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**Sent:** Thursday, May 03, 2012 02:46 PM

**To:** Lawton, John C.; Radhakrishnan, Ananda

**Cc:** Duffy, Terry <Terry.Duffy@cmegroup.com>; Jerrold Salzman (External Contact) <Jerrold.Salzman@skadden.com>; Gill, Phupinder <Phupinder.Gill@cmegroup.com>; Shuman, Ann <Ann.Shuman@cmegroup.com>; Cronin, Kathleen <Kathleen.Cronin@cmegroup.com>

**Subject:** Request for Extension on Implementing Regulation § 39.13(g)(ii)

John and Ananda,

On behalf of CME Group, we hereby request a 90 day stay from the May 7, 2012 implementation date of Regulation § 39.13(g)(ii)—“Customer Initial Margin Requirements.” At the time of our comments in response to the proposed rules, we did not understand that this provision applied to member-customers in addition to public customers. We were already in full compliance as respects public customers other than members. Our members had generally been afforded hedge margin treatment for all of their positions and it was not understood that this provision would have a profound, adverse impact on their costs of doing business.

Tuesday, the clearing house put out an advisory in which members were not afforded any special status with respect to initial margin levels. By Wednesday, the adverse impact on our markets became clear as complaints were registered and market professionals adjusted positions and began changing their trading practices. The reaction was in anticipation of a 35% increase in margin levels for our most important liquidity providers. Based on what we have so far observed, we believe that this will have a significant impact on the quality of markets available to agricultural hedgers and other end users.

We need additional time to understand, announce and apply the rule and system changes to identify and collect the new initial margin requirement from those members who should not be treated as hedgers. It is our understanding and expectation that members who act as liquidity providers and spreaders should qualify for that more favorable treatment. We need time to discuss and crystallize those distinctions.

In addition, there is some lack of clarity exactly how this regulation impacts customer omnibus accounts as well. Given the need to avoid confusion and potential disruption in the market and to provide clearing members and other FCM's with comfort around the implementation of this regulation, we would also request that the 90 day extension apply to omnibus accounts.

Thank you for your prompt consideration of this important issue. As we discussed on the phone earlier, we would like to be able to get the notice of this relief out to the market participants today to avoid further adverse market reaction.

Kim