)¹⁰ of the Act and Rule 19b-4(f)(1)¹¹ thereunder, as CME has designated that this rule change constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule, which renders the proposed rule change effective upon filing. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. 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:

- Use 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-2014-11 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC, 20549-1090.

All submissions should refer to File Number SR-CME-2014-11. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your

¹⁰ 15 U.S.C. 78s(b)(3)(A).

¹¹ 17 CFR 240.19b-4(f)(1).

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 and on CME's website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

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-2014-11 and should be submitted on or before [INSERT DATE 21 DAYS FROM PUBLICATION IN THE FEDERAL REGISTER].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹²

Kevin M. O'Neill,
Deputy Secretary.

¹² 17 CFR 200.30-3(a)(12).

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