

Advisory Notice

Clearing House

08-295

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

FROM: CME Clearing

SUBJECT: Performance Bond Requirement Changes: **Outright (SCAN) Tiers Structures and Margin Rate Change for the Existing Natural Gas Index Swap Contracts.**

As per the normal review of market volatility to ensure adequate collateral coverage, the Chicago Mercantile Exchange Inc., Clearing House Risk Management staff approved the performance bond requirements for the following products listed below. The rates are effective at the close of business from Tuesday, October 28, 2008 (*close of business*).

Futures Contracts:

| <u>Contract Name</u> | <u>Symbol</u> |
|--|----------------------|
| Transco Zone 6 Index Swap | IT |
| Sumas Index Swap | IU |
| TETCO M-3 Index Swap | IX |
| TCO Natural Gas Index Swap | Q1 |
| TETCO STX Natural Gas Index Swap | Q2 |
| Tennessee Zone 0 Natural Gas Index Swap | Q4 |
| Tennessee Zone 0 Natural Gas Index Swap | Y6 |
| Tennessee 500 Leg Natural Gas Index Swap | Y7 |
| Michcon Natural Gas Index Swap | Y8 |
| CIG Rockies Natural Gas Index Swap | Z8 |

Contract Months: All Months

Note: The revised margin Tiers are in **bold**.

NYMEX Outright (Scan) Margin and Intra-Commodity Spread Tiers For TCO Natural Gas Index Swap(Q1), TETCO STX Natural Gas Index Swap(Q2), Tennessee Zone 0 Natural Gas Index Swap(Q4), Transco Zone 3 Natural Gas Index Swap(Y6), Tennessee 500 Leg Natural Gas Index Swap(Y7), Michcon Natural Gas Index Swap(Y8), CIG Rockies Natural Gas Index Swap(Z8).

| Tiers | New | Old* |
|--------------|------------------------------------|-------------|
| 1 | 1st - 2nd Nearby | 1st Nearby |
| 2 | 3rd Nearby | N/A |
| 3 | 4th And Greater | N/A |

NYMEX Division Margin Rates For Existing Natural Gas Index Swaps

| | Clearing Member / Maintenance Margin | | Member Customer Initial Margin | | Non-Member Customer Initial Margin | |
|---|---|---------|-----------------------------------|---------|---------------------------------------|---------|
| | New | Old | New | Old | New | Old |
| Transco Zone 6 Index Swap(IT) | | | | | | |
| Tier 1 | \$3,000 | \$3,000 | \$3,300 | \$3,300 | \$4,050 | \$4,050 |
| Tier 2 | \$500 | \$2,000 | \$550 | \$2,200 | \$675 | \$2,700 |
| Tier 3 | \$100 | \$100 | \$110 | \$110 | \$135 | \$135 |
| Sumas Index Swap(IU) | | | | | | |
| Tier 1 | \$2,500 | \$2,500 | \$2,750 | \$2,750 | \$3,375 | \$3,375 |
| Tier 2 | \$500 | \$1,000 | \$550 | \$1,100 | \$675 | \$1,350 |
| Tier 3 | \$100 | \$100 | \$110 | \$110 | \$135 | \$135 |
| Transco Zone 6 Index Swap(IX) | | | | | | |
| Tier 1 | \$3,000 | \$3,000 | \$3,300 | \$3,300 | \$4,050 | \$4,050 |
| Tier 2 | \$500 | \$1,000 | \$550 | \$1,100 | \$675 | \$1,350 |
| Tier 3 | \$100 | \$100 | \$110 | \$110 | \$135 | \$135 |
| TCO Natural Gas Index Swap(Q1) | | | | | | |
| Tier 1 | \$2,000 | \$1200 | \$2,200 | \$1,320 | \$2,700 | \$1,620 |
| Tier 2 | \$500 | N/A | \$550 | N/A | \$675 | N/A |
| Tier 3 | \$100 | N/A | \$110 | N/A | \$135 | N/A |
| TETCO STX Natural Gas Index Swap(Q2) | | | | | | |
| Tier 1 | \$2,000 | \$1200 | \$2,200 | \$1,320 | \$2,700 | \$1,620 |
| Tier 2 | \$500 | N/A | \$550 | N/A | \$675 | N/A |
| Tier 3 | \$100 | N/A | \$110 | N/A | \$135 | N/A |
| Tennessee Zone 0 Natural Gas Index Swap(Q4) | | | | | | |
| Tier 1 | \$2,000 | \$1,400 | \$2,200 | \$1,540 | \$2,700 | \$1,890 |
| Tier 2 | \$500 | N/A | \$550 | N/A | \$675 | N/A |
| Tier 3 | \$100 | N/A | \$110 | N/A | \$135 | N/A |
| Tennessee Zone 0 Natural Gas Index Swap(Y6) | | | | | | |
| Tier 1 | \$2,000 | \$1,300 | \$2,200 | \$1,430 | \$2,700 | \$1,755 |
| Tier 2 | \$500 | N/A | \$550 | N/A | \$675 | N/A |
| Tier 3 | \$100 | N/A | \$110 | N/A | \$135 | N/A |
| Tennessee 500 Leg Natural Gas Index Swap(Y7) | | | | | | |
| Tier 1 | \$2,000 | \$1,300 | \$2,200 | \$1,430 | \$2,700 | \$1,755 |
| Tier 2 | \$500 | N/A | \$550 | N/A | \$675 | N/A |
| Tier 3 | \$100 | N/A | \$110 | N/A | \$135 | N/A |
| Michcon Natural Gas Index Swap(Y8) | | | | | | |
| Tier 1 | \$2,000 | \$1,500 | \$2,200 | \$1,650 | \$2,700 | \$2,025 |
| Tier 2 | \$500 | N/A | \$550 | N/A | \$675 | N/A |
| Tier 3 | \$100 | N/A | \$110 | N/A | \$135 | N/A |

Performance Bond Requirement Changes

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NYMEX Division Margin Rates For Existing Natural Gas Index Swaps

| | Clearing Member / Maintenance Margin | | Member Customer Initial Margin | | Non-Member Customer Initial Margin | |
|--|---|---------|-----------------------------------|---------|---------------------------------------|---------|
| | New | Old | New | Old | New | Old |
| CIG Rockies Natural Gas Index Swap(Z8) | | | | | | |
| Tier 1 | \$6,700 | \$6,700 | \$7,370 | \$7,370 | \$9,045 | \$9,045 |
| Tier 2 | \$500 | N/A | \$550 | N/A | \$675 | N/A |
| Tier 3 | \$100 | N/A | \$110 | N/A | \$135 | N/A |

Should you have any questions regarding these margin rates, please contact William Doherty at (212) 299-2925.