



20 South Wacker Drive  
Chicago, IL 60606-7499  
www.cme.com

312/930.1000 *tel*  
312/466.4410 *fax*

To: Clearing Member Firms  
Back Office Managers  
Bookkeeping Service and System Providers

From: Clearing House Department

Advisory: 05-186

Date: August 25, 2005

Subject: Changes to Security Deposit Calculation Algorithm

At its July 27, 2005 meeting, the Clearing House Risk Committee approved changes to the methodology used to calculate security deposits. The volume component of the security deposit will now be calculated based on risk-weighted volume for all products. Previously, only the full-sized equity contract volume was risk-weighted, with all other volume being treated equally. These changes will be effective for the determination of third quarter security deposit requirements in October.

This change will not affect the total size of the security deposit pool, nor will it affect the total volume portion of the security deposit pool, which is currently set at 15% of the total pool. However, this change may affect each firm's contribution to the security deposit. Generally speaking, firms with higher volume in products with higher volatility and therefore higher performance bond requirements (such as equity e-minis) will see an increase in their security deposit requirements and vice versa.

Detailed estimates on the new security deposit calculations will be available via infopac on September 2, 2005 under Report ID '**SECDEP 02**' and Report Name '**CME Security Deposit Firm Estimate Report.**' The estimates will be based on current data. Actual security deposit requirements for the third quarter may vary from the estimates due to changes in volume and positions over time.

Any questions on the new security deposit methodology can be directed to the Risk Management Department at (312) 648-3888.