



Kathleen M. Cronin
Senior Managing Director
General Counsel & Corporate Secretary

July 18, 2016

VIA ON-LINE SUBMISSION

Mr. Christopher Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: Clearing Requirement Determination Under Section 2(h) of the CEA for Interest Rate Swaps; Proposed Rule 81 Fed. Reg. 39506 (June 16, 2016); RIN 3038-AE20

Dear Mr. Kirkpatrick:

CME Group Inc. ("CME Group") appreciates the opportunity to comment on the Commodity Futures Trading Commission's ("CFTC" or the "Commission") notice of proposed rulemaking ("NPR") to establish a new clearing requirement for interest rate swaps ("IRS") denominated in certain currencies or having certain termination dates.

CME Group is the parent of Chicago Mercantile Exchange Inc. ("CME"). CME is registered with the CFTC as a derivatives clearing organization ("DCO") and its clearing house division ("CME Clearing") is one of the largest central counterparty ("CCP") clearing services for regulated derivatives contracts. CME Clearing offers clearing and settlement services for exchange-traded derivatives contracts and for over-the-counter ("OTC") derivatives transactions, including IRS are the subject of the NPR, as well as credit default swaps, agricultural swaps, and other OTC contracts.

CME Group supports the Commission's approach in the NPR to develop a clearing mandate broadly consistent with mandates in other major jurisdictions. Taking into account the global impact for clearing mandates is important in creating a level playing field for all jurisdictions implementing the overarching goals of the G20's 2009 proposal to achieve systemic risk reduction through central clearing of derivatives contracts. We note that numerous foreign jurisdictions have made progress in implementing G20 mandates for derivatives regulatory reform, including implementation or proposal of clearing mandates for the IRS that are the subject of the NPR.

However, it must be noted that the CFTC's European counterpart, the European Securities and Markets Authority ("ESMA"), recently recommended postponing the implementation of a

clearing mandate on certain smaller market participants. ESMA has cited the reduced ability for these firms to access clearing markets due to a reduction in clearing members' appetite to provide clearing services for smaller firms. In light of this delay, CME Group recommends that CFTC implementation of clearing obligations takes into account the timing of clearing mandates in other jurisdictions and ensures that the timing does not create an imbalance in the competitive landscape for market participants across jurisdictions.

Pursuant to Section 2(h)(2)(D)(ii) of the Commodity Exchange Act, the Commission must take into account five factors in making a clearing determination. The IRS specified in the NPR (i.e., fixed-float swaps denominated in all nine additional currencies; FRAs denominated in AUD, PLN, NOK, SEK; OIS denominated in AUD and CAD; and basis swaps denominated in AUD) satisfy these factors, including sufficient standardization and outstanding notional value and trading liquidity to justify a clearing requirement. CME's view is that adequate pricing data for risk and default management of these instruments is available and further, that CME is capable of offering uninterrupted clearing services for all instruments it clears even during times of market stress.

Regarding legal certainty for the treatment of positions and collateral in a clearing member default, CME Clearing analyzes conflicts of law in relevant foreign jurisdictions prior to offering clearing services abroad and is comfortable with its assessment of the applicability of U.S. law to the treatment of customer and swap counterparty positions, funds and property. We assume other DCOs take a similar approach.

In respect of the implementation timeline for the clearing requirement, CME Group's view is that the CFTC should work cooperatively with regulators in other jurisdictions and seek to mitigate unnecessary variation in the requirements of global IRS markets. To this end, CME Group can only support the extension of the Commission's clearing requirement determination where it is necessary for global harmonization and if appropriate capital measures are taken to ensure clients can access cleared markets, as would best support liquidity and stability in these markets.

CME Group thanks the Commission for the opportunity to comment on this matter. We would be happy to discuss any of these issues with CFTC staff. If you have any comments or questions, please feel free to contact me at (312) 930-3488 or Kathleen.Cronin@cmegroup.com, or John McKinlay, Director & Assistant General Counsel at (312) 930-3028 or John.McKinlay@cmegroup.com.

Sincerely,



Kathleen M. Cronin
Senior Managing Director, General Counsel and
Corporate Secretary