



Jason Silverstein  
Executive Director and Associate General Counsel  
Legal Department

June 10, 2014

**VIA E-MAIL**

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

**RE: CFTC Regulation 40.6(a) Self-certification: CME Clearing Advisory Notice  
Expanding Collateral Program to Include Additional Exchange-Traded Funds  
CME Clearing Submission No. 14-220**

Dear Ms. Jurgens:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6(a), Chicago Mercantile Exchange Inc. (“CME”) hereby self-certifies the attached CME Clearing Advisory Notice regarding the expansion of its performance bond collateral program for Base Guaranty Fund products to include additional Exchange Traded Funds (“ETFs”), to be effective Tuesday, June 24, 2014.

Currently, CME Clearing accepts a select number of ETFs through its Stock Program and the existing haircut of 30% will be applied to the newly-added ETFs. Both ETFs and stocks are part of category 3 assets. Therefore, ETFs and stocks in combination with other category 3 assets will be capped at the lesser of 40% of core requirement per currency or \$5 billion per clearing member firm. ETFs and stocks combined are capped at \$1 billion per clearing member firm. Please see the list of updated Base Guaranty Fund performance bond limits below.

**Updated Performance Bond Acceptable Collateral Categories and Limits**

	<b>Category 2 &amp; 3 Capped at \$7bn Per Firm</b>	
<u>Category 1</u>	<u>Category 2*</u>	<u>Category 3**</u>
Cash	U.S. Government Agencies	IEF2 <sup>T</sup> (Money Market Mutual Funds)
U.S. Treasuries	Strips	Gold (capped at \$500mm per firm)
IEF5 (Interest Bearing Cash)	TIPS (capped at \$1bn per firm)	ETFs and Stocks (capped at \$1bn per firm)
Letters of Credit*	Select MBS	IEF4 (corporate bonds)
		Foreign Sovereign Debt (capped at \$1bn per firm)
<i>*Capped at 40% of core requirement per currency requirement per firm</i>	<i>*Capped at 40% of core requirement per currency requirement per firm</i>	<i>** Capped at 40% of core requirement per currency requirement per firm or \$5 billion per firm, the lesser of the two</i>
		<i><sup>T</sup>Not included in the 40% requirement</i>

CME reviewed the derivatives 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: CFTC Regulation 39.33(c)(1) requires each SIDCO to maintain financial resources sufficient to enable it to meet its financial obligations to its clearing members notwithstanding a default by the two clearing members creating the largest combined loss to the derivatives clearing organization in extreme but plausible market conditions. Expanding the eligible performance bond collateral for the Base Guaranty Fund 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.
- Risk Management: Regulation 39.13(g)(10) requires each derivatives clearing organization to limit the assets it accepts as initial margin to those that have minimal credit, market and liquidity risk. ETFs accepted by CME as collateral are chosen through historical analysis of the ETF market and stock market. ETFs accepted as collateral conform to CME’s credit risk criteria, will be monitored daily for price changes and will be subject to periodic eligibility review.

The text of the CME Clearing Advisory Notice 14-194 is attached hereto as Exhibit A.

Pursuant to Section 5c(c) of the CEA and CFTC Regulation 40.6(a), CME certifies that the proposed program expansion complies with the CEA and regulations thereunder. There were no substantive opposing views to this proposal.

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 (212) 299-2228 or [Jason.Silverstein@cmegroup.com](mailto:Jason.Silverstein@cmegroup.com). Alternatively, you may contact Sean Downey at (312) 930-8167 or [Sean.Downey@cmegroup.com](mailto:Sean.Downey@cmegroup.com).

Sincerely,

/s/ Jason Silverstein  
Executive Director & Associate General Counsel

Attachment: Exhibit A: CME Clearing Advisory Notice 14-194

## EXHIBIT A



DATE: May 16, 2014  
TO: Clearing Member Firms  
FROM: CME Clearing  
SUBJECT: **Exchange Traded Fund (ETF) and Stock Programs**

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CME Clearing is expanding its existing collateral program to include additional Exchange Traded Funds (ETFs) that may be used as performance bond collateral for Base Guaranty Fund products effective June 23rd, 2014. Currently, CME Clearing accepts a select number of ETFs through its Stock Program. The existing haircut of 30% will be applied to ETFs. Please see CME's Financial and Collateral Management page for the updated acceptance criteria for ETFs and stocks. On the 5th business day of every month, a new list of acceptable ETFs and stocks will be posted to CME's Financial and Collateral Management page.

Both ETFs and stocks are part of category 3 assets. Therefore, ETFs and stocks in combination with other category 3 assets will be capped at the lesser of 40% of core requirement per currency or \$5 billion per clearing member firm. Please see the list of category 3 assets below. ETFs and stocks combined are capped at \$1 billion per clearing member firm.

In accordance with CME Rule 930.C, a clearing member cannot accept an accountholder security that has been "issued, sponsored or otherwise guaranteed by the accountholder." In addition, any ETF that is sponsored by the clearing member or its parent or affiliate company may not be pledged for the clearing member's house performance bond requirement. For any questions related to the ETF and Stock Programs, please contact the Risk Management department at 312-648-3888 or the Financial Management group at 312-207-2594.

### Category 3 Assets

- IEF 2 (Money Market Funds)
- IEF 4 (Corporate Bonds)
- Gold
- ETFs and Stocks
- Foreign Sovereign Debt

#14-194