

11-183

TO: Chief Executive Officers
Chief Compliance Officers
Chief Financial Officers

FROM: CME Clearing

DATE: May 24, 2011

SUBJECT: **IMPORTANT: First Implementation of Changes to Guaranty Fund and Concentration Margining**

As approved by the Clearing House Risk Committee (“CHRC”) at its May 3, 2011 meeting, the following incremental changes to CME Clearing’s Base Guaranty Fund calculation and Concentration Margin program will be effective at the close of business on June 1, 2011.

The current guaranty fund to aggregate margin pool size will be increased from 2.5% to 3.0%. Additionally, the variable used to scale each clearing firm’s proportionate share of the futures guaranty fund will change as highlighted below:

Performance Bond Component: From 84% to 90%

Volume Component: From 15% to 10%

FX Component: From 1% to 0%

CME Clearing also determined to enhance its concentration margin algorithm using additional tier structures as outlined in the table below. Tiers 1-7 of the new Concentration Margin program will be implemented on June 1.

Current Methodology			New Methodology								
Add-on	10%	25%	10%	15%	20%	25%	30%	35%	40%	45%	50%
Impact	\$500m	\$1b	\$500m	\$750m	\$1b	\$1.5b	\$2b	\$2.5b	\$3b	\$4b	\$5b
Excess											
ANC	1X	2X	1X	1.5X	2X	2.5X	2.5X	2.5X	2.5X	2.5X	2.5X
Tier	1	2	1	2	3	4	5	6	7	8	9

On July 1, the guaranty fund to aggregate margin pool size will increase from 3.0% to 3.5% with the additional variables changed as outlined below:

Performance Bond Component: From 90% to 95%

Volume Component: From 10% to 5%

Also, tiers 8-9 of the concentration margin program will be implemented.

For background information please see Advisory Notice #11-165.

For questions, please contact Tim Doar, MD Risk Management, at Tim.Doar@cmegroup.com, or Dale Michaels, MD Market Risk Management, at Dale.Michaels@cmegroup.com