

TO: Clearing Member Firms  
Margin Managers  
Back Office Managers

FROM: CME Clearing

DATE: December 22, 2016

ADVISORY #: 16-539

SUBJECT: **Addition of Portfolio Gains Haircuts, Tear-Ups, and Limited Recourse to the Financial Safeguards Package for Base; Amendments to CME Rule 802 and 818**

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Effective Friday, December 30, 2016, pending all relevant regulatory review periods, Chicago Mercantile Exchange Inc. ("CME") will adopt amendments to Rule 802 and 818 (collectively "rule changes")

The proposed rule changes would add recovery tools to facilitate the continuity of CME's clearing services and operations in the unlikely event that the losses arising from the default of one or more Base Clearing Members (as defined in the proposed rules) exceed the financial safeguards packages for Base. These tools include: Portfolio Gains Haircuts, mandatory Base tear-ups, voluntary contributions by Base Clearing Members (and their customers), voluntary tear-ups by Base Clearing Members (and their customers), and limited recourse for Base. The proposed changes would also clarify that if CME recovers losses from the estate of a defaulted clearing member, CME will reimburse Base Clearing Members, and if applicable, their customers, pro rata for the use of guaranty fund contributions, assessment powers, voluntary contributions, and gains based haircuts.

Further details on the proposed rule changes is available on CME Group's website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

For more information regarding this advisory or to discuss the impacts of the proposed rule changes, please contact:

Dorothea Pacini ([Dorothea.Pacini@cmegroup.com](mailto:Dorothea.Pacini@cmegroup.com))  
Jason Silverstein ([Jason.Silverstein@cmegroup.com](mailto:Jason.Silverstein@cmegroup.com))