

Advisory Notice

Clearing House

TO: Interest Earning Facility 2 ("IEF2") Participants

FROM: CME Clearing

ADVISORY #: 07-312

DATE: 12/19/2007

SUBJECT: CME IEF2 Money Market Fund Program

Haircuts & Limits

In an effort to provide CME clearing member firms with cost-effective, flexible choices for managing clearing-level performance bond requirements, CME Clearing accepts a wide variety of collateral through its collateral programs. All collateral programs are routinely reviewed to ensure that applicable haircuts and other relevant parameters adequately cover the respective market risk profile.

Given the increased volatility in the short-term securities market, effective Thursday, December 27, 2007, the following changes will be made to IEF2 Money Market Fund Program:

- Performance bond and security deposit haircuts will be increased from the current 1% to 3%.
- The current "concentration" limit, applicable to the sum total of all assets CME clearing firms may hold in any one approved money fund in the IEF2 program is 25% of a fund's total assets. This limit will be decreased to 15% of a fund's total assets.

CME Clearing imposes additional requirements on IEF2 funds approved for use as security deposit collateral. The approved list of IEF2 funds accepted to meet security deposit requirements will be expanded to include all IEF2 funds, subject to satisfaction of operational requirements. Firms wishing to deposit shares of IEF2 funds as security deposit collateral should contact CME Clearing to initiate the process.

Investment Diversification

The IEF2 program includes the following diversification requirements for the combined investment of customer segregated and house non-segregated performance bond cash for each clearing member:

- 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.

No changes will be made to the diversification limits; however firms are encouraged to consider the benefits of investment diversification as applicable to their own business needs.

Please contact CME Clearing's Financial or Risk Management hotlines with any questions.

Financial Hotline	312-207-2594
Risk Management Hotline	312-648-3888