

# Cleared OTC Interest Rate Swaps - Collateral Expansion

## Corporate Bonds as Collateral for Cleared Interest Rate Swaps

CME Group currently accepts corporate bonds through a specialized collateral program called IEF4, supported by a partnership with Bank of New York and JPMorgan Chase. The program allows clearing firms to transfer securities into a tri-party account controlled by CME Group at either bank as a term pledge to receive margin credit. We expanded the utilization of IEF4 to meet margin requirements through establishing a list of eligible CUSIPs that are accepted through the program for the benefit of clearing members and clearing member clients.

Effective as of March 12, 2012, CME Group allows corporate bonds to be pledged as initial margin collateral for Cleared OTC Interest Rate Swaps. Previously, we only accepted corporate bonds as collateral for futures. With this expansion, Clearing Members are able to post up to \$3 Billion in select assets, including corporate bonds, with specific limits determined by the needs and margin requirements of their customers.

The collateral program enhancements help create efficiencies for our buy-side customers who are migrating their OTC interest rate swaps into CME Clearing. By extending the range of collateral we accept, CME Clearing reduces the costs of clearing and creates further efficiencies for our customers and clearing members.

### Details of the Expansion:

#### Bond Details

- High quality bonds at least an A-rating by a NRSO
- Domestic and global market issuances
- USD denominated
- Vanilla bonds (Fixed rate bullet, callable, or puttable)
- Over \$300 million in amount outstanding
- TRACE eligible and disseminated
- Banks and CME Clearing Members bonds are not eligible

#### Program Parameters

- Haircut (20%)
- Concentration limits (the lesser of 5% per issuance and 5% per issuer or \$200 million)
- Level II industry diversification (not over 25%)

### Eligible CUSIP List

CME Clearing will publish a list of eligible CUSIPs at the beginning of each month. The CUSIP list will likely remain static except for bonds that mature and bonds that are deemed ineligible due to changes (i.e. rating downgrade, distress, etc.).

*At the beginning of every month, CME Clearing will publish the latest CUSIP at [www.cmegroup.com/collateral](http://www.cmegroup.com/collateral).*

**For additional information, please contact your Clearing Member Firm or a member of our Asset Manager Client Development & Sales Team.**

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