SECURITIES AND EXCHANGE COMMISSION

[OMB Control No. 3235–0411]

Agency Information Collection Activities; Proposed Collection; Comment Request; Extension: Rule 489 and Form F–N

Upon Written Request, Copies Available From: Securities and Exchange Commission, Office of FOIA Services, 100 F Street NE, Washington, DC 20549–2736

Notice is hereby given that, pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*), the Securities and Exchange Commission (''SEC'' or ''Commission'') is soliciting comments on the proposed collection of information.

Rule 489 (17 CFR 230.489) under the Securities Act of 1933 (15 U.S.C. 77a *et seq.*) requires foreign banks and foreign insurance companies and holding companies and finance subsidiaries of foreign banks and foreign insurance companies that are exempted from the definition of ''investment company'' by virtue of rules 3a–1 (17 CFR 270.3a–1), 3a–5 (17 CFR 270.3a–5), and 3a–6 (17 CFR 270.3a–6) under the Investment Company Act of 1940 (15 U.S.C. 80a–1 *et seq.*) to file Form F–N (17 CFR 239.43) to appoint an agent for service of process when making a public offering of securities in the United States. The information is collected so that the Commission and private plaintiffs may serve process on foreign entities in actions and administrative proceedings arising out of or based on the offer or sales of securities in the United States by such foreign entities.

The Commission received an average of 20 Form F–N filings per year over the last three years (2023–2025). The Commission has previously estimated that the total annual burden associated with information collection and Form F–N preparation and submission is one hour per filing. Based on the Commission's experience with disclosure documents generally, the Commission continues to believe that this estimate is appropriate. Thus, the estimated total annual burden for rule 489 and Form F–N is 20 hours.

Estimates of average burden hours are made solely for the purposes of the Paperwork Reduction Act and are not derived from a comprehensive or even representative survey or study of the costs of Commission rules and forms. Compliance with the collection of information requirements of rule 489 and Form F–N is mandatory to obtain the benefit of the exemption. Responses to the collection of information will not be kept confidential.

An agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a currently valid OMB Control Number.

Written comments are invited on: (a) whether this proposed collection of information is necessary for the proper performance of the functions of the SEC, including whether the information will have practical utility; (b) the accuracy of the SEC's estimate of the burden imposed by the proposed collection of information, including the validity of the methodology and the assumptions used; (c) ways to enhance the quality, utility, and clarity of the information to be collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated, electronic collection techniques or other forms of information technology.

Please direct your written comments on this 60-Day Collection Notice to Austin Gerig, Director/Chief Data Officer, Securities and Exchange Commission, c/o Tanya Ruttenberg via email to *PaperworkReductionAct@sec.gov* by October 30, 2026. There will be a second opportunity to comment on this SEC request following the **Federal Register** publishing a 30-Day Submission Notice.

Dated: August 26, 2026.

Sherry R. Haywood,

Assistant Secretary.

[FR Doc. 2026–17679 Filed 8–28–26; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–106193; File No. SR–CMESC–2026–007]

Self-Regulatory Organizations; CME Securities Clearing Inc.; Notice of Filing of Proposed Rule Change To Adopt Standards for Establishing Cross-Margin Arrangements and Adopt a Cross-Margin Arrangement With Chicago Mercantile Exchange Inc.

August 26, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the ''Act'') [1] and Rule 19b–4 thereunder,[2] notice is hereby given that on August 18, 2026, CME Securities Clearing Inc. (''CMESC'') filed with the Securities and Exchange Commission (''SEC'' or ''Commission'') the proposed rule change described in Items I, II, and III below, which Items have been substantially prepared by CMESC. CMESC filed the proposed rule change pursuant to Section 19(b)(2) of the Act.[3] The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. CMESC's Statement of the Terms and Substance of the Proposed Rule Change

The proposed rule change of CME Securities Clearing Inc. (''CMESC'') consists of three parts: (i) proposed modifications to the CMESC Rulebook (the ''Rules'') [4] relating to cross-margining arrangements; (ii) modifications to certain CMESC clearing risk management policies to cover cross-margining; and (iii) proposed agreements to establish an initial cross-margining arrangement in accordance with and subject to the Rules and clearing risk management policies.

The proposed modifications to the Rules set forth a framework under which CMESC may establish a cross-margining arrangement with a clearing organization registered with the Commodity Futures Trading Commission (''CFTC'') under the Commodity Exchange Act (''CEA'') as a derivatives clearing organization (''DCO''). They include new Rule 514 (Cross-Margining) and new defined terms in Rule 101 (Definitions), along with related revisions proposed to (i) the definitions in Rule 101 for ''Independent User Account'' and ''Member Account;'' (ii) Rules 405 (Default Management Process) and 1507 (Default Management); (iii) Rule 406 (Use and Application of Guaranty Fund, Margin and Other Financial Resources); (iv) Rule 412 (Corporation Authority with Respect to Users of a Defaulting Member); (v) Rule 502 (Form and Value of Initial Margin; Collateral Value Reports); (vi) Rule 506 (Outstanding Exposure Settlement); (vii) Rule 508 (Daily Margin Report); (viii) Rule 509 (Settlement Cycles; Additional Margin); (ix) renumber current Rule 514 (Using the Corporation's Systems) as Rule 515; (x) Rule 602 (Submission of Transaction Data); (xi) Rule 709 (Release of Clearing Data); and (xii) Rule 902 (Ceasing to Act for Member or User Based on Other Grounds).

The clearing risk management policies that CMESC proposes to revise include the (i) CMESC Risk

---

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] 15 U.S.C. 78s(b)(2).

[4] Capitalized terms used herein and not otherwise defined herein have the meanings assigned to such terms in the Rules, as applicable, *available at https://www.cmegroup.com/rulebook/CMESC/CMESC%20Rulebook.pdf.*

Management Framework; (ii) CMESC Credit Policy; (iii) CMESC Credit Risk Management Assessment Methodology; (iv) CMESC Liquidity Risk Management Policy; (v) CMESC Stress Testing & Guaranty Fund Sizing Policy; (vi) proposed CMESC Margin Policy (the ''Proposed Margin Policy''); [5] (vii) CMESC Backtesting Policy; and (viii) CMESC Model Risk Management Policy (collectively, the ''Policies'').

The proposed agreements include a cross-margining agreement to be executed by and between CMESC and its affiliate Chicago Mercantile Exchange Inc. (''CME'') to establish a cross-margining arrangement and as appendices thereto the forms of the agreement a participant in the cross-margining arrangement must sign. Under the cross-margining arrangement reflected in these agreements, a Member or Independent User may cross-margin its Eligible Securities Transactions cleared at CMESC with positions in interest rate futures cleared at CME by the Member or Independent User as a clearing member of CME or by an affiliate of the Member or Independent User that is a clearing member of CME. As a related agreement, CMESC and CME will enter into the service level agreement.

II. CMESC's Statement of the Purpose of, and Statutory Basis for the Proposed Rule Change

In its filing with the Commission, CMESC 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. CMESC has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. CMESC's Statement of the Purpose of, and Statutory Basis for the Proposed Rule Change

1. Purpose

Background

CMESC became registered as a clearing agency under the Securities Exchange Act of 1934, as amended (''Act''), and rules and regulations of the Securities and Exchange Commission (''Commission'' or ''SEC'') thereunder, on December 1, 2025, to provide central counterparty services as a covered clearing agency for transactions in or involving U.S. Treasury securities.[6] CMESC is seeking to enhance its Clearing Services prior to commencing operations as a covered clearing agency by adopting a framework for establishing cross-margining arrangements and implementing an initial proprietary cross-margining arrangement (described further below).

In this regard, CMESC is proposing modifications to its Rules to set forth terms under which CMESC may establish one or more cross-margining arrangements with clearing organizations registered with the CFTC under the CEA as DCOs and to govern a Member's or User's participation in a cross-margining arrangement, along with related amendments to the Policies. The proposed changes will enable CMESC to offer market participants the benefit of cross-margining positions in Eligible Securities Transactions cleared by CMESC and related derivatives transactions cleared by a participating DCO.

CMESC is also proposing to enter into a cross-margining agreement (''Cross-Margining Agreement'') and related service level agreement (''Service Level Agreement'') with CME, an affiliate and registered DCO, to establish a cross-margining arrangement (the ''Proposed Proprietary X–M Arrangement'') as permitted under and subject to the Rules and Policies, as amended pursuant to this proposed rule change. The Proposed Proprietary X–M Arrangement will be available to an eligible Member or Independent User with respect to its Eligible Securities Transactions cleared at CMESC and eligible positions in interest rate futures cleared at CME by the Member or Independent User, if it is a clearing member of CME or its affiliate that is a clearing member of CME, in its account at CME for clearing proprietary positions. The Proposed Proprietary X–M Arrangement will benefit participating Members and Independent Users and, as applicable, their affiliates, by holistically reflecting the risk exposure of their portfolios of interest rate futures and Eligible Securities Transactions that are subject to cross-margining and in turn, provide them with capital efficiencies. This will encourage their greater utilization of CMESC's Clearing Services for their Eligible Securities Transactions, thereby facilitating the reduction of systemic risk to the benefit of the overall financial markets, in turn supporting the resiliency and robustness of the markets for U.S. Treasury securities.

The proposed changes to the Rules and Polices and the terms of the agreements governing the Proposed Proprietary X–M Arrangement with CME are described in the following sections.

Description of the Proposed Rule Change

1. Proposed Changes to CMESC Rules

CMESC is proposing to adopt new Rule 514 (Cross-Margining) and new definitions in Rule 101 for terms used in proposed Rule 514 to set out the primary substantive terms under which CMESC may establish and offer cross-margining arrangements and Participants may utilize such arrangements, along with related changes to existing Rules, and to renumber existing Rule 514 as Rule 515. By design, the proposed changes cover cross-margining arrangements that CMESC may establish with CFTC-registered DCOs to provide cross-margining of Eligible Securities Transactions cleared by CMESC subject to the Act's regulatory framework and SEC oversight with derivatives cleared by DCOs subject to the CEA regulatory framework and CFTC oversight. The proposed changes will permit CMESC to establish cross-margining arrangements for eligible cross-margining participants with respect to their cleared transactions. The proposed changes are also drafted in a manner to facilitate future modifications to the Rules that would permit CMESC to establish and offer customer level cross-margining arrangements with DCOs.[7]

a. Definitions

CMESC is proposing new defined terms to aid in delineating the scope of cross-margining arrangements it may establish, as described above. In this respect, CMESC is proposing to add the following defined terms to Rule 101:

- ''*Cross-Margining Agreement,*'' defined to cover an agreement between CMESC and a Cross-Margining Clearing Organization, and ''*Cross-Margining Clearing Organization,*'' defined to cover a CFTC-registered DCO.
- ''*Proprietary X–M Account,*'' defined to cover a Member Account or Independent User Account designated by CMESC within its books and records

[5] CMESC filed a proposed rule change with the SEC to adopt the CMESC Margin Policy on July 22, 2026. *See* Exchange Act Release No. 106037 (Aug. 5, 2026), 91 FR 51191 (Aug. 7, 2026) (SR–CMESC–2026–005).

[6] Release No. 34–104281 (Dec. 1, 2025), 90 FR 55926 (Dec. 4, 2025), *available at https://www.federalregister.gov/documents/2025/12/04/2025-21908/cme-securities-clearing-inc-order-granting-an-application-for-registration-as-a-clearing-agency.*

[7] CMESC understands that any change to the proposed Rules, Policies or agreements provided pursuant to this proposed rule change, such as to facilitate an expansion to customer-level cross-margining may be subject to regulatory filings and approvals with both the Commission and the CFTC.

as a cross-margining account in connection with the Member's or User's participation in a Proprietary X–M Arrangement, and ''*X–M Account,*'' defined to cover more generally any Account designated by CMESC as a cross-margining account within its books and records for a Participant participating in an X–M Arrangement.

• ''*Proprietary X–M Arrangement,*'' defined to cover cross-margining arrangements with a Cross-Margining Clearing Organization to cover proprietary cleared activity of participants, which at CMESC would be limited to Members and Independent Users, and ''*X–M Arrangement,*'' defined more generally to cover any cross-margining arrangement established pursuant to proposed Rule 514.

• ''*X–M Affiliated Clearing Member,*'' defined to cover an affiliate of a Member or Independent User with which the Member or Independent User cross-margins eligible positions at CMESC and a Cross-Margining Clearing Organization; ''*X–M Joint Clearing Member,*'' defined to cover a Member or Independent User that is a clearing member of the Cross-Margining Clearing Organization for the X–M Arrangement in which it participates; and ''*X–M Participant*'' to refer generally to a Member or Independent User that participates in an X–M Arrangement either pursuant to its affiliation with an X–M Affiliated Clearing Member or as a Joint Clearing Member.

CMESC is also proposing to modify the definitions of ''Independent User Account'' and ''Member Account'' in Rule 101 to clarify that an Independent User Account or Member Account includes any such Account that is established as a Proprietary X–M Account.

b. New Rule 514

Proposed Rule 514 sets out the parameters for CMESC to establish an X–M Arrangement with a DCO, as a Cross-Margining Clearing Organization, pursuant to a Cross-Margining Agreement. As provided in proposed Rule 514(a), CMESC may establish one or more X–M Arrangements with the approval of the Board.

Proposed Rule 514(b) permits CMESC to establish a Propriety X–M Arrangement with a Cross-Margining Clearing Organization in which a Member or Independent User may participate, either as a Joint Clearing Member or with an X–M Affiliated Clearing Member. Participants in a Proprietary X–M Arrangement must sign an appropriate agreement (or agreements) with CMESC and the Cross-Margining Clearing Organization, under which they grant a first priority lien on and security interest in their cross-margined positions and related margin and proceeds thereof jointly to CMESC and the Cross-Margining Clearing Organization. In addition, an Independent User may participate in a Proprietary X–M Arrangement only with the consent of its authorizing Member.

Proposed Rule 514 also includes the following:

• Rule 514(c), which is marked ''RESERVED'' and is a placeholder where CMESC could add details as part of any futures amendments to the Rules to cover customer-level X–M Arrangements.

• Rule 514(d), which provides that the terms of the applicable Cross-Margining Agreement for an established X–M Arrangement will govern margining of X–M Accounts at CMESC and the related paired accounts carried by the Cross-Margining Clearing Organization, including the forms and amount of margin.

• Rule 514(e), which provides that cross-margined positions and related margin or other assets will be treated in accordance with the applicable Cross-Margining Agreement, the Rules, and the rules of the Cross-Margining Clearing Organization, and that in the event of any inconsistency between the agreement and the Rules, the provisions of the Cross-Margining Agreement will govern.

• Rule 514(f), which sets out that an X–M Participant may be suspended from an the X–M Arrangement if it or its X–M Affiliated Clearing Member, as applicable, is in default in payment of any obligation under an X–M Arrangement and sets out CMESC's right to liquidate the positions in the X–M Account, convert associated non-cash margin to cash, and use the proceeds thereof, in accordance with the terms of the applicable Cross-Margining Agreement. Proposed Rule 514(f) also provides that CMESC may liquidate the Proprietary X–M Account of an X–M Participant at the request of the Cross-Margining Clearing Organization, regardless of whether CMESC suspends, or is otherwise expressly permitted under the Rules to suspend, such X–M Participant.

c. Related Changes to Existing Rules

CMESC is also proposing related changes to the Rules, which are primarily clarifying or conforming in nature, as follows:

• *Rule 405 (Default Management Process) and Rule 1507 (Default Management):* Adding text to paragraph (a) in each Rule to provide that, in addition to managing a Member Default or User Default in accordance with the Rules, CMESC as applicable will act in accordance with the Cross-Margining Agreement for an X–M Arrangement in which the Defaulting Member or Defaulting User participates.

• *Rule 406 (Use and Application of Guaranty Fund, Margin and Other Financial Resources).* In paragraphs (a) (Member Default) and (b) (User Default), adding text confirming that if a Member or an Independent User is in Default and participated in an X–M Arrangement, the margin or other assets of the Member or Independent User, along with margin or other assets of its X–M Affiliated Clearing Member, as applicable, and the proceeds thereof, are assets available to CMESC as and to the extent provided in the governing Cross-Margining Agreement. The proposed changes to Rule 406(a) also confirm that CMESC will have a claim against a Defaulting Member for any loss or liability to CMESC arising from the Default to the extent the amount thereof exceeds the value of the Member's or, as applicable its X–M Affiliated Clearing Member's, assets available to CMESC.

• *Rule 412 (Corporation Authority With Respect to Users of a Defaulting Member).* Adding text to the Rule to provide that in the event of a Member Default, before CMESC may transfer a Proprietary X–M Account of an Independent User that was authorized by the Defaulting Member, the receiving Member has consented to the Independent User's continued participation in the X–M Arrangement.

• *Rule 502 (Form and Value of Initial Margin; Collateral Value Reports).* Consistent with proposed Rule 514(d), (i) adding a sentence to paragraph (a) of the Rule providing that margin requirements for X–M Accounts will be determined in accordance with the applicable Cross-Margining Agreement, and (ii) adding a clarifying statement in paragraph (b) of the Rule that, as applicable, the Cross-Margining Agreement will specify details with respect to the deposit of margin. In addition, CMESC is correcting a typographical error in paragraph (a), replacing ''the'' with ''The''.

• *Rule 506 (Outstanding Exposure Settlement).* Adding statements to the Rule to provide that for positions subject to cross-margining, Outstanding Exposure Settlement will be determined as provided in the applicable Cross-Margining Agreement and that a Cross-Margining Clearing Organization may have the authority to auto-debit the participating Member's or Independent User's relevant Bank account(s). Also adding a sentence to clarify that CMESC is not required to pay any increase in the market value of a Proprietary X–M Account if, as applicable, the Member or Independent User for such X–M Account or its X–M Affiliated Clearing Member fails to pay outstanding exposure to the Cross-Margining Clearing Organization for the same settlement cycle.

- *Rule 508 (Daily Margin Report).* Adding text to paragraph (a) of the Rule to confirm that the items listed that are covered in a Daily Margin Report will, as applicable, be provided separately for X–M Accounts.
- *Rule 509 (Settlement Cycles; Additional Margin).* Adding text to paragraph (b) of the Rule to confirm that CMESC's authority to require a Member or User to post additional margin applies to margin that may be required for an X–M Account.
- *Rule 514 (Using the Corporation's System).* Renumbering as Rule 515.
- *Rule 602 (Submission of Transaction Data).* Adding text to paragraph (c) of the Rule to set out that no Member or User may provide any false or inaccurate transaction data in connection with transactions submitted to a Cross-Margining Clearing Organization for any account participating in an X–M Arrangement at such Cross-Margining Clearing Organization.
- *Rule 709 (Release of Clearing Data).* Adding text to paragraph (c) of the Rule to confirm that CMESC may release Clearing Data to a Cross-Margining Clearing Organization in connection with an X–M Arrangement.
- *Rule 902 (Ceasing to Act for Member or User Based on Other Grounds).* Consistent with proposed Rule 514(f), expanding the list of ''for cause'' events in paragraph (a) of the Rule in respect of which CMESC may deem a Member or User to be in Default and to cease to act for the Member or User to include the circumstance when a Cross-Margining Clearing Organization suspends the Member or User or its X–M Affiliated Member from participating in the X–M Arrangement or such person is otherwise deemed to be in default of its obligations to the Cross-Margining Clearing Organization.

2. Proposed Changes to Policies

CMESC is proposing revisions related to cross-margining to its Policies.

CMESC Risk Management Framework. CMESC proposes adding Section 9.3 (CME Inc. Cross-Margining) to the CMESC Risk Management Framework to cover cross-margining arrangements between CMESC and CME. The proposed text reflects both the expectations of CMESC for establishing a Proprietary X–M Arrangement and the benefits and terms of the Proposed Proprietary X–M Arrangement between CMESC and CME, described in additional detail in the following section. Updated Section 9.3 the CMESC Risk Management Framework describes certain aspects of the cross-margining arrangement with CME, including its single collateral account model, each Clearing Organization's interest in collateral and the process for cash settlements under the arrangement. Section 9.3 further addresses CMESC's monitoring of exposures that arise under the cross-margining arrangement and notes that margin offsets for applicable products comply with CMESC's risk management standards and are set to meet a 99% coverage standard on an ex post basis within the defined margin period of risk. CMESC also proposes adding a clarification to Section 12.1 (Backtesting) to cross-reference that, under the separate CMESC Backtesting Policy, CMESC will conduct regular backtesting with respect to the cross-margining arrangement with CME.

CMESC Credit Policy. CMESC proposes revisions to Section 4.1.2 (Counterparty Review Requirements by Counterparty Type) and Section 7.3 (Monthly Monitoring) of the CMESC Credit Policy to provide that (i) a central clearing counterparty for cross-margining (referred to in this Policy and the CMESC Credit Risk Management Assessment Methodology as a ''CCP'') is a counterparty relationship for CMESC; (ii) CMESC will rate such a counterparty under the CMESC Credit Risk Management Assessment Methodology, as described below, and review relevant financial information and other information obtained from ongoing interactions with such CCP, and (iii) the Risk Management team (as defined in the CMESC Risk Management Framework) will review information it receives from the CCP on Participants participating in a cross-margining arrangement and escalate any identified concerns to the CMESC Credit & Liquidity Committee (*i.e.,* internal governance committee).

CMESC Credit Risk Management Assessment Methodology. CMESC proposes to amend the CMESC Credit Risk Management Assessment Methodology, which sets out CMESC's internal credit rating methodology, to confirm that CMESC will rate a CCP for which it has established a cross-margining arrangement under this methodology. CMESC maintains scorecards used to rate different types of counterparties based on business profile. As such, CMESC proposes to amend Section 4.2 (Counterparty Classifications) and add new Section 6.6 (Central Counterparty) and its subsection to establish a scorecard for conducting a credit rating assessment of a CCP. The subsections of Section 6.6 describe the (i) qualitive considerations in the CCP scorecard, including relating to the categories of operating environment, business profile, financial profile, management and governance, and risk management and (ii) the weights applied to each of these categories within the CCP scorecard. CMESC also proposes to add Section 14.6 (Central Counterparty Scorecard) and its subsection, which establish a functional representation of the CCP scorecard (*e.g.,* potentially ratings of a CCP relative to each aforementioned categories).

CMESC Liquidity Risk Management Policy. CMESC proposes clarifying in Section 5.5.2 (Stress Potential Payment Obligations) of this Policy that CMESC's liquidity stress testing to determine a Participant's stress potential payment obligations [8] (''SPPO'') will take account of a Participant's positions in a cross-margining arrangement with CMESC, covering in full the final cash settlement obligations for positions in Eligible Securities Transactions in the Participant's cross-margining portfolio. CMESC is also proposing to set out in a new Section 7.4.4 (CME Inc. Cross-Margining Program) that the collateral that will be accepted under the cross-margining arrangement with CME consists of U.S. Dollar cash and U.S. Treasury securities, and that the collateral is subject to the more conservative collateral limits and collateral haircuts independently established by CMESC and CME. It also states that CME will manage the collateral, with the exception that CMESC will manage the collateral for Repo Transactions that are Clear to Hold Transactions.

CMESC Stress Testing & Guaranty Fund Sizing Policy.[9] CMESC proposes adding new Section 4.1.1 (CME Inc. Cross-Margining Arrangement) to this Policy. The new section provides that CMESC is expanding its historical and hypothetical scenarios within its stress testing methodology to capture the risks relevant for cross-margined portfolios. More specifically, CMESC is proposing

[8] Under the CMESC Liquidity Risk Management Policy, the stress potential payment obligation is the hypothetical liquidity need CMESC may incur if a Participant defaults.

[9] CMESC filed a proposed rule change with the SEC to amend the CMESC Stress Testing & Guaranty Fund Sizing Policy on August 6, 2026. *See* File No. SR–CMESC–2026–006. The proposed changes described here do not amend any revisions pending in that filing.

to set out that historical scenarios will include (i) shocks to risk factor curves that are designed to ensure that relative price dislocations between the underlying spot curve and the futures settlement price are captured and (ii) event-driven scenarios that are designed to capture historical events characterized by large spread movements. CMESC also proposes to incorporate hypothetical scenarios that are designed to capture a breakdown in historical spread relationships. CMESC also proposes renumbering current Section 4.1.1 as Section 4.1.2. CMESC proposes clarifying in Section 5 (Financial Resource Sizing) that the stress shortfall calculations used to size the Guaranty Fund includes positions cleared by CMESC and CME relating to the cross-margining arrangement.

Proposed CMESC Margin Policy. CMESC has submitted the Proposed Margin Policy to the Commission under a separate rule change proposal, which is pending as of the date of this filing.[10] CMESC is here proposing to add new Section 7 (CME Inc. Cross-Margining Arrangement) to the Proposed Margin Policy. Consistent with proposed Rule 514 and the proposed Cross-Margining Agreement with CME, this new section provides that CMESC will compute the single margin requirement for a cross-margining portfolio using the SPAN 2 framework described in the Proposed Margin Policy, based on the combined risk presented by the eligible positions in U.S. Treasury securities (including Repo Transactions) cleared by CMESC and interest rate futures cleared by CME, along with standalone margin requirements for the positions cleared, respectively, by CMESC and CME.

CMESC also proposes adding to Section 1 (Purpose and Statement of Policy) of the Proposed Margin Policy that the SPAN 2 framework captures the risk profile of interest rate futures. In addition, CMESC proposes changes to Section 5 (CMESC SPAN 2 Framework), specifically, to (i) Section 5.1 (Market Risk Component) to provide that interest rate risk covers, as applicable, the risk of changes in the market value of futures contracts eligible for cross-margining and to describe the manner in which CMESC accounts for the interest rate risk corresponding to interest rate futures; (ii) Section 5.1.2 (SVaR Component) to provide that the set of risk factors CMESC considers in evaluating stress periods exhibiting extreme returns includes combinations of spread risk factors; (iii) Section 5.1.3 (Valuation Uncertainty Margin) to clarify that the valuation uncertainty margin is relevant for U.S. Treasury futures, in addition to U.S. Treasury securities; and (iv) Section 5.2 (Liquidity & Concentration Risk Component) to provide that the calculation of the liquidity and concentration risk component will account for risks separately for each tenor bucket of interest rate futures and U.S. Treasury securities and will also account for any spread risk.

CMESC Backtesting Policy. CMESC is proposing changes to Sections 4.4 and 4.5 of the CMESC Backtesting Policy to provide that CMESC will perform, respectively, daily backtesting of portfolios within the cross-margining arrangement with CME and monthly backtesting for positions within that cross-margining arrangement.

CMESC Model Risk Management Policy. CMESC is proposing changes to Appendix I (Model Inventory) of the CMESC Model Risk Management Policy to update the model inventory to provide that credit stress testing includes stress testing of the cross-margining arrangement with CME and that the SPAN 2 framework includes margining for the cross-margining arrangement with CME.

3. Proposed Agreements To Establish a Proprietary X–M Arrangement Between CMESC and CME

CMESC is seeking to establish the Proposed Proprietary X–M Arrangement with its affiliate CME, which is registered as a DCO under the CEA, in accordance with and subject to the Rules and clearing risk management policies including the Policies, as the Rules and Policies would be modified as described in the prior sections. Thus, CMESC is proposing to enter into the specific Cross-Margining Agreement and related Service Level Agreement with CME.[11] The proposed Cross-Margining Agreement contains as appendices the forms of agreement that a person would sign to participate in the Proprietary X–M Arrangement (each a ''Clearing Member Cross-Margining Agreement''), which are described further below.

a. Cross-Margining Agreement and Participant Cross-Margining Agreements

The core elements of the proposed Cross-Margining Agreement in conjunction with the Clearing Member Cross-Margining Agreements and Service Level Agreement can be summarized as follows: (i) eligible participation and positions, (ii) margin calculation, (iii) eligible margin and custodian level accounts, (iv) collection and exchange of funds, and (v) default management and loss sharing. These core elements are described further below.

i. Eligible Participation and Positions

Consistent with proposed CMESC Rule 514, under the proposed Cross-Margining Agreement, persons that may participate in the Proprietary X–M Arrangement include: (i) a person that is a Member or an Independent User of CMESC and a ''Clearing Member''[12] of CME (a ''Joint Clearing Member'' under the proposed agreement), and (ii) affiliated pairs consisting of one person that is a Member or an Independent User of CMESC and an affiliate of such person that is a ''Clearing Member'' of CME (''Affiliated Clearing Members'' under the proposed agreement).

Consistent with proposed Rule 514(b), under the proposed Cross-Margining Agreement, eligible cross-margining participants are required to enter into the appropriate ''Clearing Member Participation Agreement.'' The form attached to the proposed Cross-Margining Agreement as Appendix A–1 is used by a Joint Clearing Member and the form attached as Appendix A–2 is used by Affiliated Clearing Members. Under the Clearing Member Cross-Margining Agreements, the Joint Clearing Member or each Affiliated Clearing Member agrees to, among other things, be bound by applicable CMESC Rules and CME Rules and provisions of the Cross-Margining Agreement, as any of the foregoing may be in effect from time to time. Consistent with proposed CMESC Rule 514(b), if an Independent User elects to participate in a Proprietary X–M Arrangement, its authorizing Member must consent to the Independent User's participation; this requirement is set forth in the proposed Cross-Margining Agreement and is reflected in the consenting Member's signature block in each form of Clearing Member Cross-Margining Agreement.

A Joint Clearing Member or a pair of Affiliated Clearing Members may participate in the Proposed X–M Arrangement only if both CMESC and CME (referred to generally in the

[10] *See* Exchange Act Release No. 106037 (Aug. 5, 2026), 91 FR 51191 (Aug. 7, 2026) (SR–CMESC–2026–005).

[11] The Cross-Margining Agreement and the related Service Level Agreement are part of this proposed rule change. This section uses certain defined terms in the proposed Cross-Margining Agreement, which are similar to the defined terms that CMESC proposes adding to Rule 101 described above.

[12] The proposed Cross-Margining Agreement uses the defined term ''Clearing Member'' generally to refer to a person that is a Member or Independent User of CMESC and a person that is a clearing member of CME as defined in the rules of CME, referred to in the proposed agreement as the ''CME Rules''.

proposed agreement as ''Clearing Organizations'') have determined that the Joint Clearing Member or each Affiliated Clearing Member, as applicable, is eligible to participate (such eligible participants are ''X–M Participants'' under the proposed agreement). X–M Participants must meet the ongoing participation requirements of CMESC and CME, as applicable, including applicable financial resource and operational requirements. Such requirements are risk-based and publicly disclosed in the CMESC Rules and CME Rules.

Subject to acceptance by both Clearing Organizations of an X–M Participant's Clearing Member Cross-Margining Agreement in the appropriate form, CMESC and CME would each establish a ''Proprietary X–M Account'' as defined in the proposed Cross-Margining Agreement [13] on its books and records to carry the Eligible Positions (defined below) that it clears for the relevant X–M Participant. These accounts together comprise a ''Pair of Proprietary X–M Accounts'' under the proposed Cross-Margining Agreement. An X–M Participant may elect to have cleared positions in CMESC Eligible Products and CME Eligible Products carried in the relevant Pair of Proprietary X–M Accounts and treated as a combined account for margining purposes. The proposed Cross-Margining Agreement uses the term ''CMESC Eligible Products'' and ''CME Eligible Products'' to refer to the products cleared, respectively, by CMESC and by CME that are eligible for cross-margining and refers to such products collectively as the ''Eligible Products'' and to cleared positions in Eligible Products as ''Eligible Positions.''

Positions of X–M Participants in Eligible Products may be carried in Pairs of Proprietary X–M Accounts to be cross-margined provided that (i) the positions cleared by CMESC are for the Member or Independent User's own account and (ii) the positions cleared by CME are for the Clearing Member's own account or for a person whose account with the Clearing Member is a ''proprietary account'' as defined under CFTC Regulation 1.3, which would include positions cleared for the Member or Independent User.[14]

Under the proposed Cross-Margining Agreement, products eligible for cross-margining are those products mutually agreed upon by CMESC and CME as CMESC Eligible Products and as CME Eligible Products. Any amendments to the list of Eligible Products must also be mutually agreed to by CMESC and CME.[15] The initial list of: (i) CMESC Eligible Products is set forth in Exhibit B to the proposed Cross-Margining Agreement and covers positions in Cash Treasury Transactions and Repo Transactions (as those terms are defined in the CMESC Rules) in or involving U.S. Treasury bills, notes and bonds cleared by CMESC and (ii) CME Eligible Products is set forth in Exhibit A to the proposed Cross-Margining Agreement and includes interest rate futures cleared by CME and listed on either CME or its affiliate The Board of Trade of the City of Chicago, Inc. for trading.

ii. Margin Calculation

Under the proposed Cross-Margining Agreement, an X–M Participant's Eligible Positions cleared at CMESC or CME, respectively, are recorded by CMESC or CME within its internal account records in a Proprietary X–M Account and thus, are identified separately from the rest of the X–M Participant's proprietary positions cleared at CMESC or CME. At CMESC, a Member's Proprietary X–M Account will be a Member Account and an Independent User's Proprietary X–M Account will be an Independent User Account, under the proposed amendments to those terms in CMESC Rule 101.

CMESC will calculate a single margin requirement for Eligible Positions—related to both CMESC and CME cleared Eligible Products—held in the Pair of X–M Accounts (''Margin Requirement'' under the proposed agreement) for a Joint Clearing Member or a pair of Affiliated Clearing Members using its approved margin methodology, which is currently CMESC's proprietary SPAN 2 framework risk-based margin methodology.[16] The SPAN 2 framework is a risk-based margin methodology that is designed to achieve margin coverage of 99% on an *ex-post* basis over a margin period of risk of at least two business days. Margin offsets under the SPAN 2 framework will also be inherently limited to positions in products that are significantly and reliably correlated, a requirement of CMESC and CME for all Eligible Products. Notwithstanding that the SPAN 2 framework will be used to determine the Margin Requirements, CMESC and CME each have the independent authority at any time to require additional margin from an X–M Participant, consistent with their respective rules.

iii. Eligible Margin and Custodian Level Accounts

Under the proposed Cross-Margining Agreement, CMESC and CME must mutually agree upon the collateral eligible for satisfying Margin Requirements (''Eligible Margin'' under the agreement).[17] Eligible Margin must be determined to have minimal credit, market, and liquidity risks. Consistent with the proposed amendments to the CMESC Liquidity Risk Management Policy, CMESC and CME intend to accept U.S. Dollar cash and U.S. Treasury securities as Eligible Margin.[18] When collateral haircuts or collateral limits differ between CMESC and CME, the more conservative of the haircuts and/or limits apply.

Under the proposed Cross-Margining Agreement, CMESC and CME will establish joint custody accounts for holding cash and non-cash collateral at one or more banks (referred to in the proposed agreement as ''X–M Clearing Banks'') that will be used exclusively to hold Eligible Margin posted by X–M Participants (referred to in the proposed agreement as ''Posted Margin''). Consistent with proposed CMESC Rule 514(b), CMESC and CME will each hold a joint security interest in the Posted Margin, which the X–M Participants will grant under the Clearing Member Cross-Margining Agreements they sign. CMESC and CME will jointly agree upon the X–M Clearing Banks that will be used for holding the Posted Margin. Any X–M Clearing Bank used to hold Posted Margin will be subject to

[13] This use of the term in the proposed agreement is consistent with the definition of ''Proprietary X–M Account'' described above that CMESC proposes adding to Rule 101.

[14] 17 CFR 1.3 (''Proprietary account. This term means a commodity futures, commodity option, or swap trading account carried on the books and records of an individual, a partnership, corporation or other type of association: . . . (2) Of which ten percent or more is owned by one of the following persons, or an aggregate of ten percent or more of which is owned by more than one of the following persons: . . . (vii) A business affiliate that directly or indirectly controls such individual, partnership, corporation or association; or (viii) A business affiliate that, directly or indirectly is controlled by or is under common control with, such individual, partnership, corporation or association . . . .'').

[15] CMESC understands that any change to the proposed Rules, Policies or agreements pursuant to the proposed rule change, such as to expand the list of eligible products may be subject to regulatory filings and approvals with both the Commission and the CFTC.

[16] The proposed amendments to CMESC Rule 502 and proposed CMESC Rule 514 establish that Margin Requirements will be determined in accordance with the relevant cross-margining agreement for a cross-margining arrangement.

[17] Proposed amendments to CMESC Rule 502 and proposed new CMESC Rule 514 establish that forms of Eligible Margin will be determined in accordance with the relevant Cross-Margining Agreement.

[18] This is also consistent with CME's proposed amendments to its clearing risk management policies.

CMESC's ongoing monitoring and reviews (*e.g.,* internal credit rating methodology).

Consistent with the CMESC Liquidity Risk Management Policy, CME will be responsible for managing such margin collateral, as the collateral agent, provided, however that for Eligible Positions in CMESC Eligible Products that are Repo Transactions that are Clear to Hold Transactions, CMESC will be responsible for managing the associate margin collateral via the Securities Settlement Bank as noted above. Also as provided in the proposed Cross-Margining Agreement, U.S. Dollar cash posted by X–M Participants is subject to investment limitations consistent with the more restrictive of the investment policies of CMESC and CME.

Each Joint Clearing Member and each pair of Affiliated Clearing Members must establish a ''Proprietary Bank Account'' (as defined in the proposed Cross-Margining Agreement) at an X–M Clearing Bank for purposes of daily money settlement in respect of its Pair of Proprietary X–M Accounts and other purposes under the proposed Cross-Margining Agreement.

iv. Collection and Exchange of Funds

CMESC and CME will conduct regular clearing cycles twice each business day—once at intraday and once at end-of-day—where Eligible Margin will be collected and outstanding exposure will be settled. With respect to outstanding exposure, the proposed Cross-Margining Agreement uses the term ''Outstanding Exposure Settlement'' as defined in the CMESC Rules as it relates to CMESC Eligible Products and the term ''Outstanding Exposure'' as defined in the CME Rules as it relates to CME Eligible Products. Pursuant to existing CMESC Rule 506(b), payments in satisfaction of Outstanding Exposure Settlement will be final, irrevocable and unconditional no later than when the correct bank account at the relevant settlement bank is debited or credited with the payment.[19] CMESC and CME will jointly agree upon the X–M Clearing Bank(s) that will be used to conduct settlements of outstanding exposure.

The clearing cycle timelines are documented in the relevant CMESC Rules and CME Rules and/or the proposed Service Level Agreement.[20] For each clearing cycle, (i) CMESC will calculate the Margin Requirement for each X–M Participant and provide it to CME; (ii) CMESC and CME will each independently calculate whether an X–M Participant has a net pay or net collect for outstanding exposure relative to its respective Proprietary X–M Account[21] and CMESC will provide its calculation to CME; and (iii) CME will determine whether a Joint Clearing Member or pair of X–M Participants that are Affiliated Clearing Members has a net pay or net collect on an aggregated basis across CMESC and CME.

Subject to CMESC and CME both approving the amounts calculated to debit and/or credit each Joint Clearing Member or pair of Affiliated Clearing Members for the clearing cycle as correct,[22] CME, or CMESC in CME's absence, will debit the relevant Proprietary Bank Account of the Joint Clearing Member or pair of Affiliated Clearing Members that has an obligation to post additional funds in satisfaction of the Margin Requirement (*i.e.,* margin call) and debit or credit the relevant Proprietary Bank Account of the Joint Clearing Member or pair of Affiliated Clearing Members for its aggregated net pay or net collect, respectively, across CMESC and CME. For ''members'' more generally[23] of a given Clearing Organization to be credited for their collects, the joint bank account of CMESC and CME for the Proprietary X–M Arrangement will be credited with the surplus funds that were collected by the Clearing Organization that had net pays of outstanding exposure (*i.e.,* funds due to the Clearing Organization) that were in excess of net collects, which will in turn be used to cover the funds that the other Clearing Organization is due to pay for outstanding exposure.

Margin calls must be met in U.S Dollar cash. X–M Participants may subsequently replace the U.S. Dollar cash posted in satisfaction of a margin call with other collateral types eligible to meet Margin Requirements (*e.g.,* U.S. Treasury securities). Net pays will be met in U.S. Dollar cash by X–M Participants with net collects paid in U.S. Dollar cash to X–M Participants.

v. Default Management and Loss Sharing

Consistent with proposed CMESC Rule 514(f), the proposed Cross-Margining Agreement provides that either CMESC or CME may suspend an X–M Participant whose positions it carries in a Proprietary X–M Account for purposes of the Proprietary X–M Arrangement and will notify the other. If CME or CMESC suspends an X–M Participant that is part of a pair of Affiliated Clearing Members, both X–M Participants in the pair are treated as suspended for purposes of the Cross-Margining Agreement and CMESC and CME would coordinate in managing the suspension—also, referred to as a ''default'' in this filing—of the X–M Participant or pair of X–M Participants. The description below of how an X–M Participant's default would be managed covers a Joint Clearing Member and its Pair of Proprietary X–M Accounts, but the approach would equally apply to a pair of X–M Participants that are Affiliated Clearing Members and their Pair of Proprietary X–M Accounts.

To manage the default, as provided in the proposed Cross-Margining Agreement, CMESC and CME will first attempt to jointly liquidate, transfer, or close-out the Eligible Positions in the associated Pair of Proprietary X–M Accounts and will establish a joint liquidation plan. Any losses or gains arising from joint liquidation would be subject to *pro rata* loss sharing by CMESC and CME, as described below. The proposed Cross-Margining Agreement provides that a joint liquidation may be undertaken using a third-party liquidation agent and/or liquidation auction conducted by CMESC and CME. A joint liquidation or close-out is expected to be optimal for both CMESC and CME by enabling the Clearing Organizations to recognize reduced risk by offsetting risk reducing positions together. Where CMESC and CME manage a default jointly, the collection and exchange of U.S. Dollar cash for outstanding exposure would occur consistent with daily settlement practices, using the Posted Margin held for the suspended X–M Participant and any other available collateral of the X–M Participant under the X–M

[19] Payments for Outstanding Exposure on Eligible Positions in CME Eligible Products will likewise be final, irrevocable and unconditional no later than when debited or credited by the relevant bank under CME Rule 814.

[20] Under the proposed Cross-Margining Agreement, in the event of an operational issue arises which prevents a clearing cycle from being conducted in accordance with the SLA, CMESC and CME would coordinate closely to address the issue and complete the clearing cycle.

[21] For Eligible Positions in CMESC Eligible Products that are Repo Transactions that are Clear to Hold Transactions, the Securities Settlement Bank holding the securities delivered on the start leg will calculate the Outstanding Exposure Settlement amount owed or owing, which CMESC will use in its calculation. Outstanding Exposure Settlement amounts for positions in Clear to Hold Transactions will flow through the Securities Settlement Bank (*i.e.,* separate from the other X–M Clearing Bank accounts established under the cross-margining arrangement).

[22] Under the proposed Cross-Margining Agreement, there are defined and limited circumstances in which CME or CMESC may withhold its approval of the amounts calculated to debit and/or credit each X–M Participant for at clearing cycle are correct (*e.g.,* calculated amount is incorrect).

[23] Under the proposed Cross-Margining Agreement, the term ''member'' in this context means any Participant of CMESC and any clearing member of CME as defined in the CME Rules.

Agreement (collectively, ''Liquidation Funds'' under the proposed agreement). Importantly, as provided in the proposed Cross-Margining Agreement, from the time an X–M Participant defaults until the time such default is resolved, a Clearing Organization that receives payments of outstanding exposure with respect to the Eligible Positions it clears for the suspended X–M Participant (*i.e.,* net collect) would be obligated to pay some or all of such amount to the other Clearing Organization to the extent such other Clearing Organization is owed payments for outstanding exposure from the suspended X–M Participant with respect to the Eligible Positions it clears (*i.e.,* net pay).

If either Clearing Organization determines that jointly liquidating or closing-out the relevant Eligible Positions of the suspended X–M Participant is not feasible, advisable or legally permissible, each Clearing Organization will separately liquidate and/or close-out the Eligible Positions it clears. While outstanding exposure will be calculated independently by each Clearing Organization where CMESC and CME manage a default separately, if the suspended X–M Participant's proprietary positions results in a net pay (*e.g.,* positions are subject to losses) to non-suspended members (as the term is used above) in aggregate at one Clearing Organization and a net collect (*e.g.,* positions are subject to gains) from non-suspended members in aggregate at the other Clearing Organization, the Clearing Organization with the net collect will provide the funds it receives to the other Clearing Organization, up to an amount that is equal to the lesser of the net collect or net pay. Where CME and CMESC manage the default of an X–M Participant separately, the Clearing Organizations will determine their *pro rata* share of the Liquidation Funds held for the suspended X–M Participant, based on each Clearing Organization's share of the Margin Requirement for the Eligible Positions it clears as of the time jointly agreed upon by the Clearing Organizations (*e.g.,* time of suspension). More specifically, each Clearing Organization's *pro rata* share of the Margin Requirement will be determined based on the ratio of (i) the standalone margin required for Eligible Positions within the Proprietary X–M Account at each Clearing Organization, calculated using the SPAN 2 framework to (ii) the sum of the standalone margin required for the Eligible Positions within the Pair of Proprietary X–M Accounts at both Clearing Organizations, calculated using the SPAN 2 framework.

The Cross-Margining Agreement provides for post-default loss sharing. After a default is resolved, whether the Clearing Organizations engage in a joint liquidation and close-out or pursue separate liquidations and close-outs, losses will be shared *pro rata* based on each Clearing Organization's share of the Margin Requirement for its respective Eligible Positions (*i.e.,* the ratio of (i) the standalone margin required for Eligible Positions within the Proprietary X–M Account at each Clearing Organization, calculated using the CMESC SPAN 2 framework to (ii) the sum of the standalone margin required for the Eligible Positions within the Pair of Proprietary X–M Accounts at both Clearing Organizations, calculated using the SPAN 2 framework).

In a joint liquidation and close-out of a suspended X–M Participant, the Clearing Organizations would determine their respective *pro rata* shares of the remaining Liquidation Funds held for the suspended X–M Participant and whether the sum of their individual losses in managing the default (*e.g.,* default management costs) result in net gains or net losses relative to their share of the Liquidation Funds. The Clearing Organizations would then determine the payment to be made by one to the other so that any combined net gain or net loss is borne *pro rata* by each based on such Clearing Organization's share of the Margin Requirement for its respective Eligible Positions.

If the Clearing Organizations instead proceed to separately liquidate and/or close-out the Eligible Positions they respectively clear, then the gains or losses associated with managing the X–M Participant's default would be calculated by each Clearing Organization independently and shared on a ''better off/worse off'' basis. Specifically, if one Clearing Organization has a net loss (*e.g.,* its default management costs are greater than its share of the Liquidation Funds) (*i.e.,* the ''worse off party'') and the other Clearing Organization has a net gain (*e.g.,* its default management costs are less than its share of the Liquidation Funds) (the ''better off party''), then the better off party must make a payment to the worse off party which is equal to the lesser of: (i) the absolute value of worse-off party's loss in excess of its *pro rata* share of the Liquidation Funds; or (ii) the better-off party's net gain, up to the amount of its *pro rata* share of the remaining Liquidation Funds. If both CMESC and CME have a net gain (*e.g.,* their respective default management costs are less than their share of the Liquidation Funds) or if both CMESC and CME have a net loss (*e.g.,* their respective default management costs are more than their share of the Liquidation Funds), neither Clearing Organization is obligated to pay the other. Regardless of whether the default is managed jointly or separately, any losses in excess of the Liquidation Funds held for the suspended X–M Participant, subject to any *pro rata* allocation, will be borne by each Clearing Organization's own financial safeguards waterfalls and each Clearing Organization, pursuant to its respective rules, would take commercially reasonable steps to recover any losses, including any payments made between Clearing Organizations under the loss sharing arrangements.

Under the proposed Cross-Margining Agreement, CMESC will be responsible for conducting credit stress testing for each Pair of X–M Proprietary Accounts and determining each Clearing Organization's *pro rata* share of the credit stress testing's outputs (*e.g.,* stress shortfall [24]) based on each Clearing Organization's share of the Margin Requirement for its respective Eligible Positions. CMESC will in turn provide these outputs to CME for its use in its own stress testing practices. Under the proposed revisions to the CMESC Stress Testing & Guaranty Fund Policy, CMESC's stress testing methodology will use historical and hypothetical scenarios to capture the risk posed by a portfolio of cleared cross-margined products under extreme but plausible market conditions and such scenarios will be expanded to consider the risks of portfolios containing securities and futures (*e.g.,* spread risk factors). Therefore, CMESC's credit stress testing for sizing and monitoring of the sufficiency of the CMESC Guaranty Fund will account for an X–M Participant's credit exposures (*i.e.,* stress shortfall) arising from each Pair of X–M Proprietary Accounts, on a *pro rata* basis, in extreme but plausible market conditions. The credit exposures assumed to be borne by CMESC from a given X–M Participant under its credit stress testing will be based on the *pro rata* loss sharing that would be applied in managing the actual default or suspension of an X–M Participant or pair of X–M Participants. CMESC's consideration of potential loss sharing under the proposed Cross-Margining Agreement in its credit stress testing is designed to ensure that the CMESC Guaranty Fund is sufficient to cover the default of the two Member Families

[24] As described in the CMESC Stress Testing & Guaranty Fund Sizing Policy, the stress shortfall is the stress loss less margin.

with the largest aggregate credit exposures in extreme but plausible market conditions, including where such Members are X–M Participants.

Similarly, under the proposed Cross-Margining Agreement, CMESC will be responsible for conducting liquidity stress testing for each Pair of X–M Proprietary Accounts and determining each Clearing Organization's *pro rata* share of the liquidity stress testing's outputs (*e.g.,* SPPO) based on each Clearing Organization's share of the Margin Requirement for its respective Eligible Positions. CMESC will in turn provide these outputs to CME for its use in its own stress testing practices. As documented in the CMESC Stress Testing & Guaranty Fund Policy, the stress scenarios used for credit stress testing and liquidity stress testing are identical. Therefore, CMESC's liquidity stress testing for monitoring the sufficiency of CMESC's qualifying liquidity resources will account for the liquidity obligations (*i.e.,* SPPO) arising from each Pair of X–M Proprietary Accounts, on a *pro rata* basis, in extreme but plausible market conditions. The liquidity obligations assumed to be borne by CMESC from a given X–M Participant under its liquidity stress testing will be based on the *pro rata* allocation that would be applied in managing the actual default or suspension of an X–M Participant or pair of X–M Participants. Liquidity obligations would be subject to a *pro rata* allocation between CMESC and CME based on each Clearing Organization's share of the Margin Requirement for its respective Eligible Positions, calculated in the same manner as for the loss sharing arrangements described above. However, given that CME is not responsible for the trade settlement of transactions pertaining to U.S. Treasury securities, liquidity obligations arising from the trade settlement of Eligible Positions in CMESC Eligible Products will be borne solely by CMESC, which will also be captured in CMESC's liquidity stress testing. CMESC's consideration of the allocation of liquidity obligations in liquidity stress testing is designed to ensure that CMESC's qualifying liquidity resources are sufficient to cover the default by the Participant Family creating the largest aggregate liquidity obligation to CMESC in extreme but plausible market conditions, including where such Participant is an X–M Participant.

vi. Other Aspects of the Proposed Cross-Margining Agreement

The proposed Cross-Margining Agreement also contains provisions typical for an arms-length arrangement covering: (i) confidentiality obligations of CMESC and CME for information shared in connection with the proposed Cross-Margining Agreement, (ii) indemnification requirements between CMESC and CME, (iii) limitations of liability between CMESC and CME, (iv) representations and warranties, and (v) terms and timelines for the termination of the proposed Cross-Margining Agreement.

b. Service Level Agreement

The Service Level Agreement supplements the proposed Cross-Margining Agreement by documenting the operational processes underpinning the day-to-day operations of the cross-margining arrangement between CMESC and CME. Specifically, the Service Level Agreement establishes the form and manner in which position, margin, and outstanding exposure (*e.g.,* settlement variation) information will be communicated between CMESC and CME. Among other terms, the Service Level Agreement provides for the frequent and timely exchange of risk information, including on an intraday basis, which will help ensure that Margin Requirements are based on then-current information. The Service Level Agreement also provides that CMESC and CME will meet on at least a monthly basis to share with each other information regarding risk management matters and membership and operational matters that are relevant to services performed under the Cross-Margining Agreement and will conduct a joint default management drill on a Pair of X–M Accounts at least annually. Also, the Service Level Agreement provides that CMESC and CME will share with each other any information necessary for risk management and regulatory purposes, in accordance with the terms thereunder.

2. Statutory Basis

For the reasons set forth below, CMESC believes the proposed rule change is consistent with Section 17A of the Act,[25] and Commission rules thereunder that are applicable to CMESC.

Section 17A(b)(3)(F) of the Act [26] requires, in part, that the rules of a clearing agency be designed to remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions. The proposed rule change establishes a framework under which CMESC may enter into one or more cross-margining arrangements with DCOs registered under the CEA, including the Proposed Proprietary X–M Arrangement with CME. This framework will enable CMESC to adopt a cross-margining arrangement with CME, whereby the Margin Requirements for a participant's cross-margined positions will holistically account for the risks of the relevant cleared portfolios across CMESC and CME, recognizing the risk reducing nature of the positions cleared by each Clearing Organization. The resulting capital efficiencies would provide incentives for market participants to engage in central clearing to manage their risks. In turn, these incentives to submit transactions for clearance and settlement would promote the diversity and scope of market participants able to benefit from multilateral netting and centralized risk management services at CMESC and CME. CMESC expects these benefits will encourage greater utilization of CMESC's Clearing Services for Eligible Securities Transactions, thereby facilitating the reduction of systemic risk for the benefit of the overall financial markets, which will in turn support the resiliency and robustness of the markets for U.S. Treasury securities. Thus, the proposed rule change would serve to promote prompt and accurate clearance and settlement of securities transactions and CMESC, accordingly, believes that the proposed rule change will remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions.

Section 17A(b)(3)(F) of the Act also requires, in part, that the rules of a clearing agency be designed 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.[27] CMESC believes that the proposed rule change is designed to assure the safeguarding of securities and funds which are in its custody or control for which it is responsible. The details of the Proposed Proprietary X–M Arrangement reflected in the proposed Cross-Margining Agreement and Clearing Member Participation Agreements, as supplemented by the CMESC Rules and clearing risk management policies including the Policies and the proposed changes to the Rules and Policies and by the Service Level Agreement, are carefully designed to assure that the entire portfolio of positions in a Pair of Proprietary X–M Accounts of a Joint Clearing Member or Pair of Affiliated

[25] 15 U.S.C. 78q–1.

[26] 15 U.S.C. 78q–1(b)(3)(F).

[27] *See id.*

Clearing Members, along with all associated Posted Margin and the proceeds of the foregoing, are available to CMESC and CME to satisfy such X–M Participants obligations arising from such accounts. As explained above, CMESC and CME will jointly hold a first priority lien on and security interest in such property, granted to them by the X–M Participants under the Clearing Member Cross-Margining Agreements they must sign. Moreover, CMESC and CME will jointly hold cash and non-cash collateral in accounts they establish at X–M Clearing Banks that will be used exclusively to hold Posted Margin and the X-Clearing Banks will be subject to CMESC's ongoing monitoring and reviews under its Policies. These features also enhance CMESC's ability to safeguard the funds and securities in its control or for which it is responsible. For the foregoing reasons, the proposed rule change is also consistent with Rule 17ad–22(e)(16) under the Act,[28] which is comparable to Section 17A(b)(3)(F) in that the rule requires a covered clearing agency to have reasonably designed policies and procedures to safeguard its participants' assets.

Rule 17ad–22(e)(1) under the Act [29] requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to provide for a well-founded, clear, transparent and enforceable legal basis for its activities in all relevant jurisdictions. The proposed changes to the Rules establish a clear and transparent framework pursuant to which CMESC may enter into a legally binding agreement with a Cross-Margining Clearing Organization to adopt an X–M Arrangement and prescribe the agreements that persons must sign to participate in such an arrangement. The proposed Cross-Margining Agreement and the forms of Clearing Member Participation Agreement that X–M Participants must sign, in conjunction with applicable CMESC Rules and CME Rules, will establish an enforceable legal basis for CMESC and CME to implement the Proposed Proprietary X–M Arrangement.

Rule 17ad–22(e)(4)(i) under the Act [30] requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to effectively identify, measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes by maintaining sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence. Consistent with these standards, for the Proposed Proprietary X–M Arrangement, CMESC will monitor its credit exposure to X–M Participants in accordance with the CMESCE Credit Policy and CMESC Credit Risk Management Assessment Methodology. Furthermore, pursuant to the proposed Cross-Margining Agreement, CMESC will conduct credit stress testing for each Pair of Proprietary X–M Accounts, consistent with the CMESC Stress Testing & Guaranty Fund Sizing Policy including the proposed amendments thereto. Moreover, as explained above, as provided in the proposed Cross-Margining Agreement and further detailed in the proposed amendments to the Proposed Margin Policy, CMESC will utilize the SPAN 2 framework, taking into account the risk of interest rate futures, to determine Margin Requirements, consistent with its obligation to maintain sufficient financial resources under Rule 17ad–22(e)(4)(i).

Rule 17ad–22(e)(5) under the Act [31] requires, in part, a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to limit the assets it accepts as collateral to those with low credit, liquidity, and market risks, and to set and enforce appropriately conservative haircuts and concentration limits if it collateral to manage its or its participants' credit exposure. Consistent with this rule, CMESC and CME must jointly agree on the forms of Eligible Margin, as they determine have minimal credit, market, and liquidity risks, and when collateral haircuts or collateral limits differ between CMESC and CME, as determined independently by them, the more conservative of the haircuts and/or limits apply.

Rule 17ad–22(e)(6) under the Act [32] requires a covered clearing agency that provides central counterparty services to establish, implement, maintain, and enforce written policies and procedures reasonably designed to cover its credit exposure to its participants by establishing a risk-based margin system. Among other minimum requirements, under Rule 17ad–22(e)(6)(i),[33] the risk-based margin system must consider, and produce margin levels commensurate with, the risks and particular attributes of each relevant product, portfolio, and market. CMESC believes that the proposed rule change is consistent with this standard in that it establishes a framework under which CMESC may enter into one or more cross-margining arrangements with DCOs registered under the CEA, including the Proposed Proprietary X–M Arrangement, where the Margin Requirements for a cross-margining participants' positions will capture the risks of their cross-margined portfolios. Moreover, for the Proposed Proprietary X–M Arrangement, as provided in the proposed Cross-Margining Agreement, and as further detailed in the proposed amendments to the Proposed Margin Policy, CMESC will utilize the SPAN 2 framework to determine Margin Requirements for cross-margined positions in the Proposed Proprietary X–M Arrangement, consistent with this standard under Rule 17ad–22(e)(6). The use of the SPAN 2 framework, taking into account the amendments to the Proposed Margin Policy described above, in the Proposed Proprietary X–M Arrangement is also consistent with the standard under Rule 17ad–22(e)(6)(iii) [34] applicable to a covered clearing agency to calculate margin sufficient to cover the clearing agency's potential exposure to participants in the interval between the last margin collection and the close out of positions following a participant default and the standard under Rule 17ad–22(e)(6)(v) [35] to measure credit exposure that accounts for relevant product risk factors and the portfolio effect across products, as well as the standard in SEC Rule 17Ad–22(b)(2) to use risk-based models and parameters to set margin requirements.[36] Consistent with Rule 17ad–22(e)(6)(ii),[37] under the Proposed Proprietary X–M Arrangement, CMESC and CME will conduct clearing cycles twice each business day, where payments for margin and outstanding exposure will occur.

Rule 17ad–22(e)(7) under the Act [38] generally requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to effectively manage liquidity risk and maintain sufficient liquid resources. Specifically, Rule 17ad–22(e)(7)(vi) contemplates the determination and testing of resource sufficiency for the purposes of meeting minimum liquidity resource requirements.[39] Under the proposed Cross-Margining Agreement

[28] 17 CFR 240.17ad–22(e)(16).

[29] 17 CFR 240.17ad–22(e)(1).

[30] 17 CFR 240.17ad–22(e)(4)(i).

[31] 17 CFR 240.17ad–22(e)(5).

[32] 17 CFR 240.17ad–22(e)(6).

[33] 17 CFR 240.17ad–22(e)(6)(i).

[34] 17 CFR 240.17ad–22(e)(6)(iii).

[35] 17 CFR 240.17ad–22(e)(6)(v).

[36] 17 CFR 240.17ad–22(b)(2).

[37] 17 CFR 240.17ad–22(e)(6)(ii).

[38] 17 CFR 240.17ad–22(e)(7).

[39] 17 CFR 240.17ad–22(e)(7)(vi).

and proposed revisions to the CMESC Liquidity Risk Management Policy, CMESC will account for X–M Participants' liquidity obligations, on a *pro rata* basis, arising from the cross-margining arrangement in its liquidity stress testing that is used to measure the sufficiency of CMESC's qualifying liquid resources in covering the default by the Participant creating the largest aggregate liquidity obligation to CMESC in extreme but plausible market conditions. The proposed amendments to the CMESC Liquidity Risk Management Policy also provide that within CMESC's liquidity stress testing the final cash settlement obligations for positions in Eligible Securities Transactions in the Participant's cross-margining portfolio will be borne by CMESC. CMESC believes these features, along with the overall details of the Proposed Proprietary X–M Arrangement, assure that the Proposed Proprietary X–M Arrangement will appropriately account for the impact of proprietary cross-margining on CMESC's liquidity risk management to ensure that CMESC will meet the requirements of Rule 17ad–22(e)(7). Therefore, the proposed rule change is consistent with the standards of Rule 17ad–22(e)(7).

Rule 17ad–22(e)(13) under the Act [40] requires, in part, a covered clearing agency's policies and procedures to be reasonably designed to ensure that the clearing agency has the authority and operational capacity to take timely action to contain losses and liquidity demands and continue to meet its obligations to in the event of a participant's default. The proposed Cross-Margining Agreement is consistent with this standard in that it establishes the manner in which the default of an X–M Participant will be managed, with a framework that prioritizes a joint liquidation approach. Any such joint liquidation would be conducted pursuant to default management provisions reflected in the proposed Cross-Margining Agreement, and the CMESC Rules and CME Rules. As provided in the proposed Service Level Agreement, CMESC and CME will also conduct a joint default management drill on a Pair of X–M Accounts at least annually.

Rule 17ad–22(e)(16) under the Act [41] requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to safeguard participants' assets by investing such assets in instruments with minimal credit, market and liquidity risks. Consistent with CMESC's obligations under this SEC rule, Eligible Margin under the Proposed Proprietary X–M Arrangement will be invested in accordance with the more conservative investment policy of CMESC or CME, which is intended to ensure the safeguarding of X–M Participants' assets by limiting investments of such assets to either CMESC's standards or a more conservative standard where applicable.

Rule 17ad–22(e)(18)(i) under the Act [42] requires, in part, that a covered clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed to establish objective, risk based, publicly disclosed criteria for participation. The proposed rule change is consistent with this requirement in that participation in the Proposed Proprietary X–M Arrangement is open to any Member or Independent User that meets the eligibility requirements and CMESC's ongoing requirements to be a Member or Independent User. The requirements to be a Member or Independent User are risk based and such requirements and the requirements to participate in the Proposed Proprietary X–M Arrangement as an X–M Participant are publicly disclosed. Rule 17ad–22(e)(18)(iv)(C) under the Act [43] requires, among other things, that a covered clearing agency that provides central counterparty services for transactions in U.S. Treasury securities should ensure it has appropriate means to facilitate access to clearance and settlement services of all eligible secondary market transactions in U.S. Treasury securities. As explained above, the Proposed Proprietary X–M Arrangement component of the proposed rule change will encourage and facilitate access to clearance and settlement services of eligible secondary market transactions in U.S. Treasury securities, consistent with this standard.

Rule 17ad–22(e)(20) under the Act [44] requires a covered clearing agency to, in part, establish, implement, maintain, and enforce written policies and procedures reasonably designed to identify, monitor and manage risks related to a link with another financial market utility. Consistent with this standard, CMESC is proposing revisions to the Policies pursuant to which it will appropriately monitor and manage risks related to the Proposed Proprietary X–M Arrangement with CME. Among other revisions to the Policies, CMESC is proposing revisions to the CMESC Risk Management Framework to bring the cross-margining arrangement with CME within CMESC's overall risk management framework. CMESC is also proposing revisions to the CMESC Credit Policy and CMESC Credit Risk Management Assessment Methodology to confirm that CMESC will rate CME (as a CCP counterparty under these Policies) using qualitative considerations and associated weightings as set out in a CCP scorecard. Moreover, CMESC will implement the Proposed Proprietary X–M Agreement with CME pursuant to binding agreements—the proposed Cross-Margining Agreement and Service Level Agreement—that contain detailed terms addressing eligible participation and positions, margin calculation, eligible margin and custodian level accounts, collection and exchange of funds and default management and loss sharing, as discussed above in detail. These contractual terms enable CMESC to appropriately monitor and manage risks related to the Proposed Proprietary X–M Arrangement, consistent with its obligations under Rule 17ad–22(e)(20).

Rule 17ad–22(e)(23)(ii) under the Act [45] requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to provide sufficient information to enable participants to identify and evaluate, among other things, the risks they incur by participating in the covered clearing agency. The proposed rule change includes revisions to CMESC Rules to establish the framework for CMESC to adopt cross-margining arrangements with DCOs, along with changes to the Rules clarifying the obligations of a Participant that may participate in a cross-margining arrangement that CMESC establishes. Moreover, the proposed Cross-Margining Agreement and Clearing Member Cross-Margining Agreements will be publicly available, like the Rules, and contain detailed terms describing how an X–M Participant's positions are treated and margined under the Proposed Proprietary X–M Program, including in the event of the X–M Participant's suspension. Thus, CMESC will provide market participants with the information to enable them to evaluate the risks and costs of participating in the Proposed Proprietary X–M Arrangement in accordance with Rule 17ad–22(e)(23)(ii).

[40] 17 CFR 240.17ad–22(e)(13).

[41] 17 CFR 240.17ad–22(e)(16).

[42] 17 CFR 240.17ad–22(e)(18)(i).

[43] 17 CFR 240.17ad–22(e)(18)(iv)(C).

[44] 17 CFR 240.17ad–22(e)(20).

[45] 17 CFR 240.17ad–22(e)(23)(ii).

B. CMESC's Statement on Burden on Competition

Section 17A(b)(3)(I) of the Act [46] requires that the rules of a clearing agency not impose any burden on competition that are not necessary or appropriate in furtherance of the purposes of the Act. CMESC believes that the proposed rule change would not impose a burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. CMESC believes the proposed rule change may enhance competition by establishing a framework under which CMESC may offer market participants the benefit of cross-margining positions in Eligible Securities Transactions cleared by CMESC and related derivatives transactions cleared by a participating DCO and further by enabling CMESC to offer the Proposed Proprietary X–M Arrangement with CME to Members and Independent Users.

C. CMESC's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

CMESC currently does not have any Members or Users and has not received nor solicited any written comments from others related to this proposal. CMESC has not received any unsolicited written comments from any interested parties. If any written comments are received, they will be publicly filed as an Exhibit 2 to this filing, as required by Form 19b–4 and the General Instructions thereto.

Persons submitting comments are cautioned that, according to Section IV (Solicitation of Comments) of the Exhibit 1A in the General Instructions to Form 19b–4, the Commission does not edit personal identifying information from comment submissions. Commenters should submit only information that they wish to make available publicly, including their name, email address, and any other identifying information.

All prospective commenters should follow the Commission's instructions on how to submit comments, available at *https://www.sec.gov/regulatory-actions/how-to-submit-comments.* General questions regarding the rule filing process or logistical questions regarding this filing should be directed to the Main Office of the Commission's Division of Trading and Markets at *tradingandmarkets@sec.gov* or 202–551–5777. CMESC reserves the right to not respond to any comments received.

[46] 15 U.S.C. 78q–1(b)(3)(I).

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 up to 90 days (i) as the Commission may designate 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 (*https://www.sec.gov/rules/sro.shtml*); or
- Send an email to *rule-comments@sec.gov.* Please include file number SR–CMESC–2026–007 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–CMESC–2026–007. 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 website (*https://www.sec.gov/rules/sro.shtml*). Copies of the filing also will be available for inspection and copying at the principal office of CMESC and on CMESC's website (*https://www.cmegroup.com/market-regulation/rule-filings.html*). Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to File Number SR–CMESC–2026–007 and should be submitted on or before September 21, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[47]

Sherry R. Haywood,

Assistant Secretary.

[FR Doc. 2026–17666 Filed 8–28–26; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–106201; File Nos. 600–41, 600–42]

OSTTRA Limited; OSTTRA Services, LLC; Notice of Filing of Applications for Exemption From Registration as a Clearing Agency Under Section 17A of the Securities Exchange Act of 1934

August 26, 2026.

I. Introduction

On August 9, 2024, OSTTRA Limited (''OSTTRA UK'') and OSTTRA Services, LLC (''OSTTRA U.S.'') (together, ''OSTTRA'' or ''OSTTRA Applicants'') each filed with the Securities and Exchange Commission (''Commission'') an application on Form CA–1 seeking an exemption from registration as a clearing agency pursuant to Section 17A of the Securities Exchange Act of 1934 (''Exchange Act'') and Rule 17Ab2–1 thereunder.[1] Specifically, the application by OSTTRA U.S. (''U.S. Application'') states that it is seeking an exemption from registration as a clearing agency to provide post-trade, pre-settlement matching services for security-based swaps (''SBS'') through its TradeServ platform and related services.[2] The application by OSTTRA UK (''UK Application'') states that it is seeking an exemption from registration as a clearing agency to provide post-trade, pre-settlement matching services for SBS and transactions in repurchase and reverse repurchase agreements involving any type of underlying securities (''Repo Products'') through its MarkitWire platform and related services.[3]

[47] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78q–1; 17 CFR 240.17Ab2–1.

[2] U.S. Application, Exhibit S. OSTTRA U.S. (File No. 600–42) subsequently amended its application on December 11, 2024, in 2025 on January 6, November 26, and December 22, and in 2026 on February 11. The non-confidential exhibits of its application are available for viewing on the Commission's website at *https://www.sec.gov/rules-regulations/commission-orders-notices/other-commission-orders-notices-information.*

[3] UK Application, Exhibit S. OSTTRA UK (File No. 600–41) subsequently amended its application in 2024 on October 10 and December 11, in 2025 on January 6, February 10, November 26, and December 22, and in 2026 on February 2 and February 11. The non-confidential exhibits of its

Continued