

#15-14

TO: Clearing Member Firms; Back Office Managers
FROM: CME Clearing
DATE: Wednesday, January 14, 2015
SUBJECT: **CDS Production Advisory – New CME CDS Margin Model and iTraxx Clearing Services**

Please be advised that beginning on Monday, February 2, 2015, CME Clearing will implement the new CME CDS Margin Model and launch the Markit iTraxx Europe and the Markit iTraxx Crossover benchmark indexes into Production.

CME Clearing will expand the product set to include the Markit iTraxx Europe index with 3, 5, 7 and 10-year maturities and the Markit iTraxx Crossover index with 5-year maturity, for both Series 17 through 22.

The Markit iTraxx Europe index corresponding clearing codes:

- Series 17 (ITX17.SR.MM.EUR) – IT17
- Series 18 (ITX18.SR.MM.EUR) – IT18
- Series 19 (ITX19.SR.MM.EUR) – IT19
- Series 20 (ITX20.SR.MM.EUR) – IT20
- Series 21 (ITX21.SR.MM.EUR) – IT21
- Series 22 (ITX22.SR.MM.EUR) – IT22

The Markit iTraxx Crossover index corresponding clearing codes:

- Series 17 (ITXXO17V2.SR.MM.EUR) – IX17V2
- Series 18 (ITXXO18V2.SR.MM.EUR) – IX18V2
- Series 19 (ITXXO19V2.SR.MM.EUR) – IX19V2
- Series 20 (ITXXO20.SR.MM.EUR) – IX20
- Series 21 (ITXXO21.SR.MM.EUR) – IX21
- Series 22 (ITXXO22.SR.MM.EUR) – IX22

On Friday, January 30, 2015, CME Clearing will update the status of the new iTraxx indices to clearable on the Product Reference File. There will be no changes to the current daily position reporting.

The new CME CDS Margin Model will be supported in CME CORE, but will no longer be supported in PC-Credit. Thus, the publication of the CDS Risk Parameter file (cbs.risk.yyyymmdd.s.xml) will cease in Production on Friday, January 30, 2015. With the introduction of the new CME CDS Margin Model, CME Clearing will begin publishing a new margin report titled *CDSMR3_nnn_yyyymmdd.csv* (CDSMR3). The CDSMR3

report contains the initial margin requirement broken down by performance bond account. More specifically, clearing member firms that hold positions in both USD and EUR denominated credit default swap contracts will see a currency-specific margin in addition to a single USD-equivalent margin requirement for their portfolio. Please note, the current CDS Margins Summary will continue to be published.

Price Quality Auction Submission Timeline (London local time)

- 2:45 pm - Auction submission request file available on sFTP site
- 4:00 pm - Preliminary auction (optional participation)
- 4:35 pm - Final iTraxx auction
- 4:45 pm - Matched trade processing (if any)

Please note, CME Clearing adheres to the SIFMA UK Auction Calendar for early closes and price submissions: <http://www.sifma.org/services/holiday-schedule/#uk2015>

If you have questions, please contact the CME Client Services Team at Onboarding@cmegroup.com.

Regards,

CME Clearing