

 **CME Group** | Advisory Notice

12-433

TO: Clearing Member Firms; Back Office Managers  
FROM: CME Clearing  
SUBJECT: CDS, IRS & FX Credit Controls  
DATE: October 10, 2012

Pursuant to Clearing House advisory 12-414 (available at <http://www.cmegroup.com/tools-information/lookups/advisories/clearing/files/Chadv12-414a.pdf>), CME Clearing intends to provide CME Clearing Members the following tools to help facilitate their compliance with CFTC regulation 1.74 effective October 1, 2012.

The full set of functionality available as of October 15th is described in detail below:

### **OTC CDS**

Optional hosted limits in CME ClearPort RAV which will allow firms to manage their clients' exposure in a real-time manner via web-based application:

- CME ClearPort RAV will be enhanced to allow firms to set Initial Margin level limits on each customer account (reference CDSinRAVManager.pdf)
- Notional Position Limits will continue to be available at the product level for each customer account

CME Clearing will continue to provide clearing firms the ability to accept or reject trades via automated messaging from their internal risk systems thru our clearing confirmation API.

A web-based application (FEC+) is also available for clearing firms to be able to manually confirm trades, if necessary.

### **OTC IRS**

Optional hosted limits in the CME Limits application will allow firms to manage their client's exposure in a real-time manner via a web-based interface:

- CME Limits allows firms to set the following limit parameters for each customer account:
  - Notional Limits: Maximum Gross notional amount irrespective of net directional position
  - Sign Notional: Cap on net directional notional positionPV01: Scaled by shock to zero curve of 1 basis point
  - NPV: Maximum NPV in either positive or negative direction

CME Clearing continues to provide clearing firms the ability to accept or reject trades via automated messaging from their internal risk systems thru our clearing confirmation API.

A web-based application (DMS) is also available for clearing firms to be able to manually confirm trades, if necessary.

## **OTC FX**

Mandatory hosted limits in CME ClearPort RAV which will allow firms to manage their clients' exposure in a real-time manner via web-based application:

- CME ClearPort RAV has been enhanced to all firms to set Initial Margin level limits on each customer account
- Notional Position Limits are also available at the product level for each customer account

OTC FX trades are cleared in a real-time manner today.

***CME Clearing will implement an automated process to accept or reject trades after the CFTC mandated time limit of 120 seconds for FCMs to accept or reject trades on November 5<sup>th</sup>, 2012. In order for CME Clearing to accept trades both sides of the submitted matched pair must be accepted by a CME Clearing Member. Trades without a guaranteeing clearing member will be rejected by CME Clearing. There will be no change to the current trade workflow for CDS, FX and IRS at this time.***

Please contact the CME Client Services Team at 312-338-7112 or [onboarding@cmegroup.com](mailto:onboarding@cmegroup.com) with any questions.