

Advisory Notice

Clearing House

10-173

TO: Clearing Member Firms
Back Office Managers

FROM: CME Clearing

SUBJECT: **CME Clearing Performance Bond Collateral Update**

DATE: 4/20/2010

CME Clearing is introducing an enhancement to the existing Performance Bond Collateral schedule. Effective April 26, 2010, firms will be able to pledge securities issued under the FDIC Debt Guarantee Program of the Temporary Liquidity Guarantee Program (TLGP).

Mandatory Criteria for the Direct Acceptance of TLGP Securities

- The issuance size must be greater than \$1 billion.
- All securities must be denominated in U.S. dollars.
- The security must be guaranteed for its entire term.
- The security must have an active price as carried by Bloomberg Generic Pricing System.
- Issuer must not be affiliated with the clearing member, its parent, or any its affiliates.

Haircuts

- 10% on the market value of all securities.

Limits

- The existing rule that states a clearing member firm may use agencies and letters of credit for the first \$5 million of its core requirement plus 50% of the remainder also applies to the new acceptable TLGP securities. In addition, there will be a limit of \$200 million across all origins for the TLGP asset type.

C21 Banking Deposit/Withdrawal Characteristics

- Please use the asset type TLGP.
- C21 is available via the internet portal. All firms are required to enter their asset management and banking transactions into C21 to receive performance bond credit.

There will be a 10% haircut on the market value of all TLGP securities. Additionally, TLGP securities are limited to the combination of letters of credit and government agencies of no more than 50% of a clearing member's core performance bond requirement in excess of \$5 million. This restriction does not apply to the clearing firm's reserve performance bond or concentration requirements. There will be an asset limit of \$200 million across all origins for TLGP for each clearing firm. These guidelines are subject to change and will be evaluated on a regular basis.

Each transaction must be entered into Clearing 21 (C21) and delivered prior to 11:00 A.M. CST for performance bond credit.

CME has implemented a new procedure which requires firms to complete and submit a "CME Clearing TLGP Withdrawal Instructions Form" prior to posting or withdrawing any TLGP collateral. The form is attached to this advisory.

FOR PURPOSES OF PLEDGING TLGP SECURITIES AS COLLATERAL TO THE CME, PLEASE UTILIZE THE BELOW INSTRUCTIONS:

DELIVERY INSTRUCTIONS CUSTOMER SEGREGATED (CSEG)

DTC PARTICIPANT #: 2697 Harris, N.A.
ACCOUNT #: 2009264
ATTENTION: Chicago Mercantile Exchange Inc. CUSTOMER SEGREGATED ACCOUNT

DELIVERY INSTRUCTIONS NON-SEGREGATED (NSEG)

DTC PARTICIPANT #: 2697 Harris, N.A.
ACCOUNT #: 2009256
ATTENTION: Chicago Mercantile Exchange Inc. NON-SEGREGATED ACCOUNT

Securities must be delivered free and clear to CME's custody account at Harris with repo tracking.

Securities must be delivered to CME using repo code 220.

Securities will be delivered from CME using repo code 230.

Important Contact Information:

For collateral related questions, please contact CME Clearing Financial Unit at (312) 207-2594 or via email at clearinghousefinancial@cmegroup.com.

CME Clearing TLGP Withdrawal Instructions Form

Please complete the information below prior to delivery of TLGP securities to the Chicago Mercantile Exchange Inc.

Customer **House** (Circle one)

Firm #: _____ Firm Name: _____

DTC Participant Code: _____

Account Number at Custodian: _____

Authorized Signature: _____ Date: _____

Phone number: _____

*Fax completed form to (312) 930-3187 Attention: Financial Unit and call the number below to ensure receipt of fax.
For further information, please contact the CME Financial Unit Hotline at (312) 207-2594.*