

16-458

DATE: October 31, 2016

TO: Clearing Member Firms

FROM: CME Clearing

SUBJECT: **Interest paid on US Dollar (USD) cash balances held at CME Inc. to meet Clearing Member Proprietary (House) Initial Margin Requirements**

CME Inc. recently received notice that its Reserve Bank account with the Federal Reserve Bank of Chicago (the "Chicago Fed") has been opened. The current authorization is limited to clearing member proprietary initial margin (performance bond).

As of November 14, 2016, CME will move a portion of the clearing member proprietary initial margin cash balances from its existing commercial depositories to the Chicago Fed. On and after that date, CME will pay an interest rate of 40 basis points per annum on overall clearing member proprietary initial margin cash balances.

This interest payment will occur during the first week of the following month. No operational build will be required of our clearing members.

CME Clearing notes that clearing member proprietary cash initial margin held in its Reserve Bank account with the Chicago Fed is outside of the scope of the existing outside counsel memorandum with respect to "bankruptcy remoteness."

CME will continue to pay an interest rate of 18 basis points per annum on clearing member customer segregated initial margin, cleared swaps customer initial margin, and guaranty fund cash balances, which will not at this time be moved to the Chicago Fed as CME has not yet received approval to open those accounts.

The interest rates can be found using the following link:

<http://www.cmegroup.com/clearing/financial-and-collateral-management/acceptable-collateral-for-cash.html>

For more information please contact CME Clearing at 312-207-2594.