

TO: Clearing Member Firms
FROM: CME Clearing
ADVISORY #: 15-245
SUBJECT: **Amendment to IRS Clearing Member Minimum IRS Guaranty Fund Contribution**
DATE: August 19, 2015

Please be advised that commencing on Monday, August 31, 2015, CME Clearing will effectuate amendments to CME Rule 8G07, "IRS Financial Safeguards and Guaranty Fund Deposit". CME Clearing periodically reviews its requirements for clearing membership and recently determined to reduce the minimum Interest Rate Swap ("IRS") Clearing Member contribution to the IRS Guaranty Fund from \$50,000,000 to \$15,000,000. The growth of IRS clearing activity at CME Clearing and corresponding growth of the IRS Guaranty Fund ensures robust financial safeguards for IRS products and thereby allows CME to implement the change. The change will encourage more entities to apply for IRS clearing membership which would further the diversification of IRS Clearing Members, reduce concentration of risk and provide additional liquidity to the default management process. No other changes to IRS clearing membership requirements are being proposed.

It is important to note that the proposed change will not affect the overall size of the IRS Guaranty Fund or Assessments. Each IRS Clearing Member's minimum contribution to the IRS Guaranty Fund shall be the greater of the IRS Clearing Member's proportionate share of the IRS Guaranty Fund (based upon the 30-day trailing average of its potential loss and the 30-day trailing average gross notional open interest outstanding at the CME Clearing) or \$15,000,000. Commencing on Monday, August 31, 2015, the minimum contribution of the affiliated firms will be \$15,000,000 each.

The relevant portion of amended CME Rule 8G07 is provided below.

**CHAPTER 8-G
INTEREST RATE DERIVATIVE CLEARING**

8G07. IRS FINANCIAL SAFEGUARDS AND GUARANTY FUND DEPOSIT

- (ii) Each IRS Clearing Member's minimum contribution to the IRS Guaranty Fund shall be the greater of:
 - (a) such IRS Clearing Member's proportionate share of the IRS Guaranty Fund based on the 30-day trailing average of its potential residual loss ("PRL") and the 30-day trailing average gross notional open interest outstanding at the Clearing House (or in either case, such other shorter time interval determined by the IRS Risk Committee); or
 - (b) \$15,000,000.

Please direct any questions to the CME Clearing Risk Management Help Line at 312-648-3888.