

CFTC New Cleared OTC Derivatives Account Class Frequently Asked Questions

1. What is the 4d account class for U.S. futures and options?

- Pursuant to the Commodity Exchange Act and CFTC regulations, accounts governed by current Section 4d of the Commodity Exchange Act contain funds of customers trading futures and options on futures on U.S. exchanges, separate from the FCM's own funds.
- The CFTC also permits funds margining cleared OTC transactions to be held in such 4d accounts if a CFTC Section 4d Order has been issued for specific products.

2. What is the new CFTC “cleared OTC derivatives” account class?

- In May 2010, the CFTC put into effect new bankruptcy regulations that created a new customer account class for cleared OTC derivatives, including but not limited to CDS and IRS.
- The new OTC account class provides customer protections parallel to the existing 4d/futures account class, including similar safeguards under CFTC Part 190 Bankruptcy regulations.
- The new OTC account class for cleared OTC derivatives does not affect any existing CFTC 4d Order.

3. Why withdraw the 4d petition for CDS?

Given that the OTC account class provides for customer protections parallel to the existing 4d futures account class under CFTC Part 190 Bankruptcy rules, we withdrew our 4d petition for CDS and instead are utilizing the cleared OTC derivatives account class to ensure the safety and security of customer funds for cleared CDS.

We are also using the OTC account class for customer positions and related collateral for CME's Cleared OTC IRS products, which launched on October 18, 2010.

4. Is CME eligible to file additional 4d petitions in the future?

Yes, CME could submit another 4d petition for CDS, IRS or other cleared-only OTC derivatives.

5. What did CME do to prepare for the launch of the new account class for cleared OTC derivatives?

CME adopted new rules for the OTC account class which mirror CFTC regulations for the 4d/futures account class, including but not limited to rules regarding separation of customer and FCM assets and investment of customer funds. Those rules are located in Chapter 8F of the CME rule book.

6. When did CME implement the new OTC account class?

- CME implemented its substantive, pre-bankruptcy rules for the OTC account class on October 4, 2010.
- Existing CME-cleared customer positions and related collateral that had previously been held in 30.7 secured accounts have been transferred into accounts governed by CME and CFTC rules for the new OTC account class.

This summary is neither intended nor written to be legal advice to any person, and individuals and entities should seek advice from their independent legal advisors with any questions regarding these issues.

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