



SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-106516; File No. SR-CMESC-2026-006]

Self-Regulatory Organizations; CME Securities Clearing Inc.; Order Approving Proposed Rule Change to amend the CMESC Stress Testing & Guaranty Fund Sizing Policy and Proposed Amendments to Rule 402(b)

September 28, 2026.

I. INTRODUCTION

On August 6, 2026, CME Securities Clearing Inc. (“CMESC”) filed with the Securities and Exchange Commission (“Commission”) proposed rule change SR-CMESC-2026-006 (“Proposed Rule Change”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Exchange Act”)¹ and Rule 19b-4² thereunder. The Proposed Rule Change would amend the CMESC Stress Testing & Guaranty Fund Sizing Policy (or the “Policy”)³ and amend Rule 402(b) of the CMESC Rulebook (“CMESC Rules”).⁴ The proposed rule change was published for comment in the *Federal Register* on August 18, 2026.⁵ The Commission has received no comments on the changes proposed. For the reasons discussed below, the Commission is approving the proposed rule change.

II. BACKGROUND

Under the Policy, CMESC states that it performs stress testing to estimate its

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ As part of the Proposed Rule Change, CMESC filed, as Exhibit 5b, changes proposed to the Policy. Pursuant to 17 CFR 240.24b-2, CMESC requested confidential treatment of the Exhibit 5b.

⁴ The CMESC Rules are *available at* <https://www.cmegroup.com/rulebook/CMESC/CMESC%20Rulebook.pdf>. Terms not otherwise defined herein are defined in the CMESC Rules or in the Proposed Rule Change.

⁵ Securities Exchange Act Release No. 106131 (Aug. 13, 2026), 91 FR 53469 (Aug. 18, 2026) (File No. SR-CMESC-2026-006) (“Notice of Filing”).

exposures to participants that could result from the realization of potential stress scenarios, such as extreme price changes, multiple defaults, or changes in other valuation inputs and assumptions.⁶ CMESC states that the Policy provides that stress scenarios are built using historical and hypothetical market moves.⁷ CMESC further states that it uses identical stress scenarios for purposes of credit stress testing and liquidity stress testing to ensure that CMESC has adequate resources to manage its credit risk and liquidity risk in extreme but plausible market conditions.⁸

CMESC states that it currently uses the stress testing methodology to size and maintain its Guaranty Fund.⁹ Specifically, the Guaranty Fund is sized to cover an amount at least equal to the largest theoretical loss to CMESC in excess of initial margin resulting from the default of two member families (the “cover two standard”).¹⁰ In determining the largest theoretical loss resulting from the default of two member families, CMESC measures the largest net debtor amount (“LND”) at the Member Family-level, covering Member Accounts and the User Accounts of a predefined number of Users with the largest credit exposures at each Member.¹¹ Under CMESC Rules, CMESC may maintain the Guaranty Fund size at an amount larger than the cover two standard, with a buffer based on CMESC’s assessment of the cover two amounts, volatility in the market, or for other reasons, in order to better ensure that the Guaranty Fund meets the cover two standard between official calculations and to prevent significant fluctuations of Members’ Required Guaranty Fund Contributions.¹²

Under CMESC Rules, a member’s Required Guaranty Fund Contribution is

⁶ See Notice of Filing, *supra* note 5, at 53469.

⁷ *Id.*

⁸ See Notice of Filing, *supra* note 5, at 53470.

⁹ See Notice of Filing, *supra* note 5, at 53469.

¹⁰ See CMESC Rule 402(a), *supra* note 4.

¹¹ See Notice of Filing, *supra* note 5, at 53471.

¹² See CMESC Rule 402(a), *supra* note 4.

calculated based on each Member's proportionate share of the aggregate Required Guaranty Fund Contribution and subject to a ten million dollar minimum contribution amount.¹³ CMESC states that the Policy provides the allocation of the Guaranty Fund to determine each Member's Required Guaranty Fund Contribution amount be based on each member's relative LND and its gross notional at a weight of 90% and 10%, respectively.¹⁴

III. DESCRIPTION OF THE PROPOSED RULE CHANGE

CMESC proposes to amend the Policy to: (i) provide greater detail in the description of its scenarios for stress testing, including the historical and hypothetical stress scenarios it will employ for credit stress testing and liquidity stress testing; (ii) provide further explanation of the rationale for CMESC's methodology for sizing the Guaranty Fund and the rationale for how Member contributions to the Guaranty Fund are allocated, particularly regarding the weighted components on which allocation of Members' contributions to the Guaranty Fund are based; and (iii) make other minor changes to add clarity and improve accuracy and readability of the Policy.¹⁵ Further, CMESC proposes to modify existing Rule 402(b) to clarify and align the description of the Guaranty Fund allocation process across its documentation.¹⁶ Each of the proposed changes is described in more detail below.

1. Proposed Amendments to the Description of the Stress Scenarios

First, the Proposed Rule Change would propose changes in the introductory paragraph of Section 4.1 to clarify that the historical and hypothetical market moves CMESC uses to build historical and hypothetical scenarios are designed to represent

¹³ See CMESC Rule 402(b), *supra* note 4. CMESC states that each Member's Required Guaranty Fund Contribution is calculated as the greater of two amounts: (1) a minimum contribution requirement of ten million dollars, or (2) the Member's proportionate share of the Guaranty Fund. See Notice of Filing, *supra* note 5, at 53471.

¹⁴ See Notice of Filing, *supra* note 5, at 53471.

¹⁵ See Notice of Filing, *supra* note 5, at 53469.

¹⁶ *Id.*

extreme but plausible market conditions. CMESC states that this clarification ensures the Policy language is aligned with the requirements in Rule 17ad-22(e)(4)(iii) and 17ad-22(e)(7)(i) that stress scenarios contemplate “extreme but plausible market conditions.”¹⁷

Second, the Proposed Rule Change would identify “historical” and “hypothetical” as two categories of stress scenarios in Section 4.1 by separating them into two subparagraphs and supplementing the existing descriptions for each category. With respect to the historical category of stress scenarios, the Proposed Rule Change would clarify the process by which specific dates are selected and captured within historical scenarios, *i.e.*, through both quantitative and qualitative evaluation methodologies. The Proposed Rule Change would further propose to retain the current reference to “market behavior” in the Policy and to remove the existing reference to “observed and projected” market behavior. CMESC states that removing the terms “observed and projected” makes the distinction between historical and hypothetical scenarios clearer.¹⁸

With respect to the hypothetical category of stress scenarios, the Proposed Rule Change would amend its existing description of hypothetical scenarios to clarify that hypothetical scenarios will include theoretically driven scenarios. The Proposed Rule Change further clarifies that hypothetical scenarios shall not include potential event-driven scenarios, as event-driven scenarios are proposed to be reclassified and recategorized as a distinct type of historical scenarios pursuant to CMESC’s other proposed amendments to Section 4.1 that are discussed in greater detail below.

Third, the Proposed Rule Change would add new text to Section 4.1 that describes how stress shocks applied within the stress testing methodology are designed to capture different interest rate environments. Specifically, the Proposed Rule Change would add

¹⁷ *Id.*

¹⁸ *Id.*

new text that will explain that in order to capture the effect of different interest rate environments, the shocks that are calculated will be based upon varying return types.

Fourth, the Proposed Rule Change would recategorize and rename the three existing categories of stress scenarios set forth in Table 1 (Stress Scenario Categories as reflected in the proposed amendments) of the Policy into the following three categories: (i) “Historical: Risk Factor Shocks” scenarios, (ii) “Historical: Event-Driven” scenarios, and (iii) “Hypothetical” scenarios. Further, the Proposed Rule Change would change the description of the new stress scenarios in Table 1, discussed in greater detail below. CMESC states that these proposed changes to Table 1 are intended to provide greater clarity regarding CMESC's stress testing methodology.¹⁹

Historical: Risk Factor Shocks Scenarios

The Proposed Rule Change would make several changes to Table 1 for the “Historical” scenario category. First, the Proposed Rule Change would rename the category, designated as “Historical: Risk Factor Shocks,” separate from Historical Event-Driven Shocks as described below. CMESC states that the renamed the Historical: Risk Factor Shocks category will include additional information on the risk factors considered in defining historical scenarios based on risk factor shocks.²⁰

Second, the Proposed Rule Change would delete and replace the existing description of historical scenarios to include those based on a systematic application of quantitative filters across available risk factor curves relevant to U.S. Treasury securities, including but not limited to the on-the-run curve, the off-the-run curve, and the repo curve, over a defined lookback period. Third, the current Policy provides that historical dates that exhibit the largest curve movements are to be considered as constituting historical scenarios. The Proposed Rule Change would remove the term “curve” from the

¹⁹ *Id.*

²⁰ *Id.*

preceding sentence. CMESC states that the word “curve” is unnecessarily limiting given CMESC’s consideration of other types of movements in crafting historical scenarios.²¹

Fourth, Table 1 of the current Policy describes the various risk factors that may be considered by CMESC in identifying the largest curvature movements for purposes of establishing historical scenarios. The Proposed Rule Change would include additional information regarding the specific risk factors considered in defining historical scenarios based upon risk factor shocks. Using the defined risk factor curves referenced above, CMESC would identify historical dates that exhibit the largest movements. Further, the Proposed Rule Change would characterize such identified historical dates as historical scenarios that capture three distinct types of market scenarios: (i) such scenarios that capture the largest upward and downward movements for defined tenors on the applicable curves, which would be designated as “individual tenor shocks”; (ii) such scenarios that capture structural shifts across the curves, which would be designated as “yield curve shape shocks”; and (iii) such scenarios that capture uncorrelated risk factors that are identified using Principal Component Analysis (“PCA”), to explain the majority of yield curve variances, which would be designated as “statistical risk identification.”

Fifth, within the yield curve shape shocks stress scenario, the Proposed Rule Change would make changes to identify and describe the types of shifts and movements that are considered across different risk factor curves, including parallel shifts, slope movements, and curvature movements.

Sixth, the Proposed Rule Change would define the specific tenors for the risk factor curves that are currently being contemplated to be used to identify the yield curve movements, while recognizing that the defined tenors may change from time to time.

²¹ *Id.*

Seventh, regarding the application of PCA, the Proposed Rule Change would make changes to highlight that CMESC identifies specific historical dates that have statistically extreme results for the defined components.

Historical: Event-Driven Scenarios

The Proposed Rule Change would make several changes to Table 1 for the “Event-Driven” scenario category. First, the Proposed Rule Change would make changes to refer to event-driven scenarios as a type of historical scenario by renaming the event-driven scenario category as the “Historical: Event-Driven” scenario. CMESC states that the current Policy already accounts for this treatment of event-driven scenarios and already includes the consideration of historical scenarios designed to capture the effects of major historical event shocks as stress scenarios.²²

Second, the Proposed Rule Change would clarify that the inclusion of event-driven scenarios such as significant Federal Reserve rate adjustments are designed to ensure that realized market dislocations are appropriately captured in CMESC’s stress testing methodology, including those that fall outside the lookback period.

Third, the Proposed Rule Change would make additional amendments regarding the historical nature of event-driven scenarios. CMESC states that these additional amendments are proposed to support readability and clarity without changing the construct of the scenarios themselves.²³

Hypothetical Scenarios

The Proposed Rule Change would make several changes to Table 1 for the “Hypothetical – Principal Component Analysis (“PCA”)” scenario category. First, the Proposed Rule Change would strike the reference to “Principal Component Analysis (“PCA’)” from the name of the scenario category, designating this category as

²² *Id.*

²³ *See* Notice of Filing, *supra* note 5, at 53471.

“Hypothetical.” CMESC states that this change would emphasize that hypothetical scenarios are theoretically driven to capture potential future events with no direct historical precedent.²⁴

Second, the Proposed Rule Change would remove references that characterize hypothetical scenarios as being event-driven.

Third, the Proposed Rule Change would outline in greater detail how CMESC will construct hypothetical scenarios, which includes using a systemic combination of principal components determined through PCA to generate a comprehensive set of extreme but plausible market shocks. Further, the Proposed Rule Change would make changes to specify that the determination of component variances will consider two business days of interest rate changes and detail how CMESC selects the number of principal components to simulate curvature shifts. The Proposed Rule Change would make changes to state that CMESC will ultimately create the scenarios derived from PCA by using a combination of PCA scores for the largest factors.

Fourth, the Proposed Rule Change would further specify that CMESC will apply plausibility thresholds (defined at the tenor level based on historical data) designed to ensure the PCA-generated scenario shocks remain extreme but plausible.

Fifth, the Proposed Rule Change would make changes designed to promote consistency across U.S. Treasury curves within the hypothetical scenario shocks scenario category. CMESC states that these steps are designed to recognize the relationships between relevant U.S. Treasury curves (including the repo curve) within the hypothetical scenario shocks, using appropriate adjustments or returns as appropriate.²⁵

²⁴ *Id.* CMESC also states that despite the term “PCA” being removed from the name of the category, PCA will continue to be used to determine hypothetical scenarios. *Id.*

²⁵ *See* Notice of Filing, *supra* note 5, at 53471.

2. Proposed Amendments to the Explanation and Description of the Guaranty Fund

Proposed Amendments to the Explanation of Guaranty Fund Sizing

The Proposed Rule Change would amend several footnotes located in Section 5 of the Policy. First, the Proposed Rule Change would amend an existing footnote in Section 5 of the Policy to further clarify the applicability of the defined term “Member Family” to the stress testing of CMESC’s financial resources. Second, the Proposed Rule Change would add a new footnote to Section 5.2.1 of the Policy. This footnote pertains to the Guaranty Fund sizing formula to clarify the rationale underpinning CMESC’s selection of the number of Users (*i.e.*, the number of User Accounts) that are considered in determining the cover two shortfall. The proposed footnote further describes that the number of Users is determined by CMESC’s risk management team to capture the number of Users that may be in Default if their Member were to Default under extreme by plausible market conditions. CMESC states that the clarifying footnote reflects with what is currently provided in the CMESC Risk Management Framework.²⁶ CMESC further states that the addition of this footnote to Section 5.2.1 of the Policy will serve the purpose of maintaining consistency and alignment across the related policies implementing and administering the sizing of financial resources and the management of credit risk exposures arising from potential Defaults of Member Families to CMESC.²⁷

Proposed Amendments to the Description of Allocation of the Guaranty Fund

The Proposed Rule Change would make two amendments to Section 5.2.2 of the Policy and one amendment to Rule 402(b) regarding the description of the Guaranty Fund allocation.

²⁶ *Id.*

²⁷ *Id.*

First, the Proposed Rule Change would make changes to clarify the term “gross notional” used in Section 5.2.2 refers to the gross notional of outstanding securities transactions of a Member. Second, the Proposed Rule Change would add a new footnote to Section 5.2.2 that explains that the LND component in this dual-component methodology aligns contributions with the tail risk (*i.e.*, as captured by CMESC’s stress scenarios) that each Member (including as it relates to a predefined number of its authorized Users) presents to CMESC. Further, the proposed footnote will explain that the LND component is complemented by the gross notional of outstanding securities transactions component, which is designed to ensure that each Member is subject to a certain level of potential mutualization risk via the Guaranty Fund regardless of their tail risk. The proposed footnote further explains that the weighting logic is designed to yield Guaranty Fund allocations that capture the risk of each Member and to incentivize active participation by Members in the close-out process in the event of a Participant Default. CMESC states that this weighting structure enhances the clarity of the Policy by providing the rationale for complementation and administration of the allocation of the Guaranty Fund.²⁸

Third, the Proposed Rule Change would amend Rule 402(b) in two separate locations to clarify the intended process and methodology for allocating the Guaranty Fund to individual Members. Specifically, the Proposed Rule Change would replace both references to “Member Family” in Rule 402(b) with references to “Member.” CMESC states that the Member Family’s activity is not intended to be part of the allocation process for individual Members.²⁹ Instead, the allocation of each individual Member’s Required Guaranty Fund Contribution is derived from that individual Member’s own

²⁸ *Id.*

²⁹ *See* Notice of Filing, *supra* note 5, at 53472.

LND and that individual Member's own gross notional outstanding. CMESC states that this proposed amendment is being made to reflect the intended allocation process.³⁰

3. Other Minor Changes

The Proposed Rule Change would make several other minor changes to the Policy. First, the Proposed Rule Change would make changes in Section 4.1 (Stress Scenarios) to replace the term “two day” period with the term “two-business day” period. Second, the Proposed Rule Change would make changes in Section 1 (Purpose and Statement of Policy) to replace the term “present to” with the term “presented to.” Third, the Proposed Rule Change would make technical changes in Section 4.2 (Review of Stress Testing Results & Methodology) by replacing the word “liquidity” with “liquid.” Finally, the Proposed Rule Change would make changes to Section 5.2.2 (SC Guaranty Fund Allocation) to replace the term “described above” with the term “for each Member.” CMESC states that these minor changes are designed to add clarity and support readability of the Policy.³¹

IV. DISCUSSION AND COMMISSION FINDINGS

Section 19(b)(2)(C) of the Act³² 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 rules and regulations thereunder applicable to such organization. After carefully considering the proposed rule change, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to CMESC. In particular, the Commission finds that the proposed rule change is consistent with Sections 17A(b)(3)(F)

³⁰ *Id.*

³¹ *Id.*

³² 15 U.S.C. 78s(b)(2)(C).

of the Act,³³ Rule 17ad-22(e)(4)(iii),³⁴ and Rule 17ad-22(e)(7).³⁵

A. Consistency with Section 17A(b)(3)(F) of the Act

Section 17A(b)(3)(F) of the Act requires, in part, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions and 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.³⁶ The Proposed Rule Change is consistent with Section 17A(b)(3)(F) for the reasons discussed below.

As described above in Section III., CMESC proposes to amend the Policy to provide more detail to the description of how they will implement their stress testing methodology, enhance the clarity of the Policy, and clarify the intended operation of Rule 402(b). As described in more detail above in Section II., the Policy was established by CMESC to provide guidelines for monitoring, assessing, and mitigating risks associated with the exposures arising from Participants' position. Further, the Policy outlines how CMESC performs stress testing to estimate its exposures to Participants that could result from the realization of potential stress scenarios.

By providing clearer and more comprehensive descriptions of CMESC's stress testing methodology and Guaranty Fund sizing and allocation processes, the Proposed Rule Change should help CMESC to strengthen CMESC's risk management documentation and support its ability to maintain adequate financial resources. These changes should promote the prompt and accurate clearance and settlement of securities transactions by ensuring that CMESC has appropriate policies and procedures in place to manage credit and liquidity risks in extreme but plausible market conditions. The

³³ 15 U.S.C. 78q-1(b)(3)(F).

³⁴ 17 CFR 240.17ad-22(e)(4)(iii).

³⁵ 17 CFR 240.17ad-22(e)(7).

³⁶ 15 U.S.C. §78q-1(b)(3)(F).

increased transparency regarding CMESC's stress testing scenarios, financial resource sizing, and allocation mechanisms should enable market participants to better understand and have greater confidence in CMESC's risk management framework, thereby supporting the efficiency and reliability of the clearing process. Moreover, the clarifications regarding how financial resources are sized and allocated should help to ensure the safeguarding of securities and funds in the custody or control of CMESC.

Accordingly, for the reasons stated above, the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act.³⁷

B. Consistency with Rule 17ad-22(e)(4)(iii)

Rule 17ad-22(e)(4)(iii) under the Exchange Act requires that a covered clearing agency 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 additional financial resources at a minimum to enable it to cover a wide range of foreseeable stress scenarios that include, but are not limited to, the default of the participant family that would potentially cause the largest aggregate credit exposure for the covered clearing agency in extreme but plausible market conditions.³⁸ The Proposed Rule Change is consistent with Rule 17ad-22(e)(4)(iii) under the Exchange Act for the reasons stated below.

As described above in more detail in Section II., the Policy was established by CMESC to provide guidelines for monitoring, assessing, and mitigating risks associated with the exposures arising from Participants' position. Further, the Policy outlines how CMESC performs stress testing to estimate its exposures to Participants that could result from the realization of potential stress scenarios. As described in more detail in Section

³⁷ 15 U.S.C. §78q-1(b)(3)(F).

³⁸ 17 CFR 240.17ad-22(e)(4)(iii).

III., the Proposed Rule Change provides more detail to the description of how CMESC will implement its stress testing methodology, enhances the clarity of the Policy and clarifies the intended operation of Rule 402(b).

The Proposed Rule Change should help to enhance CMESC's stress testing documentation by providing more detailed descriptions of (i) the methodology for constructing and categorizing stress scenarios (i.e., historical risk factor shocks, historical event-drive, and hypothetical); (ii) how stress shocks are designed to capture different interest rate environments; (iii) the specific construction logic for historical scenarios, including individual tenor shocks, yield curve shape shocks, and statistical risk identification using PCA; (iv) the specific construction logic for hypothetical scenarios, including the systematic combination of principal components, application of plausibility thresholds, and promotion of curve consistency; and (v) the rationale for the cover two standard, including the determination of the appropriate number of Users to consider in calculating the LND for the two Member Families with the largest exposures.

By clarifying and enhancing the documentation of these methodologies within the Policy, the Proposed Rule Change should help to strengthen CMESC's ability to maintain financial resources sufficient to cover a wide range of foreseeable stress scenarios that include, but are not limited to, the default of the participant family that would potentially cause the largest aggregate credit exposure for the covered clearing agency in extreme but plausible market conditions

Accordingly, for the reasons stated above, the proposed rule change is consistent with Rule 17ad-22(e)(4)(iii).³⁹

C. Consistency with Rule 17ad-22(e)(7)

Rule 17ad-22(e)(7) under the Exchange Act requires a covered clearing agency

³⁹ 17 CFR 240.17ad-22(e)(4)(iii).

establish, implement, maintain and enforce written policies and procedures reasonably designed to effectively measure, monitor, and manage the liquidity risk that arises in or is borne by the covered clearing agency.⁴⁰

As discussed in Section II., CMESC uses identical stress scenarios for both credit stress testing and liquidity stress testing. By clarifying and enhancing the documentation of stress scenarios and the cover two standard in the manner described above in Section III., the Proposed Rule Change should help to strengthen CMESC's ability to maintain sufficient liquid resources to effect settlement of payment obligations with a high degree of confidence under extreme but plausible stress scenarios. Additionally, enhanced descriptions of stress scenarios should provide greater transparency regarding CMESC's liquidity stress testing methodology and how CMESC calculates and maintains liquid resources necessary to effect settlement obligations in extreme but plausible market conditions with a high degree of confidence.

Accordingly, for the reasons stated above, the proposed rule change is consistent with Rule 17ad-22(e)(7).⁴¹

V. CONCLUSION

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Exchange Act and in particular with the requirements of Section 17A of the Exchange Act⁴² and the rules and regulations promulgated thereunder.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Exchange Act⁴³ that proposed rule change SR-CMESC-2026-006 be, and hereby is, APPROVED.⁴⁴

⁴⁰ 17 CFR 240.17ad-22(e)(7).

⁴¹ 17 CFR 240.17ad-22(e)(7).

⁴² 15 U.S.C. 78q-1.

⁴³ 15 U.S.C. 78s(b)(2).

⁴⁴ In approving the proposed rule change, the Commission considered the proposals' impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁴⁵

Sherry R. Haywood,

Assistant Secretary.

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