

CME CLEARING

The Best Risk Management Starts with Security

In today’s market environment, effective risk management is a business imperative. At CME Group, we believe our **financial safeguards system**, designed for the benefit and protection of both clearing members and their customers, is second to none.

Our centralized clearing capability and comprehensive set of risk management services provide the security, transparency and confidence our market participants need to operate, invest and grow.

- **Central counterparty guarantee.** Credit risk is virtually eliminated as CME Clearing becomes the buyer to every seller and the seller to every buyer. We guarantee the financial soundness of all trades completed on our exchanges, processing more than 2 billion trades a year, as illustrated below.
- **\$7 billion in safety and soundness.** In more than 100 years of trading, we have never had a default or a loss of customer funds resulting from failure of a clearing firm. We also offer you the assurance of \$7 billion ready to help us contain systemic risk, including \$800 million from a secured liquidity facility.
- **Segregation of customer funds.** Regulations require clearing firms to separately account for and segregate customers’ positions and monies from their own (requirements that extend to CME Clearing). If your clearing firm becomes financially unstable or insolvent due to a financial issue that does not involve the customer account, your funds, held in the customer segregated account, are not subject to its creditor claims and you can transfer your funds to another clearing firm, if you choose.

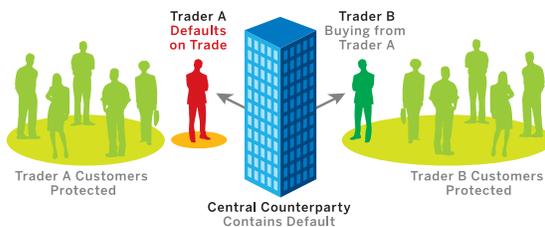
Additionally, CME Group’s Audit department routinely inspects the books and records of clearing members to ensure compliance with these regulations.

HOW CLEARING MODELS MANAGE RISK

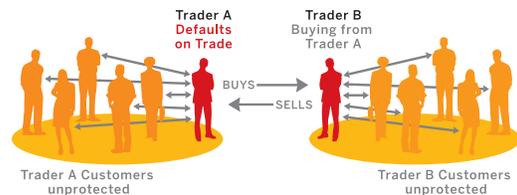
With a central counterparty model, the clearing house is the buyer to every seller and the seller to every buyer. So, if Trader A defaults, the default is contained between Trader A and the clearing house, protecting everyone in the green circles below.

The over-the-counter market’s bilateral model works differently. If Trader A defaults, neither Trader A, Trader B, nor the others they transact business with are protected from that default, leaving everyone in the orange circles at risk.

CENTRAL COUNTERPARTY MODEL



BILATERAL MODEL



- Customers protected from losses
- Customers at risk for losses

- **Performance bond requirements.** Each of our customers is required to put up a “good faith deposit,” or performance bond, to cover the maximum likely loss a position could suffer between each mark-to-market cycle. In turn, our clearing member firms must post to CME Clearing at least the maintenance performance bonds for all positions carried. Performance bonds are calculated by our Standard Portfolio Analysis of Risk (SPAN) system that today is used by over 50 exchanges and clearing organizations around the world, making it the global standard for portfolio margining.

- **Twice daily mark-to-market process.** Accumulation of debts/losses is limited and transparency is achieved as CME Clearing marks your positions to market twice daily, once in the morning and again in the late afternoon, so you always know where you and your customers stand.

- **24-hour monitoring by an experienced risk-management team.** Over 120 employees on the CME Clearing and Audits Risk staff use a variety of sophisticated tools to carefully observe risk 24 hours a day, six days a week. These teams work closely with Products and Services, Market Regulation, Legal and other divisions across the exchange as well as our clearing members to help clients manage risk during periods of unprecedented growth and at times of economic uncertainty.

For More Information

For questions related to our Financial Safeguards, please contact CME Clearing at 312-930-3170.

Additional resources on Clearing section of cmegroup.com

- [Get a comprehensive look at how we serve the risk-management needs of customers around the world in our Financial Safeguards brochure](#)
- [Access current performance bond requirements, list of clearing member firms, clearing member requirements and more](#)