

February 14, 2013

**VIA E-MAIL**

Ms. Melissa Jurgens  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

**RE: Regulation 40.6(a) Self-Certification. Chicago Mercantile Exchange Inc.'s Clearing Advisory Notice Regarding a Change to the Collateral Categorization for Treasury Inflation Protected Securities. CME Submission No. 13-049.**

Dear Ms. Jurgens:

Chicago Mercantile Exchange Inc. ("CME"), pursuant to Commodity Futures Trading Commission (the "Commission") Regulation 40.6(a), hereby self-certifies the attached draft CME Clearing Advisory Notice regarding a change to the Collateral Categorization of Treasury Inflation Protected Securities ("TIPS"), effective February 28, 2013.

The CME Clearing Advisory Notice informs clearing members and market participants that CME Clearing will, beginning on February 28, 2013, treat TIPS posted by clearing member firms as Category 3 assets. The purpose of the change is to move TIPS into a different category due to a potential longer liquidation horizon for TIPS as compared to other US Treasury Securities.

CME reviewed the designated clearing organization core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA"). During the review, CME identified the following Core Principles as potentially being impacted:

**Financial Resources:** A change to the collateral categorization for TIPS may impact the type and size of collateral used by a clearing member to meet its margin requirements. However, this change will have no impact on the level of margin collected. CME Clearing will continue to have adequate financial, operational, and managerial resources to execute its responsibilities as a derivatives clearing organization ("DCO").

**Risk Management:** A change to the collateral categorization of TIPS will improve CME Clearing's ability to manage the risks associated with executing its responsibilities as a DCO, and appropriately limit TIPS due to its potential longer liquidation horizon as compared to other US Treasury Securities. The text of the draft CME Clearing Advisory Notice is attached hereto as Exhibit A.

CME certifies that the above rules and rule amendments comply with the CEA and the regulations thereunder. There were no substantive opposing views.

Notice of this submission has been concurrently posted on CME Group's website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

If you require any additional information regarding this submission, please contact Tim Maher at 312-790-2730 or via e-mail at [timothy.maher@cmegroup.com](mailto:timothy.maher@cmegroup.com). Please reference our CME Submission No. 13-049 in any related correspondence.

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Sincerely,

/s/ Jason Silverstein  
Executive Director & Associate General Counsel

Attachment: Exhibit A – CME Clearing Advisory Notice

## EXHIBIT A



## Memorandum

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TO: Clearing Member Firms  
Chief Financial Officers  
Back Office Managers  
Margin Managers

FROM: CME Clearing

DATE: February 13, 2013

SUBJECT: **Collateral Categorization Change - TIPS**

As per the normal review of acceptable collateral and limits, CME Clearing is making the below changes to the diversification requirement of collateral composition used by Clearing Member Firms to meet performance bond requirements.

Please be advised that effective Thursday, February 28, U.S. Treasury Inflation Protected Securities (TIPS) will be moved from Category 1 to Category 3 per the below schedule. Additionally, TIPS will have a sub-limit of \$1 billion per firm (and affiliates).

Clearing Member Firms are required to meet at least 20% of core performance bond requirements with Category 1 assets and are permitted to meet a maximum of 40% core performance bond requirements with each of Category 2 and Category 3 assets. Clearing member firms may use assets in any Category to meet concentration margin requirements.

### Category 1 Assets:

- USD Cash
- U.S. Treasuries (excluding TIPS)
- IEF2 Money Market Mutual Funds

### Category 2 Assets:

- U.S. Government Agencies
- Select Mortgage Backed Securities
- IEF5 Specialized Cash Program
- Letters of Credit

### Category 3 Assets\*:

- U.S. Treasury Inflation Protected Securities (TIPS)
- Physical Gold
- Stocks
- IEF4 Specialized Collateral Program
- Select Foreign Sovereign Debt (Canada, France, Germany, Japan, Sweden, UK)

*\*Note: The maximum allowable limit for utilization of Category 3 Assets will be the lesser of a) 40 % of core margin requirements and concentration requirements or b) \$3 billion per Clearing Member Firm across all settlement accounts.*

Please refer to the website <http://www.cmegroup.com/clearing/financial-and-collateral-management/> for further detail regarding acceptable collateral, haircuts, and limits.