

Advisory Notice

Clearing House

TO: Clearing Member Firms
Chief Financial Officers
Treasurers
Back Office Managers

FROM: Clearing House Department

ADVISORY #: 05-169

DATE: August 4, 2005

SUBJECT: **New Cash with Interest Program (IEF[®]5) Provider**

The Clearing House of Chicago Mercantile Exchange Inc. (CME) is pleased to announce the latest addition to its Cash with Interest Program (IEF5). Fifth Third Bank will be a provider of this service to the clearing members beginning August 8, 2005.

The Cash with Interest Program was launched in July 2004 with JPMorgan Chase Bank. Like JPMorgan Chase Bank, Fifth Third Bank has established a cash account on its trust ledger that is eligible to pay a monthly hard dollar benefit.

Clearing firm cash that has been designated as IEF5 will reside in CME's account at JPMorgan Chase or Fifth Third Bank, with the 'benefit' accruing to IEF5 participants. The 'benefit' yield is tied to the Fed Funds effective rate as published by the Board of Governors of the Federal Reserve and disseminated through Bloomberg Professional Services on each business day.

Some facts regarding Cash with Interest Program:

- Cash account maintained on the banks' trust ledger.
- Funds may be commingled with other funds derived from trust activities and made available to the treasury of the bank for general funding purposes.
- Does not have a regulatory capital charge or Clearing House performance bond haircut.
- Funds are 100% liquid.
- Is not a money market mutual fund or an investment.
- Is not guaranteed by CME or the banks. In the event of bank insolvency, CME clearing members will be general depositors of the bank and entitled to FDIC insurance of up to \$100,000.
- The Clearing House has set per firm limits for all participants in Cash with Interest as the following:
 - 50% of Core requirements
 - 100% Reserve requirements
 - 100% Concentration requirements
 - 1 billion limit per firm with JPMorgan Chase Bank
 - 100 million limit per firm with Fifth Third Bank
 - Overall CME limit of 7 billion with JPMorgan Chase Bank
 - Overall CME limit of 1 billion with Fifth Third Bank
 - The JPMorgan yield is currently the Fed Effective Rate
 - The Fifth Third yield is currently the Fed Effective Rate minus 4 basis points

Account structure:

The Clearing House has established two omnibus cash accounts on the books of JPMorgan Chase Bank and Fifth Third Bank for Customer segregated and House Non-segregated funds.

Required Documents:

To participate in the Cash with Interest Program, a clearing member must execute the Operations and Notification Document and if the clearing member has not already done so, submit a W-9 tax form. With the addition of Fifth Third Bank, an updated Operations and Notification Document will be distributed and all current Cash with Interest participants and potential participants will be asked to execute this updated version as it will allow the clearing members to participate in both providers *and* any future providers of the Cash with Interest program.

Operational aspects of Cash with Interest:

- Transactions may be entered in CME's Clearing 21 Asset Management application on the web or by calling the Clearing House Financial Unit at 312-207-2594. The asset type of IEF5 will be used for the Cash with Interest Program
- Clearing 21 provides real time asset balance reporting and is available throughout the business day
- Balances will be listed on the Asset Inventory Report (CAI500) along with the clearing member's other assets
- Balances as well as accrued interest for Cash with Interest are reported on the CAI537 report. This report for the program will run at 9:00 a.m. CST on the following business day and will calculate the prior day's accrued interest
- The CST610 report will display maximum allowable IEF5 per firm based on the requirement restrictions
- The CAI553 report is the month end report that will detail all transactions and accrued interest activity for the prior month. This report is run during the first week of the new month
- Deposits and Withdrawals will be processed by CME until 2:30 p.m. CST
- Clearing Members have three options for interest payout at month end. Clearing Members select their interest option on the Operations and Notification Document
 - Re-invest interest—the accrued interest for the month will be added to your principal balance
 - Release interest—the interest will be paid out to you automatically on the first business day of the new month
 - Pay interest as a cash credit to your performance bond assets—the interest will be converted to cash and credited to the clearing member's asset inventory. If the clearing member has performance bond excess, the system will automatically release the cash at the ITD cycle on the first business date of the new month

Contact Information:

For further information regarding CME Cash with Interest Program or any of the other CME Collateral Management Programs, or to obtain the necessary documents to participate in each program, contact Timothy Golomb at 312-930-3194. For questions on Financial Management Operations, please contact Dora DelaPaz or Marc Garcia at 312-207-2594.