CHANGES TO THE CLEARING RULES AND PROCEDURES

1  Overview

1.1  CME Clearing Europe Limited (CMECE) has previously consulted on changes to the Clearing Rules and the Clearing Procedures ("the Rules") in two areas:

- Non-default loss allocation rules
- EMIR related changes

1.2 The changes are detailed in the attachments to this Notice. The Rules set out in the attachments are draft and subject to regulatory approval. The Rules will come into effect on midnight on Friday 11 July 2014, subject to confirmation by Notice. Further detail is set out below.

2  Non-Default Loss Allocation

2.1 CME Clearing Europe (CMECE), as a Recognised Clearing House (RCH), is bound by the Recognition Requirements. Changes have been made to the Recognition Requirements which require RCHs to have loss allocation rules in place for non-default losses. Specifically, a new requirement has been inserted in Part 5 of the Schedule, after paragraph 29 (requirements of the EMIR regulation), which states:

"Loss allocation

29A. The central counterparty must maintain effective arrangements (which may include rules) for ensuring that losses that—

(a) arise otherwise than as a result of clearing member default; and

(b) threaten the central counterparty’s solvency;

are allocated with a view to ensuring that the central counterparty can continue to provide the services and carry on the activities specified in its recognition order.

2.2 On 17 April 2014, CMECE issued a consultation on proposed changes to the Clearing Rules in order to fulfill this requirement. The consultation closed on 6 May 2014. Following assessment of the responses received, CMECE has made certain modifications. Accordingly, CMECE will now bear the investment loss up to USD 100m, with further losses attributed on a pro-rata basis. The Clearing Members pro-rata share of a major investment loss will be determined by CMECE acting reasonably.
3  **EMIR Related Changes**


3.2 The rule changes are required to be implemented prior to authorisation of CMECE under EMIR.

4  **Further Information**

4.1 For further information please contact Anita Collett, Head of Regulatory Compliance, on +44 (0)20 3379 3136 or email: Anita.Collett@cmegroup.com

Attachments:

Appendix 1: CMECE Clearing Rules

Appendix 2: CMECE Clearing Procedures

Appendix 3: CMECE Clearing Rules - marked-up version

Appendix 4: CMECE Clearing Procedures - marked-up version