

 **CME Group** | Advisory Notice

12-370

TO: Clearing Member Firms
Back Office Managers

FROM: CME Clearing

SUBJECT: **Update to CDS Margin Methodology in New Release (UAT)**

DATE: August 28, 2012

Please be advised that CME Clearing will be making changes to the liquidity margin factor within its CDS margin methodology in New Release effective at end of day Thursday, September 6th.

Specifically, the changes are related to Duration/Series/Tenor (DST) component of the liquidity margin methodology. Instead of using a maximum DST value across all series-tenor combinations, the new methodology calls for using series-tenor specific DST value according to the series and tenor of the underlying position.

As a result of this change, please note the impacts noted below –

- CME Clearing will be releasing a new version of PC-SPAN which will be made available beginning Thursday, August 30th in New Release environment only. The new version (4.5.559) includes updates to the Liquidity factor of the margining methodology for Indices only. **This new version of PC-SPAN will be required to calculate margins in New Release.**
- For clients who compare CDS margin requirements between New Release (UAT) and Production, please note that margin results between the two environments will not be the same. Currently, margin results between new release and production are identical.

Please contact the CME Clearing Risk Hotline at clearing.riskmanagement@cmegroup.com or 312.648.3888 if you have further questions.