

UNITED STATES OF AMERICA

Before the

COMMODITY FUTURES TRADING COMMISSION

**In the Matter of the Application of
CME Clearing Europe Limited
For Registration as a Derivatives Clearing Organization**

ORDER OF REGISTRATION

CME Clearing Europe Limited (“CMECE”) has submitted, pursuant to Section 5b of the Commodity Exchange Act (the “Act”), 7 U.S.C. § 7a-1, an application for registration as a derivatives clearing organization (“DCO”); along with exhibits, supplemental documents, and other supporting information (together, the “Application”).

The Commodity Futures Trading Commission (the “Commission”) has reviewed the Application. Based on the Application, the Commission finds that CMECE has, subject to the terms and conditions specified, demonstrated compliance with the requirements of the Act and Commission regulations thereunder (the “Regulations”), in each case, as applicable to the registration of DCOs. Therefore,

IT IS ORDERED, pursuant to Section 5b of the Act, that the Application of CMECE for registration as a DCO is granted, subject to the terms and conditions specified herein.

IT IS FURTHER ORDERED, that:

Cleared Products. CMECE shall limit its clearing activities to clearing swaps (as such term is defined in Section 1(a)(47) of the Act and any Regulations thereunder) on energy, agricultural, freight and metals products (whether cash or physically settled) executed either bilaterally or on or through a swap execution facility (as such term is defined in Section 1(a)(50)

of the Act and any Regulations thereunder) (“Swap Instruments”) in accordance with the Act and Regulations related thereto. Notwithstanding the foregoing, CMECE may also clear forward contracts on energy, agricultural, freight and metals products (“Forward Contracts”). Together the Swap Instruments and Forward Contracts are referred to herein as the “CMECE Instruments.”

Core Principle Compliance. CMECE shall remain in compliance, and shall demonstrate compliance as requested by the Commission, with the core principles set forth in Section 5b of the Act, and the related Regulations of the Commission, as may be amended or adopted from time to time (the “Core Principles”). CMECE shall fulfill each of the representations relating to compliance with the Core Principles, which CMECE made in connection with the Application. Such representations include, without limitation, the following:

(1) Financial Resources

(a) CMECE shall maintain, at all times, sufficient financial resources to cover its operating expenses for at least one year, calculated on a rolling basis; in satisfying this requirement, CMECE shall hold unencumbered, liquid assets (*i.e.*, cash, cash equivalents, or highly liquid securities) in an amount greater than or equal to its operating expenses for six months;

(b) CMECE shall maintain financial resources sufficient to cover any potential CMECE losses resulting from the default of the clearing member with the largest exposure, under extreme but plausible market conditions;

(c) CMECE shall perform stress testing on a daily basis in order to assess the adequacy of the default resources referred to in section 1(b) herein and shall formally assess the

adequacy of its Guarantee Fund, including any required contribution from clearing members to the Guarantee Fund at least on a quarterly basis; and

(d) CMECE shall use models that produce initial margin requirements such that the actual coverage of the initial margin requirements meets an established confidence level of at least 99% for each CMECE Instrument that CMECE clears.

(2) Self-Regulatory Function. CMECE shall ensure the performance of all self-regulatory functions required of it as a DCO under the Act and the Regulations, including, without limitation: (a) monitoring and enforcing member compliance with CMECE admission and continuing eligibility standards, such as capital requirements; (b) conducting examinations of the risk management procedures of each member on a periodic basis; and (c) enforcing member compliance with the terms of all CMECE rules, regulations, and procedures not specifically referenced in clauses (a) and (b) of this section.

(3) Clearing Member Reporting. Without limiting CMECE's obligations under Core Principle J with regard to reporting or other provision of information to the Commission, CMECE shall provide the Commission with the information specified below, in a manner and at a frequency that would enable the Commission to conduct its oversight function of CMECE with respect to Core Principles B and D.

(a) CMECE shall provide to the Commission: (i) with respect to each CMECE Instrument, (1) daily settlement prices, (2) daily clearing member position information by customer origin and house origin, (3) daily volume cleared, (4) daily variation margin, for each clearing member, by customer origin and house origin, and (5) month-end margin requirements and collateral on deposit, for each clearing member, by customer origin and house origin; and (ii) monthly clearing member financial capital amounts.

(b) Consistent with the representations that CMECE has made during the licensing process, CMECE shall take all action reasonably necessary to be able, by no later than September 30, 2011, or such other date as approved by the Director of the Division of the Commission charged with oversight of DCOs (the “Clearing Division Director”), to provide the information specified in this Section 3 in a manner and on a schedule acceptable to the Clearing Division Director.

(4) Risk Management Procedures. CMECE shall promptly inform the Commission prior to adopting:

(a) any changes to the methodology, as described in the Application, that CMECE uses to calculate initial margin for any CMECE Instrument, if such changes would result in a reduction of the amount of initial margin that CMECE would otherwise require for such CMECE Instrument;

(b) any changes to the scenarios, as described in the Application, that CMECE uses to calculate the losses referenced in Section 1(b) of this Order, if such changes would result in a reduction of the amount that CMECE would otherwise hold in the Guarantee Fund; or

(c) any changes to the parameters, as described in the Application, of the clearing member defaults that the Guarantee Fund has been structured to cover, if such changes would result in a reduction of the amount that CMECE would otherwise hold in the Guarantee Fund.

(5) US Customer Funds.

(a) CMECE shall adopt rules stating that the situs of any account on the books and records of CMECE in which it holds funds (the “US Customer Funds”) from the customers of a futures commission merchant clearing member (“FCM Clearing Member”) to guarantee,

margin, or secure customer positions in Swap Instruments (such account referred to herein as a “Cleared Swaps Customer Account”) shall be located in the United States.

(b) CMECE shall hold all US Customer Funds in accordance with Section 4d of the Act and the Regulations applicable to the segregation of such funds, including Regulation 1.49.

(c) CMECE shall not use any surplus in a Cleared Swaps Customer Account to cover any shortfall in any other account of such FCM Clearing Member.

(d) CMECE shall adopt a default rule stating that CMECE intends for any surplus in the Cleared Swaps Customer Account of such FCM Clearing Member to be treated in accordance with applicable United States laws, including the Bankruptcy Code, the Act, and the Regulations.

(e) CMECE shall, prior to beginning operations as a DCO, submit finalized, fully executed settlement bank agreements for the US settlement banks in substantially the same form as set forth in the Application or as deemed acceptable by the Clearing Division Director.

(f) CMECE shall, prior to beginning operations as a DCO, amend its investment policies relating to US Customer Funds in order to conform the terms of such policies with Regulation 1.25.

(6) Restrictions on Operations and Activities.

(a) CMECE shall restrict its operations and activities to comport with the assumptions referenced in the memorandum entitled “Memorandum on Ring-Fencing Arrangements,” dated July 19, 2011, which was prepared by the United Kingdom counsel of CMECE (the “Ring-Fencing Memorandum”). In particular, as described in the Ring-Fencing Memorandum, (i) CMECE will adopt a new version of its clearing rules in substantially the same form as the

version dated June 1, 2011 and clearing procedures in substantially the same form as the version dated July 4, 2011, in each case, as delivered to the Commission (the “Rules”); (ii) CMECE and each of its clearing members will be governed by the Rules, a clearing membership agreement entered into by CMECE and the clearing member (as amended by the Appendix to the Ring-Fencing Memorandum), and individual contracts entered into pursuant to the Rules (the “Clearing Arrangements”); and (iii) the Clearing Arrangements will only be amended from those versions submitted to the Commission in such a way that does not materially affect the operation of the Rules referred to in the Ring-Fencing Memorandum in relation to any Cleared Swaps Customer Account, related collateral, FCM Clearing Member, customer of an FCM Clearing Member, or Swap Instrument. As part of any future request for an amendment to this Order providing relief from the aforementioned restrictions, CMECE shall submit a reasoned memorandum prepared by United Kingdom counsel describing the effect that removal of the relevant restrictions would have on the conclusions of the Ring-Fencing Memorandum.

(b) CMECE shall, prior to clearing CMECE Instruments that provide for physical settlement, adopt rules that clearly state the obligation of CMECE with respect to physical deliveries, while ensuring that each risk arising from such an obligation is identified and managed.

(7) Changes in Applicable Law. CMECE shall promptly inform the Commission of any material change in United Kingdom law relevant to its operation as a clearing house, including, without limitation: (a) any material change to United Kingdom requirements for Recognised Clearing Houses (each, an “RCH”); and (b) any change that would affect the conclusions of the Ring-Fencing Memorandum. Further, CMECE shall promptly inform the Commission of any change in the status of CMECE as an RCH.

(8) Changes to Operations. CMECE shall promptly inform the Commission of any event, circumstance, or situation concerning any aspect of CMECE operations that may reasonably be expected to materially detract from the ability of CMECE to continue complying with any of the Core Principles.

(9) Notice of Default. CMECE shall immediately inform the Commission of any default, suspension, termination, or forced liquidation of the positions of any clearing member. CMECE shall provide the Commission with information regarding the impact of any of the aforementioned actions on the adequacy of CMECE financial resources.

(10) Notice of Emergency. In the event of an emergency, CMECE shall use its best efforts to notify the Clearing Division Director prior to declaring the existence of such emergency, and shall, in any event, advise the Clearing Division Director as soon as practicable by telephone, with subsequent confirmation in writing, of the CMECE declaration of such emergency, the reasons for such declaration, and the actions that CMECE has taken or intends to take in response to such emergency.

(11) New Regulations. Should the Commission promulgate a Regulation addressing or otherwise affecting any aspect of this Order (including but not limited to Sections 1, 2, 3, 4, 8, 9 or 10 of this Order), then such Regulation will apply and supersede the applicable terms in this Order.

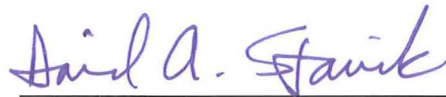
(12) Agent for Service of Process. CMECE shall maintain a valid, effective, and binding agreement appointing an agent in the United States for purposes of communications, including acceptance, on behalf of CMECE, of any summons, complaints, orders, subpoenas, requests for information, notice, or any other written document or correspondence issued by or on behalf of the Commission, the United States Department of Justice, or any member clearing

customer positions in Swap Instruments, and CMECE shall promptly inform the Commission of any change in such agent or such agreement.

In the event of any material changes to or omissions in the facts and circumstances pursuant to which this Order is issued, or for any reason in its own discretion, the Commission may condition, modify, suspend, terminate or otherwise restrict the terms of this Order, as appropriate and as permitted by law.

Issued in Washington, D.C., this 2nd day of September 2011.

By the Commission



David Stawick
Secretary of the Commission