CONFIRMATION OF THE CLEARING RULES AND PROCEDURES

1. The Clearing Rules and Clearing Procedures (“the Rules”) for the clearing of products traded on CMEEL were notified via Notice 14-24 on 14 April 2014. Some minor changes are required and these are detailed below. The Rules are attached to this Notice and will be published on our website shortly (http://www.cmegroup.com/europe/clearing-europe/resources.html), effective 27 April 2014.

2. The following changes have been made (additional text is double underlined):

CLEARING RULES

Definitions

FX Obligation has the meaning given in Rule 11.4.1;

Matching Collateral means Eligible Cash Collateral in the same currency as the relevant FX Obligation of the Defaulting Clearing Member;

Paired FX Obligation means any FX Obligations between the Defaulting Clearing Member and any one or more non-defaulting Clearing Members to settle all or any part of their FX Obligations;

Relevant FX Clearing Member means a Clearing Member that owes and/or is owed a FX Obligation to and/or by a Defaulting Clearing Member;

Replacement Transaction has the meaning given in Rule 11.7.6;

Settlement Deadline means 24 hours from the Step-in Time;

Step-in Time has the meaning given in Rule 11.7.3;

Temporary Contract means, in relation to a Defaulting Clearing Member, a Relevant FX Clearing Member and the Unsettled FX Obligations between them, a Contract between the Clearing House and the Relevant FX Clearing Member on the same terms as the Unsettled FX Obligations, except that the Clearing House is a party instead of the Defaulting Clearing Member;

Termination Swap means, in relation to a Temporary Contract, a Contract with delivery obligations that are opposite to those in the Temporary Contract;

Unsettled FX Obligations means FX Obligations that are still outstanding after the steps under Rule 11.7.5(a) to (c) have occurred;
Chapter 11

11.6.2 In the event a Clearing Member fails to perform its delivery obligations to the Clearing House or another Clearing Member:

(a) the Clearing Member shall indemnify the Clearing House in accordance with Rules 2.3.1, 2.3.2 and 11.6.3(b);

(b) the Clearing House will not return any Collateral held in respect of the relevant Contract(s) until the Clearing Member’s obligations to the Clearing House or (in the discretion of the Clearing House) to the other Clearing Member in respect of the Contract have been satisfied;

(c) the Clearing House may declare an Event of Default in accordance with Rule 8.2.1;

(d) the Clearing House may, at its absolute discretion, take any other action as it deems appropriate to remedy the delivery failure at any stage (including but not limited to the right to purchase or sell, as applicable, the commodity, asset or other instrument subject to delivery); and

(e) the Clearing House may require the Clearing Members to take the actions set out in Rule 11.6.6.

CLEARING PROCEDURES

FX Delivery Procedures

5 CLS Delivery Arrangements

5.5 Each Clearing Member that enters into FX Contracts that are CLS Eligible and which it intends to settle shall, at least twice per calendar year, confirm to the Clearing House its net capacity to deliver and receive each currency through the CLS System in respect of which it is party to an FX Contract or in respect of which it reasonably believes it might be party within the six months subsequent to the date of confirmation. A Clearing Member may request changes to its thresholds more frequently, however, increases to threshold levels will only be actionable for delivery cycle following the front month delivery contracts. The capacities provided may be based on the Clearing Member’s average net positions in each relevant currency over the preceding twelve months or such other measurements as the Clearing Member considers to be a reasonable indicator of its capacity to deliver and comfortably within a Clearing Member's ability to absorb a same-day, unexpected liquidity shortfall in delivery of that currency in the event of an unexpected delivery failure in the following six months. Unless otherwise agreed, such confirmation shall be provided and signed by a member of the Clearing Member’s treasury function who is authorised to provide such confirmation and shall set out any assumptions that the Clearing Member has made in determining such capacities. Each such Clearing Member must be capable of providing evidence to support the capacities set out in its confirmation, which may (where appropriate) include information from CLS Bank or the CLS member
it uses to settle FX Contracts, and shall promptly provide such evidence to the Clearing House on request.

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Attachments
CMECE Clearing Rules
CMECE Clearing Procedures