16 March 2011

For the attention of the Chairman/
Senior Partner/ Compliance Officer,
all Clearing Members

Ref: N01/11

CME CLEARING EUROPE NOTICE – CONFIRMATION OF THE CLEARING RULES AND CLEARING PROCEDURES

Introduction


Rule Amendments

2. CMECE received responses from several potential Clearing Members. The main areas of comment concerned the following issues:

   - **Account Structure and Title Transfer**: there were some requests for a more detailed explanation of how our account structure works and particularly how this relates to CMECE having title transfer and the FSA’s client money rules. We have updated the Risk Management Procedures to provide more detail. References to ‘by way of security’ have been removed.

   - **Collateral acceptable from clients**: some respondents queried the wording of rule 3.3.2. We never intended that the rule should restrict Clearing Members’ to only be able to accept collateral from their clients that met the CMECE’s definition of Collateral (as defined in the Rules). We have amended the wording of the rule to clarify this.

   - **Mitigation of loss**: in response to Clearing Member feedback, we have inserted a new clause under 2.3 which states that the Clearing House will take reasonable steps to minimise its loss.

   - **Position Limits**: in response to Clearing Member feedback, we have revised the wording in the Rules to make it clear that CMECE will not be applying Position Limits at the beginning and only expect to impose Position Limits rarely (in exceptional circumstances) going forwards. The Clearing House will inform Clearing Members as soon as reasonably practicable if Position Limits are imposed. If necessary, this rule may be updated in future to reflect changing regulatory requirements.
• Insolvency of the Clearing House: following discussions with FSA, we have removed this rule. However, we plan to revisit this rule in the near future and we will consult on this issue separately.

Further Information

3. The revised Rules are to be published at the same time as this Notice and will become effective from 1 April 2011. Please see our website: www.cmeclearingeurope.com. Any comments or queries on this Notice should be sent to compliance@cmeclearingeurope.com.

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