

## Memorandum

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To: Clearing Member Firms  
Chief Financial Officers  
Treasury Personnel  
Back Office Managers 04-163

From: Clearing House Department

Date: September 21, 2004

Re: IEF2 Diversification Policy

Since the IEF2 platform of money market mutual funds was introduced in June 2001, the Clearing House of Chicago Mercantile Exchange Inc. (CME) has expanded the number of investment choices that IEF2 offers. CME now provides clearing members with a choice of nearly 30 money market mutual funds. As a result of the growth in the IEF2 platform, effective October 1, 2004, CME will introduce the following IEF2 diversification policy:

**The combined investment of customer segregated and house non-segregated Performance Bond cash for each clearing member will be subject to the following:**

- **With total investments of less than \$100 million, there are no diversification requirements.**
- **With total investments of greater than \$100 million, but less than \$200 million, there is a maximum investment limit of \$100 million in any one fund.**
- **For investments greater than or equal to \$200 million, there is a 50% maximum investment in any one fund.**

**The Clearing House will continue to require firms to adhere to the following:**

- **A clearing member firm will be prohibited from investing an amount which will create a position which is greater than 5% (A \$1 billion maximum investment in any single fund per clearing member firm) of the specific fund's total assets. The percentage limit is calculated on a monthly basis and is based on the fund's reported asset balances. The fund's asset balances used in the calculation can be found on the CME web site under the IEF2 hyperlink: <http://www.cme.com/clar/settle/finunits/ief21358.html> .**
- **The aggregate limit, of any one fund, of IEF2 deposits as held by CME will not exceed 25% of a fund's total assets. If CME hits this threshold, it will reduce or reject the investment of the last firm's deposits.**

The new diversification rule is not applicable to the CME's security deposit or guarantee fund. In meeting this particular requirement, investments will continue to be made only in a "Core Fund" or settlement bank fund. The settlement bank funds are: The Bank of New York, Brown Brothers Harriman, Bank of America, Harris Trust and Savings Bank, Bank One and JP Morgan.

Should you have questions, please contact Tim Golomb at 312-930-3194 or Mike Kobida at 312-454-8961.