

TO: Clearing Member Firms
Margin Managers
Back Office Managers

DATE: November 5, 2019

FROM: CME Clearing

NOTICE #: 19-365

SUBJECT: Amendments to CME Chapter 8G (“Interest Rate Derivative Clearing”) and Chapter iii (“CME Definitions”) to add recovery tools to the Financial Safeguards Package for End of Waterfall Rules for Interest Rate Swaps

Effective Wednesday, November 6, 2019, Chicago Mercantile Exchange Inc. (“CME”) will adopt amendments to Rules in Chapter 8G and the definitions in Chapter iii. The Rule Amendments add the following recovery tools relating to IRS products where default resources have been depleted: (i) portfolio gains haircuts for certain settlement cycles; (ii) mandatory tear-ups in connection with such settlement cycles; (iii) voluntary contributions by IRS Clearing Members (and their customers); and (iv) voluntary tear-ups by IRS Clearing Members (and their customers) (collectively, the “New Recovery Tools”).

The amendments also clarify that if CME recovers losses from the estate of a defaulted clearing member, CME will reimburse IRS Clearing Members, and if applicable, their customers, pro rata for the use of guaranty fund contributions, assessment powers, voluntary contributions, and portfolio gains haircuts.

The amendments to the rules are available on the CME Group’s website at:

https://www.cmegroup.com/content/dam/cmegroup/market-regulation/rule-filings/2019/9/19-336_APPA.pdf

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

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