

#14-251

TO: Clearing Member Firms
Chief Financial Officers
Back Office Managers

FROM: CME Clearing

SUBJECT: June 2014 Eligible ETFs and Stocks

DATE: June 23, 2014

CME Clearing accepts a select number of shares of ETFs and equity stocks for customer and house segregated performance bond collateral for Base Guaranty Fund products. CME Clearing now accepts ETFs under its own asset type, ETF, in our C21 system. Both ETFs and stocks are category 3 assets and are capped in combination at \$1 billion per clearing member firm. Please refer to the website <http://www.cmegroup.com/clearing/financial-and-collateral-management/> for further details regarding acceptable collateral, haircuts, and limits.

For ETF and stock acceptance criteria and a list of eligible ETFs and stocks, please see <http://www.cmegroup.com/clearing/financial-and-collateral-management/>. CME Clearing utilizes a tiering methodology based on average daily volume to determine the number of eligible shares per clearing member firm.

Tiering	Average daily volume over last 30 days	Eligible shares per CMF
Tier 1	More than 10,000,000	1,000,000
Tier 2	5,000,000 - 10,000,000	500,000
Tier 3	2,500,000 - 5,000,000	250,000
Tier 4	1,000,000 - 2,500,000	100,000
Tier 5	500,000 - 1,000,000	50,000
Not eligible	Less than 500,000	None

CME Clearing utilizes Depository Trust & Clearing Corporation (DTCC) as the depository for the ETF and Stock Programs. In order to participate in the programs, clearing members must have an account at DTCC. For those firms familiar with the DTCC system, the CME's account has "Repo" status.

Clearing members with an account at DTCC can originate free pledges of securities to the CME account or request the release of pledged securities from the account at the CME. CME staff has direct access to DTCC's system to view clearing member pledges and approve release

requests. Release transactions are not finalized until CME has approved the transactions. Clearing members have the opportunity to pledge securities in the morning to facilitate the release of a.m. cash calls at the intra-day performance bond cycle, or to request the release of pledged securities. The deadline for morning transactions is 10:30 a.m. CST. Clearing members have an additional opportunity to pledge securities in anticipation of increases in their overnight performance bond requirements until approximately 1:30 p.m. CST.

If you need further information about the ETF and Stock Programs, please contact the Financial Unit at (312) 207-2594 or the Risk Management Group at 312-648-3888.