

TO: SPAN Software Users

FROM: CME Clearing

DATE: March 30, 2011

ADVISORY #: 11-115

SUBJECT: **New IRS Margining Software Version Coming Soon**

Please be advised that a new version of CME's IRS margining software, which supports greater contract flexibility, will be made available to clearing firms and customers on Thursday March 31st, 2011. For the avoidance of doubt, margin parameter files for the new build will be available for the New Release environment on Monday April 4th. The new version will be identified as Version 4.5 Build 535 and will be available to authorized users at CME's software distribution website at www.cme-ch.com/pcspan.

The new version should be used for IRS margin calculations to match the New Release customer testing environment beginning on the following Monday – Monday, April 4th. It should not be used in New Release prior to that date.

The new version should be used for IRS margin calculations to match the Production environment beginning on Monday April 11th. It should not be used in Production prior to that date.

The new version may be installed, but is not required to be installed, for margining futures or CDS contracts, and will not cause margins to be changed for futures or CDS contracts in either Production or New Release.

The new version incorporates the following changes:

- Enhancements to margin stubs. Stub functionality was released by the CME on February 2nd of this year. This margin release will better reflect the stub exposures in the margin calculations for IRS portfolios.
- Enhancement to the precision in the risk arrays. Currently, risk arrays use integers in terms of precision that allowed outside vendors more time to integrate the IRS margin model. The risk array precision will be increased to two decimal places to more accurately calculate the true margin amounts for IRS portfolios. Please see the attached example as a demonstration of the possible affect on a portfolio.
- Calendar coordination. Currently, the new release environment and production environments are running on different calendars. This is producing a slight

numerical margin difference due to day counts issues between the same portfolio margined in our new release and production environments. We are bringing calendars into alignment to remove this difference.

For further information please contact CME Clearing's Risk Department at 312-648-3888.