



To: Clearing Member Account Administrators  
From: CME ClearPort Market Operations  
Date: September 26, 2012  
Subject: CDS through RAV

Please be advised that effective **Sunday, October 14<sup>th</sup>** (for the October 15<sup>th</sup> business date) Credit Default Swap (CDS) trades submitted for clearing through CME ClearPort will be eligible for credit checking through RAV. By enabling an Account's CDS trades for credit checking through RAV, the Account's overall margin requirements will be calculated using CME SPAN and validated against the Account's specified RAV Limit.

By default, all existing Accounts permissioned for the ClearPort Credit Derivatives Market Type will have their CDS Risk Method set to "Clearing Member Explicit Claim", leaving the Account's RAV Limit unchanged.

Within the Account Manager application Clearing Members will have the ability to choose one of two CDS Risk Methods for a specific Account: "CME Hosted" or "Clearing Member Explicit Claim" (the default setting). If an Account's CDS Risk Method is changed to "CME Hosted", RAV credit checking will be applied to the Account. If "Clearing Member Explicit Claim" is selected, trades submitted to ClearPort for the Account will not be subject to the RAV credit check, and instead, will be available for explicit Reject or Accept within the FEC+ application.

An Account's CDS Risk Method setting is located within the Account Manager application, in the Account's Market Permissions tab, under the ClearPort Credit Derivatives Market Type when set to "Specific" or "All".

In addition to CDS trades in that Account being counted toward the Account's overall margin usage, an Account which has its CDS Risk Method set to "CME Hosted" also becomes eligible for CDS product-level position limits. These long and short net position limits are to be set in notional terms (to the dollar) using the Account's Credit Controls screen. By default, an Account's CDS Product Position Limits are set to unlimited.

**Please note the following:**

- If an Account's CDS Risk Method is set to "CME Hosted" and the Account is permissioned for multiple Market Types (e.g. the Account is configured to allow trading in both the Credit Derivatives and OTC FX markets), trades in all Market

Types assigned to the Account will count towards the Account's overall margin usage.

- If an Account's CDS Risk Method is set to "CME Hosted" and one of the Risk Limits is exceeded (either the RAV Limit or the CDS Product Position Limits), the submitting platform will receive a rejection notification from ClearPort. Once rejected, the trade can be resubmitted to CME ClearPort by the submitting platform and will again be subject to credit check at that time.

The CDS Risk Method setting will be visible in the Production Account Manager application starting Sunday, September 30<sup>th</sup>, giving Clearing Member Account Admins an opportunity to adjust the CDS Risk Method setting and RAV Limit for their Accounts before the actual changes to support CDS through RAV go live on Sunday, October 14<sup>th</sup>. Again, changing the CDS Risk Method setting to "CME Hosted" or entering CDS Product Position Limits in Production will not take effect until Sunday, October 14<sup>th</sup>.

In New Release, CDS credit checking will go into effect starting on Wednesday, October 3<sup>rd</sup>. As in Production, all existing Accounts in New Release that are permissioned for the ClearPort Credit Derivatives Market Type will have their CDS Risk Method defaulted to "Clearing Member Explicit Claim".

If you would like to test this new functionality in the New Release environment and/or need assistance adjusting your account settings in Production, please contact:

**CME Client Services**

312-338-7112

[onboarding@cmegroup.com](mailto:onboarding@cmegroup.com)

The CME Client Services team plans to release additional information, including procedures for updating these limits in bulk, by Friday, September 28<sup>th</sup>.

Please refer to the Account Manager User Guide (located here:

<http://www.cmegroup.com/tools-information/webhelp/account-manager/Default.htm>) for additional details regarding this new functionality.

Should you have any questions about Account Manager, in general, please contact CME ClearPort® Market Operations at 800-438-8616/212-299-2670 or e-mail:

[CustCare@cmegroup.com](mailto:CustCare@cmegroup.com)