

 **CME Group** | Advisory Notice

#16-333

TO: Clearing Member Firms
Chief Financial Officers
Back Office Managers

FROM: CME Clearing

SUBJECT: IEF2 Impact Due to Recent CFTC Staff Interpretation on Prime Money
Market Funds

DATE: August 23, 2016

On August 8, 2016, staff of the Commodity Futures Trading Commission's Division of Clearing and Risk released an interpretation¹ concerning the impact of new Securities Exchange Commission (SEC) regulations that, as part of a more comprehensive reform effort, require the boards of directors of prime money market funds to have discretion, under certain circumstances, to temporarily suspend redemptions in such funds.² In staff's view, when these discretionary redemption gates take effect on October 14, 2016, prime funds and government funds electing to have this discretion would cease to be eligible as margin collateral for a derivatives clearing organization.

CME Clearing fully recognizes the impact that staff's interpretation may have on our IEF-2 program for clearing members and money market funds, and we stand ready to facilitate steps that our clearing members and money market funds may need to take to minimize disruptions to their businesses and the markets generally.

CME Clearing is taking two steps to assist clearing members invested in the impacted money market funds that are interested in orderly drawing down their investments. First, CME Clearing is providing a suggested draw down schedule (in Table 1, below), which clearing members could use as a guideline for a measured draw down of investments in the impacted money market funds. Second, CME Clearing will enact a temporary suspension of new deposits into the impacted money market funds, effective September 1, 2016.

Please note that clearing members may transition balances into any of the government funds on CME's IEF-2 platform (none of which are planning to become electing government funds).

¹ See: <http://www.cftc.gov/idc/groups/public/@lrllettergeneral/documents/letter/16-69.pdf>.

² Staff's interpretation views government money market funds that elect to provide their boards of directors with the same discretion, even though not required by the SEC's reforms ("electing government funds"), the same as prime funds.

Table 1

Date	Customer Segregated Prime Fund Investments	Cleared Swaps Customer Prime Fund Investments	House Prime Fund Investments
September 15, 2016	50%	50%	50%
September 23, 2016	0%	0%	0%

Note: percentages are based on the total investment in each category as of August 23, 2016.

If you need further information or have questions, please contact any of the persons listed below:

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