

Memorandum

#13-077

TO: Clearing Member Firms
Chief Financial Officers
Back Office Managers
Margin Managers

FROM: CME Clearing

DATE: February 13, 2013

SUBJECT: **Collateral Categorization Change - TIPS**

As per the normal review of acceptable collateral and limits, CME Clearing is making the below changes to the diversification requirement of collateral composition used by Clearing Member Firms to meet performance bond requirements.

Please be advised that effective Thursday, February 28, U.S. Treasury Inflation Protected Securities (TIPS) will be moved from Category 1 to Category 3 per the below schedule. Additionally, TIPS will have a sub-limit of \$1 billion per firm (and affiliates).

Clearing Member Firms are required to meet at least 20% of core performance bond requirements with Category 1 assets and are permitted to meet a maximum of 40% core performance bond requirements with each of Category 2 and Category 3 assets. Clearing member firms may use assets in any Category to meet concentration margin requirements.

Category 1 Assets:

- USD Cash
- U.S. Treasuries (excluding TIPS)
- IEF2 Money Market Mutual Funds

Category 2 Assets:

- U.S. Government Agencies
- Select Mortgage Backed Securities
- IEF5 Specialized Cash Program
- Letters of Credit

Category 3 Assets*:

- U.S. Treasury Inflation Protected Securities (TIPS)
- Physical Gold
- Stocks
- IEF4 Specialized Collateral Program
- Select Foreign Sovereign Debt (Canada, France, Germany, Japan, Sweden, UK)

**Note: The maximum allowable limit for utilization of Category 3 Assets will be the lesser of a) 40 % of core margin requirements and concentration requirements or b) \$3 billion per Clearing Member Firm across all settlement accounts.*

Please refer to the website <http://www.cmegroup.com/clearing/financial-and-collateral-management/> for further detail regarding acceptable collateral, haircuts, and limits.