

14-234

DATE: June 13, 2014

TO: Clearing Member Firms

FROM: CME Clearing

SUBJECT: **Collateral Categorization & Limit Changes – Performance Bond**

Effective July 11, 2014, CME Clearing will expand the categories of acceptable collateral to meet Performance Bond requirements from three to four categories for Base Guaranty Fund and IRS products, pending regulatory approval.<sup>1</sup> Please see the table below for the new asset categorization. In addition, the limit on Letters of Credit will be changed to the lesser of \$500M or 25% of a Clearing Member's core requirement.<sup>2</sup> Further, financial-affiliated Clearing Members will no longer be able to post Letters of Credit to meet house Performance Bond requirements.

All other limits will remain the same under the new category structure.

<b><u>Category 1</u></b>	<b><u>Category 2</u></b>	<b><u>Category 3**</u></b>	<b><u>Category 4***</u></b>
USD Cash	IEF 5	US Government Agencies	IEF 2 <sup>†</sup>
FX Cash <sup>+</sup>	LOC*	Select MBS	IEF 4 (Corporate Bonds)
US Treasuries		Tstrips	Gold
		TIPS	ETFs and Stocks
			Foreign SOV Debt

<sup>+</sup>\$250 million USD equivalent on FX cash meeting requirement in a different currency

\*Capped at the lesser of 25% of core requirement or \$500 million per clearing member

\*\*Capped at 40% of core requirement per clearing member

\*\*\*Capped at the lesser of 40% of core requirement or \$5 billion per clearing member

<sup>†</sup>Not subject to the 40% cap

Category 3 and 4 combined 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.

<sup>1</sup> Expansion of collateral categories for CDS products will take place following separate regulatory approval process.

<sup>2</sup> Please note that Letters of Credit are not accepted as collateral to meet Performance Bond requirements for CDS and IRS products.