

TO: Clearing Member Firms
 Chief Financial Officers
 Back Office Managers

FROM: CME Clearing

ADVISORY #: 17-056

SUBJECT: **Revised effective date of advisory #17-053**

DATE: February 6, 2017

The revision to the concentration margin detailed in advisory #17-053 is no longer scheduled to be implemented at end-of-day today. CME will issue a supplemental advisory when the effective date has been finalized. The details of the enhancement are reiterated below.

To enhance the stability of concentration margin charges, CME Clearing has deemed it appropriate to enhance the current program to apply an Adjusted Net Capital ("ANC") threshold rather than an Excess ANC¹ threshold. Concentration margin tiered add-ons are presently determined by assessing the calculated stress loss relative to Excess ANC, average historical variation margin payments, and an absolute dollar value threshold. There will be a negligible impact on the amount of concentration margin on deposit as a result of this change.

The current tiered structure is as follows:

| Tier | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|-----------------------------|------|------|-----|------|------|------|------|------|------|
| Add-On | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% | 50% |
| Absolute Stress Loss | 500M | 750M | 1B | 1.5B | 2B | 2.5B | 3B | 4B | 5B |
| Excess ANC | 1x | 1.5x | 2x | 2.5x | 3.0x | 3.5x | 4.0x | 4.5x | 5.0x |

Following the enhancement to the current program, stress loss will be measured against an ANC threshold, rather than an Excess ANC threshold, when determining the tier used to calculate a clearing member's concentration margin requirement.

| Tier | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|-----------------------------|------|------|-----|------|------|------|------|------|------|
| Add-On | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% | 50% |
| Absolute Stress Loss | 500M | 750M | 1B | 1.5B | 2B | 2.5B | 3B | 4B | 5B |
| ANC | 1x | 1.5x | 2x | 2.5x | 3.0x | 3.5x | 4.0x | 4.5x | 5.0x |

¹ Excess ANC is the amount above a given clearing member's total minimum capital requirement, whereas ANC is the total amount of capital held by the clearing member. The minimum capital requirement is derived using the greater of the capital required under CFTC Regulation 1.17 or in Rule 970.A of the CME Rulebook.

This modification has no impact on any other aspect of the concentration margin program. The current logic, where the high pay threshold must be met to be subject to a charge and the greater of the absolute or ANC thresholds being used to determine the tier applied, will be maintained.

Should you have any questions, please contact Jake Sandkamp (jake.sandkamp@cmegroup.com; (312) 338-7164) or Matt Waldis (matthew.waldis@cmegroup.com; (212) 299-2148).