

AGIC: Risk Management

Changes in the Global Regulatory Environment

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Then...



...and now



CME's View

CME Group agrees with core tenets of G-20 Commitments

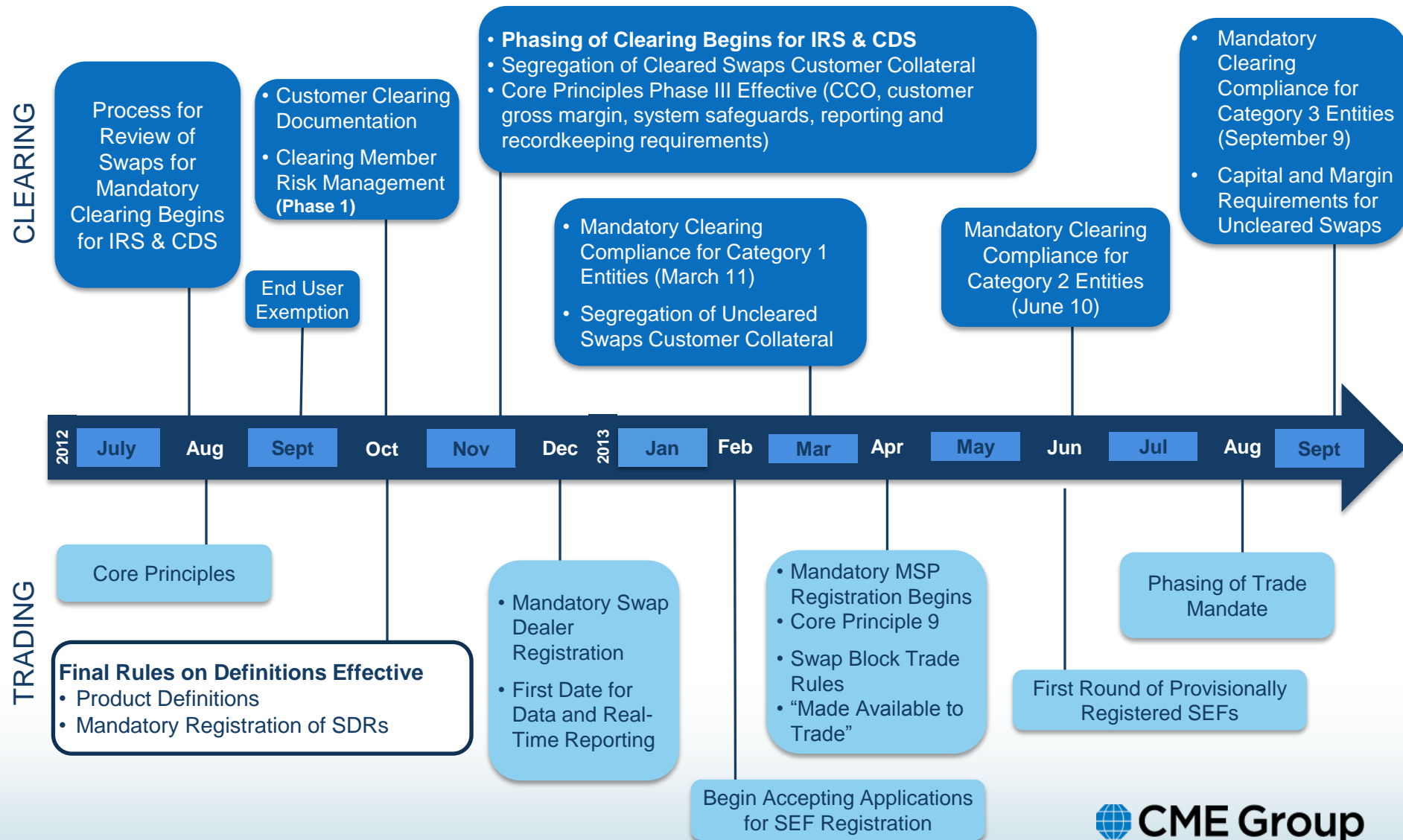
- Safety and soundness of central counterparty clearing
- Price transparency
- Liquid markets with low transaction costs
- Market integrity and customer protection

Rules and regulations need to balance market safety with ensuring markets remain accessible and usable to market participants without imposing undue costs

At a high level...

- **US regulators are finalizing Dodd-Frank rules—providing increased clarity on requirements and implementation timeframes – but by no means has everything been decided**
- **EU regulators are finalizing clearing and reporting rules – trading rules are further behind**
- **Last week the CFTC announced rules around Cross Border Compliance, which applies to six countries including Australia**

CFTC Dodd-Frank Implementation



CME Agricultural Commodities – What's New

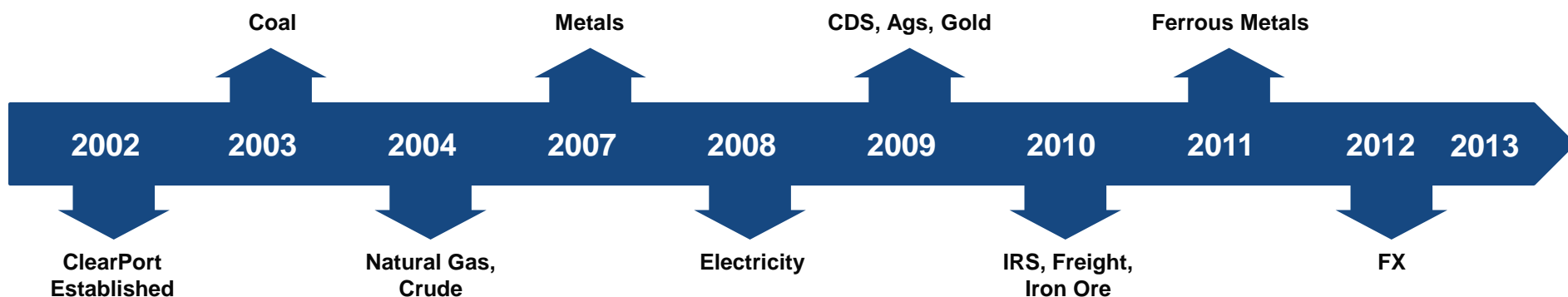


Australian Dollar (AUD)-Denominated Wheat Swaps

- AUD Chicago Soft Red Winter (SRW) Wheat Swap
- AUD KC Hard Red Winter (HRW) Wheat Swap
- Available for clearing on CME ClearPort August 12, 2013
- 27 metric tons – about one-fifth the size of existing CBOT & KCBT Wheat swaps
- For more information www.cmegroup.com/agswaps

CME Group OTC Clearing

CME Group is the industry leader in OTC Clearing, delivering a broad product offering spanning Interest Rates, Credit, FX, Energy, Metals, and Agriculture



In 2002, CME Group created ClearPort to mitigate central counterparty risk in energy markets following the fall of Enron

Swaps Execution – Looking Ahead

Swap Execution Facility (SEFs)

- SEFs provide a platform to execute swaps prior to novation (or clearing)
- Certain products will be required to trade on a SEF if they are mandated to clear and “made available to trade”
- CME will apply for a SEF service for operational flexibility – product scope to be determined
- CME will accept bona fide swap trades from other SEFs if the product is available for clearing – we’re already connected to 20+ affirmation platforms

Swap Account Information

- Cleared OTC Swaps are placed in a Customer Cleared Swaps Account, which is separate from futures segregation
- Not all Clearing Firms are set up to clear OTC commodity swaps in the Cleared Swap Account

CME Repository Service

Swap Data Repository (SDR)

- Highest quality reporting at the lowest operational risk
- Reducing total costs to trade
- CME is leveraging strong domain expertise in global regulatory reporting, exchange, OTC and firm/vendor connectivity
- Universal interface solutions lowering customer/vendor maintenance costs
- One integration to submit OTC to CME's EU trade repository, EU clearing, US trade repository and US clearing
- Aiding customers in multi-jurisdictional reporting
- Closely evaluating establishing a Singapore trade reporting base for APAC
- Public, real-time reporting available from www.cmegroup.com/repository

Enhanced Customer Protections

CME has worked closely with the industry to ensure FCMs are now subject to:

- **More transparency**
- **More accountability**

New Firm Requirements for all Segregated Funds

- All FCMs must now file daily reports on customer seg funds
- Bimonthly reporting on investment of seg funds
- More frequent spot-checks
- Corzine rule: CEO or CFO accountability for disbursements over 25% of firm's excess seg funds
- Electronic confirmations of firm balances via Confirmation.com – this tool uncovered the PFG fraud
- FCMs must provide SRO with direct, online, read-only access to account balance information from the banks holding seg funds