

 **CME Group** | Advisory Notice

TO: Clearing Member Firms; Back Office Managers

FROM: CME Clearing

DATE: October 19, 2012

ADVISORY #: 12-450

SUBJECT: **Revisions to CME Rules 802, 8G802, 8H802, 8G04, 8H04 and new Rule 901.P**

New Commodity Futures Trading Commission (“Commission”) Regulations regarding the protection of cleared swaps customer contracts are final and become effective on November 8, 2012. The customer protection regime for cleared swaps customers, contained in new Part 22 of Commission regulations, implements the legal segregation with operational commingling (“LSOC”) regime.

In preparation for the effective date of the LSOC regime, CME Clearing proposed certain revisions to CME Rules that concern the protection of the Clearing House. Specifically, revisions are proposed to CME Rules 802, 8G802, 8H802 (Protection of the Clearing House for the Base Guaranty Fund, the IRS Guaranty Fund, and the CDS Guaranty Fund respectively). The respective Risk Committee for each guaranty fund recently approved the revisions.

The revisions to CME Rules regarding the protection of the Clearing House affect the manner in which CME Clearing would manage the default of a Clearing Member clearing swaps for customers, particularly the post-default treatment of cleared swap customer accounts.

The respective Risk Committees also approved revisions to CME Rules 901P, 8G04, and 8F04 regarding a Clearing Members general requirements and obligations. The revisions to the Clearing Members general requirements and obligations provide that each Clearing Member clearing swaps submit to the Clearing House a daily report of the positions and collateral of each of its cleared swaps customers.

CME Clearing intends to submit the rule revisions to the Commission today, October 19, 2012. Contemporaneously with the submission the rule revisions will be posted on the CME Group web site.

Please carefully review the revisions to CME Rules 802, 8G802, 8H802, 901.P, 8G04, and 8H04 as they reflect the implementation of the new LSOC swaps customer protection regime and may impact each clearing member with a cleared swaps customer.