



Advisory Notice

Clearing House

13-483

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

FROM: CME Clearing

SUBJECT: OTC IRS Event Risk Margin Add-on

DATE: October 15, 2013

CME Clearing is closely monitoring the developments related to the US reaching its debt ceiling. Anticipating possible market moves specific to this event, CME will increase margin for all OTC IRS portfolios by applying the Event Risk margin add-on of 12% to the base margins. The additional margin will be implemented across four days with the first 3% increment beginning the margin cycle for end of day Wednesday October 16th.

The CME Financial Safeguards package is designed to cover many market shock scenarios. Due to the additional uncertainty brought by the debt ceiling debate, CME specifically targeted tail scenarios in the OTC IRS portfolio and assessed the impact to the base margins. The analysis incorporated the tail scenarios into the margin methodology with increased probability relative to generic risk scenarios, which suggested an average margin increase of 12% across cleared OTC IRS portfolios. This is a temporary measure and is subject to review depending on market conditions. It will be rolled back upon resolution of market uncertainty stemming from this specific event risk.

For further details, please contact the CME Risk Hotline: **312-648-3888**

Regards,

CME Clearing