



A CME/Chicago Board of Trade/NYMEX Company

Advisory Notice

Clearing House

TO: Clearing Firms

FROM: CME Clearing

ADVISORY #: 08-204

DATE: September 2, 2008

SUBJECT: NYMEX and CME CLEARING CUSTOMER Q & A
September 2008

NYMEX and CME CLEARING CUSTOMER Q & A September 2008

What changes for my clearing firm?

Right now, very little. Operationally, all firm facing policies and procedures will remain exactly as they are today, including all clearing deadlines and schedules.

Will NYMEX Clearing and CME Clearing merge?

Effective Monday, August 25, 2008, CME Clearing has been the legal central counterparty to all CME, CBOT and NYMEX markets. We expect CME and NYMEX clearing systems to be fully integrated by Q3 2009. CME Clearing will share information with you on a periodic basis in preparation for a smooth transition.

Why did you combine clearing?

Benefits for the Industry:

- Capital efficiencies for clearing members by combining two substantial portions of their business under one guarantee pool.
- Significant cost savings achieved through common processing and standardized business practices.

Benefits for End Users:

- Collateral and capital efficiencies from combined portfolio margining to the extent that there are risk offsets recognized between products that were previously margined independently.
- Only one clearing house to contact for any questions or information.

What services does CME Clearing offer?

CME Clearing offers a full range of clearing services for all listed NYMEX and COMEX products. This will include the clearing services and the processing for all clearing functions, including post-execution trade processing, position management, collateral management and settlement.

Will my clearing fees to trade NYMEX products change under the merger?

Consistent with both CME Group's and NYMEX's pricing philosophies, to keep NYMEX markets liquid, competitive and growing we will continually evaluate fees and incentive programs to ensure their continued effectiveness, occasionally making adjustments where necessary and appropriate.

CME Group expects at this time to maintain existing NYMEX clearing fees. CME Group reserves the right to make changes to ensure strong business performance, including deep liquidity and a strong competitive position.

Will the Guaranty Fund be combined with CME Group's security deposits?

As of the close of the transaction on Aug. 22, a rule change was applied to the former NYMEX Guaranty Fund. For purposes of satisfying a clearing member default, the CME Clearing security deposit pool of funds will be combined with the proceeds in the former NYMEX Guaranty Fund to establish a single security deposit/Guaranty Fund pool. In the case of a default, funds deposited in the Guaranty Fund would be available to CME Clearing as part of its financial safeguards package.

Will the combination of the clearing houses lead to changes in the performance bond requirements for NYMEX and COMEX products?

Based on what we know now after months of integration planning, we do not anticipate that performance bonds on outright positions will change as a result of the combination. We anticipate introducing spread credits where appropriate. Of course, as customers are aware, performance bonds are driven by market conditions and CME Clearing will adjust performance bond requirements when necessary and appropriate to reflect changes in market conditions.

Will there be any differences in capital requirements for NYMEX clearing firms?

For NYMEX clearing member firms, the capital requirements for the time being will be the same as before the merger. Similar to current rules, a clearing firm's capital requirement may increase or decrease if the clearing member's risk profile changes materially.

What will be the default practices for CME Clearing?

In light of the common guarantee fund, which will be maintained by CME Clearing, the CME Group default policies will apply. Performance bond deposits will still form the first line of defense against a default. The second line of defense is the CME surplus fund, which has more than \$100 million. The guarantee fund is as the next line of defense against a default. As is currently the case, firms will contribute to the guarantee fund in proportion to their volume and open interest with adjustments being made by CME Clearing on a quarterly basis. Should the guarantee fund prove insufficient, CME Clearing has the right under its rules to assess each clearing firm 2.75x its guarantee fund contribution. Although not a guarantee of future circumstances, we note that those assessment powers have never been used by CME Clearing.

Will shareholding requirements change for NYMEX clearing and member firms?

We will reduce CME Group Class A common stock holding requirements for joint clearing members and member firms. Rather than the 150,000 shares of NYMEX Holdings common stock required prior to the merger, share holding requirements will be reduced as follows:

Type of Clearing Firm:	CME Group Class A Shares	Multiple Exchange Savings
NYMEX only	8,000	-
NYMEX plus one (CME or CBOT)	12,000	4,000
NYMEX, CME and CBOT	16,000	8,000

When will I be required to meet the shareholding requirements?

CME Clearing has instituted a safe harbor for NYMEX firms following the closing. This safe harbor provides NYMEX firms with an additional five (5) business days following the determination of the final proration to meet the shareholding requirements. On August 27th, CME Group announced that NYMEX Holdings shareholders who made a valid stock election will receive, per share of NYMEX Holdings common stock held at the effective time, approximately \$7.29 in cash and 0.2164 shares of CME Group Class A common stock, plus additional cash in lieu of any fractional shares. The date by which firms need to be in compliance is September 4.

Will firms clearing only NYMEX products need to buy CME Group memberships in addition to shares of CME Group Class A common stock?

No. If a firm is only clearing NYMEX products, then the firm is only required to hold two NYMEX memberships and 8,000 CME Group Class A shares.

How will margin requirements be determined?

In 1988, CME Clearing developed and implemented SPAN, or Standard Portfolio Analysis of Risk, a highly sophisticated methodology that calculates performance bond requirements by analyzing the "what-ifs" of virtually any market scenario. Now the industry standard for portfolio risk assessment and has been used at NYMEX clearing for years, SPAN calculates performance bond requirements, or margin, based on the overall portfolio risk at both the clearing and customer level.

Will NYMEX products be margined as net or gross?

Gross margining with submitted spreads for customer positions and net margining for house accounts will be used.

Will there be a testing period for the clearing systems integration?

Absolutely. A detailed test plan will also be forthcoming.

What, if any, technology or process changes will need to be implemented to allow CME Clearing to provide services?

None immediately. CME Clearing will share information with you on a periodic basis in preparation for a smooth transition. An integration and testing schedule will be sent to firms.

Will CME Clearing audit my firm?

Yes, although separate DSRO distinctions will continue to exist. All audits are performed by a combined CME Clearing audit team, which will include former NYMEX/COMEX auditors.

Will there be any immediate changes to ClearPort Clearing?

ClearPort Clearing will not see any changes to operations as a result of the merger.

Where can I go to for routine information, including clearing, financial and delivery?

Former NYMEX clearing, financial, deliveries, risk management, audit and financial surveillance staff have joined the combined CME Clearing team. Please feel free to continue to use your existing contacts or reference the list below.

Clearing questions:

Steve Staszak	312-930-3189
Tony Di Benedetto	212-299-2152
John Broderick	312-930-3190
Dale Michaels	312-930-3062
Michael Kobida	312-454-8961

Audit questions:

Joe Sanguedolce	212-299-2855
Anne Bagan	312-930-3140