



## Advisory Notice

Clearing House

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07-155

TO: Clearing Member Firms  
Chief Financial Officers  
Back Office Managers

FROM: Clearing House Department

SUBJECT: **CME Clearing Performance Bond Collateral Update**

DATE: June 29, 2007

CME Clearing would like to introduce new enhancements to the existing Performance Bond Collateral schedule and Clearing 21 functionalities to support these enhancements. The first is an update to the Clearing 21 Transaction screens for foreign sovereign debt. The second announcement is the CME is pleased to accept Swedish Sovereign Debt for performance bond requirements. The wire transfer structure for foreign currency cash withdrawals will change slightly. Lastly, there is a new automatic debit of cash feature which will support member firms' requests to withdrawal collateral.

### **Foreign Sovereign Debt**

Since 2004, CME has allowed member firms to post various forms of foreign sovereign debt for performance bond collateral. The issuing countries include Germany, France, United Kingdom and Canada. The specific information can be found at <http://www.cme.com/clearing/fm/ac/>. An integral process associated with this collateral is the pre-match and subsequent settlement of the security on the relevant settlement platform of each country. In conjunction with further expansion of the acceptable foreign sovereign debt for performance bond collateral, CME has instituted a new policy to facilitate the automation of the matching and settlement functions.

Please fill out the attached Foreign Sovereign Debt Account Number form attached with this advisory prior to posting any foreign sovereign debt.

Additionally, the following rules must be followed by member firms that choose to post foreign sovereign debt for performance bond collateral.

Firms will be required to provide their account number or their custodian's account number on the relevant settlement platform. Firms may provide one distinct account number per country per origin. These account numbers will be used for *all* foreign sovereign debt transactions. CME Clearing will maintain the database which stores the account number information.

### **CANADA**

Firm must provide:

- a. A firm owned account directly on the Canadian Depository System Platform. (CDS)
- b. Their custodian's account number on CDS.
- c. Their custodian's intermediary bank account number on CDS in addition to custodian info.

Note: If your relationship to the settlement platform is through your custodian, please contact your custodian for their delivery instructions. If your custodian does not also have an account on the settlement platform, they will need to provide the clearing code for their intermediary bank.

### ALL OTHER COUNTRIES:

Firms must provide:

- a. A firm owned account number directly on Euroclear.
- b. Their custodian's account number on Euroclear.

Note: CME will only facilitate foreign sovereign debt (excluding Canada) on the Euroclear settlement platform.

Firms are REQUIRED to enter their foreign sovereign debt transactions into the Clearing 21 Asset Management and Banking Module (C21). The transaction screens are updated to allow firms to enter the trade date and settlement date along with face value and ISIN which are required fields for matching. Account numbers are also required for matching. Please see above for information regarding account numbers.

**CANADA** – Each transaction must be entered into C21 PRIOR to 9:00 A.M. CT for same day settlement. If this cutoff is missed, Clearing 21 will *not* allow you to enter the transaction for same day settlement. C21 will default to the next business day if the entry is made past the deadline. You may enter any settlement date that you would like as long as it is *greater than* the default date. Trade date will default to today's date however you can enter any trade date that you would like as long as it is *less than* the default date.

**ALL OTHER COUNTRIES** – Each transaction must be entered into C21 PRIOR to 9:00 A.M. CT a *minimum* of one business day prior to settlement date. If this cutoff is missed, you will not be able to settle next business day. C21 will default to a settlement date for two business days later if the entry is made past the deadline. You may enter any settlement date that you would like as long as it is greater than the default date. Trade date will default to today's date however you can enter any trade date that you would like as long as it is *less than* the default date.

The picture below shows the screen where you will enter the trade date and settlement date of the transaction. You should follow the same steps for entering a transaction into C21 only you must include the trade date and settlement date for foreign sovereign debt. All other procedures remain the same.

Upon saving the transaction, Clearing 21 will provide a verification window for you to review trade detail information including: Trade date, Settle date, your (or your custodian's) account number and settlement platform. You will be able to cancel your transaction at this time if you note a variance.

## Swedish Sovereign Debt Acceptance

In conjunction with this new feature, which will be maintained in Clearing 21, CME is pleased to announce the acceptance of Swedish Sovereign Debt effective July 16, 2007. The pledging of Swedish Sovereign Debt will be facilitated solely on the Euroclear settlement platform following the rules stated above.

## Foreign Currency Cash Withdrawals

Effective July 16th, CME Clearing has also modified the process for foreign currency cash withdrawals. Previously, member firms were required to provide all beneficiary details with each and every cash withdrawal. On July 16th and thereafter, upon receipt of a Foreign Currency Withdrawal Request, CME Clearing will wire transfer the requested foreign currency to the member firm's settlement account already on file with CME Clearing. All other characteristics of the foreign currency cash withdrawal process remain the same.

## Automatic Debit of USD Cash

Clearing 21 also supports a new feature which will enable CME Clearing to automatically debit your bank account for USD cash if you are withdrawing other assets and your excess is insufficient. For an initial grace period, you will be notified that a debit will post to your account. Following this grace period, you will be expected to view all of your transactions on Clearing 21 module and note any cash deposits on your transaction screen. Cash deposits that are created using this function will have V under Status DCO. Please see the example on the following page.

**Asset Management - Daily Transactions List**

Transactions Options Window Help

**Account Selection**

CO: CME Firm: [ ] Asset Account: [ ] Currency: USD

Origin: NSEG Account Type: PB Bus Func: CLR

**Limit Selection To**

Asset Type: [ ] Creation Date: 04/10/07

**View of cash transaction for deficient collateral.**

----- Transaction -----

Create Date	Status	TX DCO FR Type	Value Date	Asset Type	Bank	CUSIP/ISIN/LOC	Total Par/Shares	New Msg
04/10	V	V	DP	CR	04/10	CASH	Your PB bank	215,930.62 N

Reminder #1: Member firms are allowed to post a MAXIMUM of \$500,000,000 USD Equivalent of Foreign Sovereign Debt across ALL origins.

Reminder #2: All maturity proceeds must be requested by member firms by submitting a CASH withdrawal in the C21 system prior to 9:00 a.m. CT for same day settlement of CAD and next day settlement of EUR cash.

Reminder #3: Coupon interest is processed on a best efforts basis for same day CAD CASH and next day settlement for EUR cash with no action needed by member firm.

Reminder #4: See the table below for information regarding various cash transactions posted to your bank account.

Cash Transaction Reasons	DCO status
Performance bond call or release	S
IEF2 redemption	S
IEF2 purchase	V
Maturity	MA
Insufficient Excess	V

If you have any questions, please call the Clearing House Financial Unit at 312-207-2594

### Foreign Sovereign Debt Account Information

Please fill out this form to notify CME Clearing of your account number information for foreign securities. The following questions apply only to securities you may wish to pledge to CME for performance bond collateral and will determine your account usage in Clearing 21.

**CANADA** Where are your securities currently held in safekeeping? Please circle A, B, C or D for customer AND house. Supply details as needed in box A or D.

Customer Segregated Information		
A) My account at Canadian Depository System (CDS)  My CDS Account number is: _____	B) Harris Trust  C) Brown Brothers Harriman	D) Other: Custodian's Delivery Instructions are: _____ _____ _____

House Non Segregated Information		
A) My account at Canadian Depository System (CDS)  My CDS Account number is: _____	B) Harris Trust  C) Brown Brothers Harriman	D) Other: Custodian's Delivery Instructions are: _____ _____ _____

**ALL OTHER COUNTRIES** Where are your securities currently held in safekeeping? Please circle A or B for customer AND house. Supply details as needed in box A or B.

Customer Segregated Information	
A) My account at Euroclear.  My Euroclear Account number is: _____	B) My custodian.  My Custodian's Euroclear Account number is: _____

House Non Segregated Information	
A) My account at Euroclear.  My Euroclear Account number is: _____	B) My custodian.  My Custodian's Euroclear Account number is: _____

Firm # : \_\_\_\_\_

Firm Name : \_\_\_\_\_

Authorized Signature: \_\_\_\_\_

Date : \_\_\_\_\_

Please fax this form back to 312-930-3187. Attention: Financial Unit