

14-133

DATE: March 28, 2014

TO: Clearing Member Firms

FROM: CME Clearing

SUBJECT: **Performance Bond Category Changes**

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On January 24, 2014, CME Clearing notified Clearing Member Firms of its plan to amend the categorization and limits for some types of collateral eligible to meet performance bond requirements via Clearing Advisory Notice 14-040. As noted in that advisory, these changes are designed to allow CME Clearing to better comply with the liquidity requirements of CFTC Regulation 39.33. However, CME Clearing has decided to extend the deadline for the changes to April 14, 2014, in light of the flexibility provided by the CFTC's ongoing no-action relief from the requirements of Regulation 39.33 from the CFTC, as well as to allow Clearing Member Firms an additional window to comply with the new requirements.

Please note that the re-categorization of eligible performance bond collateral and imposition of associated acceptance limits set forth below will be applicable as of April 14, 2014, pending regulatory review, but will not apply to collateral eligible to meet performance bond requirements for security-based swaps without approval from the Securities & Exchange Commission.

**Category 1**

- USD Cash
- FX Cash+
- US Treasuries
- IEF5
- LOC\*

**Category 2\***

- US Government Agencies
- Select MBS
- TStrips (cap \$1B)
- TIPS (cap \$1B)

**Category 3\*\***

- IEF2 ♦
- Foreign SOV Debt (cap \$1B)
- IEF4 (corporate bonds)
- Gold (cap \$500mm)
- Equities (cap \$1B)

\*Capped at 40% of core requirement

\*\* Capped at lesser of 40% of core requirement or \$5 billion per Clearing Member Firm

♦ Not subject to 40% cap

+ \$250 million USD equivalent on FX cash meeting requirement in different currency

Category 2 and 3 cannot exceed \$7 Billion in USD equivalent.

For more information, please contact CME Clearing Financial Unit at 312-207-2594 or CME Clearing Risk Unit at 312-648-3888.