

April 24, 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 an Expansion of CME Clearing's Category 3 Collateral Limits  
CME Submission No. 13-155**

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 an expansion to CME Clearing's Category 3 Collateral Limits, effective Friday, May 10, 2013.

The CME Clearing Advisory Notice informs clearing members and market participants that CME Clearing will, effective with the RTH cycle on May 10, 2013, expand the maximum allowable limit for the utilization of Category 3 Assets to the lesser of (1) 40% of core margin requirements and concentration requirements per origin and asset account, or (2) \$5 billion per Clearing Member Firm across all settlement accounts. The purpose of the change is to increase the flexibility of clearing members to post additional Category 3 collateral in anticipation of an increase to the amount of initial margin posted at CME due to the June 11, 2013 Category 2 clearing mandate.

Historically, CME has aligned the size of its committed liquidity facility with the amount of Category 3 assets it was willing to accept as collateral. For example, in 2012 CME's committed liquidity facility was \$3 billion and the amount of category 3 collateral it accepted was also \$3 billion. CME increased its committed liquidity facility and obtained a \$5 billion liquidity facility for 2013. When CME increased its liquidity facility it did not immediately increase its Category 3 collateral limits in tandem. CME now plans to increase the limits on its acceptance of Category 3 collateral in advance of the Category 2 clearing mandate. Since CME already increased its committed liquidity facility to \$5 billion, this change does not impact its overall risk profile.

In connection with this change, 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 limits for Category 3 Assets may impact the makeup of the collateral used by a clearing member to meet its margin requirements. However, this change will have no impact on the level of margin collected and will be directly correlated to the size of CME's committed liquidity facility. As such, it will not have a negative impact on the financial, operational, and managerial resources required for CME to fulfill its responsibilities as a derivatives clearing organization ("DCO").

**Risk Management:** A change to the collateral limits for Category 3 Assets will increase the flexibility afforded to CME in executing its responsibilities as a DCO without having a negative impact on its overall risk profile due to the increased size of CME Clearing's credit facility to \$5 billion. The text of the draft CME Clearing Advisory Notice, which provides additional information on the changes, 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 me at (312) 930-8167 or via e-mail at [Sean.Downey@cmegroup.com](mailto:Sean.Downey@cmegroup.com). Alternatively, you may contact Tim Maher at (312) 930-2730 or via e-mail at [Timothy.Maher@cmegroup.com](mailto:Timothy.Maher@cmegroup.com). Please reference our CME Submission No. 13-155 in any related correspondence.

Sincerely,

/s/ Sean Downey  
Senior Director & Associate General Counsel

Attachment: Exhibit A – CME Clearing Advisory Notice

# EXHIBIT A



TO: Clearing Firms  
Back Office Managers

FROM: CME Clearing

SUBJECT: **Category 3 Collateral Limit Expansion**

DATE: April 30, 2013

As per the normal review of acceptable collateral and limits, CME Clearing is making the below change regarding the clearing member firm maximum limit for Category 3 collateral. The change is pending all regulatory review periods.

Collateral accepted by CME Clearing is categorized as noted below. Currently, the maximum allowable limit for utilization of Category 3 Assets is the lesser of a) 40 % of core margin requirements and concentration requirements per origin and asset account or b) \$3 billion per Clearing Member Firm across all settlement accounts.

Effective with the RTH cycle on Friday, May 10, 2013, the maximum allowable limit for utilization of Category 3 Assets will be the lesser of a) 40 % of core margin requirements and concentration requirements per origin and asset account or b) \$5 billion per Clearing Member Firm across all settlement accounts.

Category 1 assets have no requirement type limits. Category 2 assets have a maximum allowable limit of 40% of core margin requirements and concentration requirements per Clearing Member Firm across all settlement accounts.

Please refer to the website link below for details on individual asset type limits and product class restrictions.

#### Category 1 Assets:

- U.S. Cash
- U.S. Treasuries
- IEF2 Money Market Fund Program

#### Category 2 Assets:

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

#### Category 3 Assets:

- Foreign Sovereign Debt (sub-limit of \$1 billion per clearing member firm)
- Gold (sub-limit of \$500 million per clearing member firm)
- IEF4 Specialized Collateral Program
- Stocks
- TIPS (sub-limit of \$1 billion per clearing member firm)

Please call CME Clearing for availability of Foreign Cash deposits.

Please refer to the website <http://www.cmegroup.com/clearing/financial-and-collateral-management/> for further detail regarding acceptable collateral, haircuts, and limits. For questions about requirements, please call Risk Management hotline at 312-634-3888 and questions about collateral can be directed to the Financial Unit hotline at 312-207-2594.