

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b) of the Act¹³ in general and furthers the objectives of Section 6(b)(5) of the Act¹⁴ in particular in that it should promote just and equitable principles of trade, serve to remove impediments to and perfect the mechanism of a free and open market and a national market system, and protect investors and the public interest. Specifically, the Exchange believes that the permanent approval of the pilot program, which eliminates minimum value size requirements, would provide greater opportunities for investors to manage risk through the use of FLEX Options. Further, the Exchange notes that it has not experienced any adverse effects from the operation of the pilot program. The Exchange also believes that making the minimum value size pilot permanent does not raise any unique regulatory concerns. The Exchange also believes that the proposed rule change would continue to provide Trading Permit Holders and investors with additional opportunities to trade customized options in an exchange environment and subject to exchange-based rules, and investors would benefit as a result.

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

CBOE does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

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

The Exchange neither solicited nor received comments on the proposal.

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

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve or disapprove such proposed rule change, or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

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 email to rule-comments@sec.gov. Please include File Number SR-CBOE-2012-040 on the subject line.

Paper Comments

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

All submissions should refer to File Number SR-CBOE-2012-040. This file number should be included on the subject line if email 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 Web site (<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 Web site 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 the filing also will be available for inspection and copying at the principal office of the Exchange. 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-CBOE-2012-040 and should be submitted on or before June 1, 2012.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁵

Kevin M. O'Neill,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-66936; File No. SR-ICEEU-2012-06]

Self-Regulatory Organizations; ICE Clear Europe Limited; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change to Membership Qualifications for CDS Clearing Members That Are US CDS Clearing Members

May 7, 2012.

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 May 5, 2012, ICE Clear Europe Limited ("ICEEU") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared primarily by ICEEU. 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 the Terms of Substance of the Proposed Rule Change

ICEEU proposes to conform the ICEEU membership qualifications with Commodity Futures Trading Commission ("CFTC") Regulations 39.12(a)(2)(ii) and 39.12(a)(2)(iii) no later than the May 7, 2012, effective date of CFTC Regulations 39.12(a)(2)(ii) and 39.12(a)(2)(iii).

As discussed in more detail in Item II(A) below, the changes to Parts 1 and 2 of the ICEEU CDS Procedures provide for amendments to the membership qualifications for US credit default swap ("CDS") clearing members.

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

In its filing with the Commission, ICEEU included statements concerning the purpose of and basis for the proposed rule change and discussed any

¹³ 15 U.S.C. 78f(b).

¹⁴ 15 U.S.C. 78f(b)(5).

¹⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item III below. ICEEU has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.³

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

ICEEU is registered as a derivatives clearing organization ("DCO") with the CFTC and clears CDS contracts subject to the jurisdiction of the CFTC. CFTC Regulation 39.12(a)(2)(ii) provides that "the participant requirements shall set forth capital requirements that are based on objective, transparent, and commonly accepted standards that appropriately match capital to risk. Capital requirements shall be scalable to the risks posed by clearing members." Accordingly, ICEEU proposes to revise its CDS Procedures 2.6 to provide that, if at any time and for so long as a CDS Clearing Member that is an FCM has a required contribution to the ICEEU CDS guaranty fund that exceeds 25% of its "excess net capital", ICEEU may (in addition to other rights) require such US CDS Clearing Member to provide additional margin and/or prepay and maintain with ICEEU an amount up to the US CDS Clearing Member's CDS guaranty fund assessment obligation. ICEEU CDS Procedures 1.1 (Additional Definitions), the definitional section of ICEEU's Rules, would be amended to define "excess net capital" as the amount reported on Form 1-FR-FCM or FOCUS Report or as otherwise reported to the CFTC under CFTC Rule 1.12 (or an equivalent amount for US CDS Clearing Members that are not futures commission merchants).

CFTC Regulation 39.12(a)(2)(iii) provides that "a derivatives clearing organization shall not set a minimum capital requirement of more than \$50 million for any person that seeks to become a clearing member in order to clear swaps." Accordingly, ICEEU proposes to revise CDS Procedure 2.2(b) to incorporate the CFTC mandated \$50 million minimum adjusted net capital requirement for US CDS clearing members. ICEEU proposes to define the term "US CDS Clearing Member" to mean "a CDS Clearing Member or applicant that would become a CDS Clearing Member that is (i) an FCM or (ii) any other Person organized or incorporated under the laws of the United States of America or a state

thereof." ICEEU also proposes to amend CDS Procedure 2.2(b)(ii) and (iii) to eliminate references to external credit ratings as part of the membership qualifications for US CDS Clearing Members. In addition, CDS Procedure 2.2(b)(iv) would be added which states one additional membership qualification for US CDS clearing members. It requires that the US CDS Clearing Member be regulated "for capital adequacy (the "Regulatory Capital Requirement") by a competent authority such as the FSA, CFTC, SEC, Banque de France, Bundesbank, Bundesanstalt für Finanzdienstleistungsaufsicht, Swiss Federal Banking Commission, U.S. Federal Reserve Board, U.S. Office of the Comptroller of the Currency, or any other Regulatory Authority the Clearing House designates from time to time for this purpose, or it is an Affiliate of an entity that satisfies the Regulatory Capital Requirement and is subject to consolidated holding company group supervision."

Further, CDS Procedure 2.7 would be added to clarify that a "US CDS Clearing Member that is not an FCM Clearing Member shall provide to the Clearing House a copy of such forms as the Clearing House may determine to be necessary on a comparable schedule to that which an FCM Clearing Member would be required to follow in filing such forms with its Regulatory Authorities."

ICEEU argues that the proposed rule changes are consistent with the requirements of Section 17A of the Act and the regulations thereunder applicable to it and that the proposed membership requirements will comply with the Act and the rules and regulations thereunder.

(B) Self-Regulatory Organization's Statement on Burden on Competition

ICEEU does not believe the proposed rule change would 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

Written comments relating to the proposed rule change have not been solicited or received. ICEEU represented that it will notify the Commission of any written comments it receives.

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 by sending an email to rule-comments@sec.gov. Please include File Number SR-ICEEU-2012-06 on the subject line.

- Paper comments may be sent in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-ICEEU-2012-06. This file number should be included on the subject line if email 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 Web site (<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 Web site viewing and printing in the Commission's Public Reference Section, 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 filings will also be available for inspection and copying at the principal office of ICEEU and on ICEEU's Web site at <https://www.theice.com/notices/Notices.shtml?regulatoryFilings>.

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-ICEEU-2012-06 and should be submitted on or before June 1, 2012.

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

Section 19(b)(2)(C) 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

³ The Commission has modified the text of the summaries prepared by ICEEU.

⁴ 15 U.S.C. 78s(b)(2)(C).

rules and regulations thereunder applicable to such organization. Section 17A(b)(3)(F) of the Act⁵ requires, among other things, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions, and to the extent applicable, derivative agreements, contracts, and transactions.

The proposed change would allow ICEEU to expand the base of potential clearing members by lowering the net capital threshold for membership, thereby promoting the prompt and accurate clearance and settlement of securities transactions, and derivative agreements, contracts, and transactions. It would also allow ICEEU to comply with new CFTC regulatory requirements, thereby promoting the prompt and accurate clearance and settlement of derivative agreements, contracts, and transactions.

Further, the Commission finds good cause, pursuant to Section 19(b)(2) of the Act,⁶ for approving the proposed rule change prior to the 30th day after the date of publication of notice in the **Federal Register** because, as a registered DCO, ICEEU is required to comply with the new CFTC regulations by the time they become effective on May 7, 2012.⁷

V. Conclusion

It is therefore ordered, pursuant to 19(b)(2) of the Act,⁸ that the proposed rule change (SR-ICEEU-2012-06) is approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁹

Kevin M. O'Neill,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-66931; File No. SR-CME-2012-15]

Self-Regulatory Organizations; Chicago Mercantile Exchange Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Adoption of Interest Rate Futures Contracts Portfolio Margining Program With Eris Exchange, LLC

May 7, 2012.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on April 25, 2012, Chicago Mercantile Exchange Inc. ("CME") filed with the Securities and Exchange Commission ("Commission") the proposed rule change described in Items I, II and III below, which Items have been prepared substantially by CME. CME filed the proposal pursuant to Section 19(b)(3)(A) of the Act, and Rule 19b-4(f)(4)(ii)² thereunder so that the proposal was effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the rule change from interested parties.

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

CME proposes to adopt an interest rate futures contracts portfolio margining program with Eris Exchange, LLC ("Eris"). CME currently clears interest rate swap futures contracts listed by Eris. Separately, the CME clearinghouse settles and clears Eurodollar futures listed by CME. CME is proposing to adopt a program that would allow it to offer portfolio margining of CME Eurodollar futures together with Eris Exchange Interest Rate Swap futures. The portfolio margining program will allow accounts with offsetting positions in CME Eurodollar futures and Eris Exchange contracts to obtain risk offsets and, hence, lower performance bond (*i.e.*, initial margin) requirements. The proposed change will immediately become effective on filing but will not become operational until April 30, 2012.

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 of 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 these statements.

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

CME currently clears interest rate swap futures contracts listed by Eris. Separately, the CME clearinghouse settles and clears Eurodollar futures listed by CME. CME is proposing to adopt a program that would allow it to offer portfolio margining of CME Eurodollar futures together with Eris Exchange Interest Rate Swap futures. The proposed rule change will immediately become effective on filing but will not become operational until April 30, 2012.

The portfolio margining program will allow accounts with offsetting positions in CME Eurodollar futures and Eris Exchange contracts to obtain risk offsets and, hence, lower performance bond (*i.e.*, initial margin) requirements. Actual risk offsets will vary by portfolio, and will be higher for more highly correlated positions. The reduced margin requirements will be reflected in datafiles provided by CME Clearing to clearing members. Firms will also be able to use CME's margin software to verify margin calculations for these portfolios and perform "what if" analyses.

The portfolio margining program would be available for house accounts and customer accounts. With regard to customer accounts, all products in the proposed program are futures governed by Section 4d(a)(2) of the Commodity Exchange Act and CFTC Regulations promulgated thereunder. CME notes that the proposed portfolio margining program comports with the CFTC's DCO Core Principle G (Risk Management), and with new CFTC Regulation 39.13(g)(4) (Spread and Portfolio Margins), which provides, in pertinent part, that a DCO "may allow reductions in initial margin requirements for related positions if the price risks with respect to such positions are significantly and reliably correlated."

CME also certified the proposed changes that are the subject of this filing to its primary regulator, the CFTC, in CME Submission 12-114.

The proposed change is limited to CME's activities as a derivatives clearing organization clearing futures

⁵ 15 U.S.C. 78q-1(b)(3)(F).

⁶ 15 U.S.C. 78s(b)(2).

⁷ In approving the proposed rule change, the Commission considered the proposal's impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

⁸ 15 U.S.C. 78s(b)(2).

⁹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4(f)(4)(ii).