

## Memorandum

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### **AUDIT INFORMATION BULLETIN**

TO: Chief Financial Officers #08-07  
Chief Compliance Officers

FROM: Audit Department, Clearing House Division

DATE: December 12, 2008

SUBJECT: Revisions to NYMEX Rules for Clearing Members

CME Group Inc. ("CME Group") is in the process of harmonizing, to the extent possible, the rulebooks of its four subsidiary exchanges – Chicago Mercantile Exchange Inc. ("CME"), Chicago Board of Trade, Inc. ("CBOT"), New York Mercantile Exchange, Inc. ("NYMEX") and Commodity Exchange, Inc. ("COMEX"). In conjunction with this harmonization, CME Group has adopted a new NYMEX Chapter 9 covering Clearing Member Requirements. The new Chapter 9 rules became effective December 4, 2008.

Set forth below is a summary of significant changes affecting all NYMEX and COMEX clearing members:

#### **Rule 901.L. Parent Guarantees**

Requires each clearing member to submit a written guarantee from each person or entity owning 5% or more of a clearing member that shall guarantee all obligations of the clearing member to the Clearing House arising out of noncustomer and proprietary accounts cleared by the clearing member. In addition, all clearing members must maintain with the Audit Department a current ownership chart.

#### **Rule 901.G. Cross Guarantees**

Requires clearing members to guarantee the obligations of other clearing members when any person controls, owns 10% or more of, or has the right to 10% or more of the profits of each of the clearing members.

#### **Rule 901.H. Significant Business Transactions**

Requires clearing members to notify the Exchange prior to any significant business transaction or significant change in operations.

### **Rule 930.C. Acceptable Performance Bond Deposits**

Expands the slate of performance bond deposits that a clearing member may accept from their account holders for NYMEX and COMEX products to include all readily marketable securities (as defined by SEC Rule 15c3-1(c)(11) and applicable SEC interpretations), and money market mutual funds allowable under CFTC Regulation 1.25 in addition to those deposits currently acceptable under existing NYMEX Rules. All performance bond deposits other than letters of credit shall be valued at an amount not to exceed market value less applicable haircuts as set forth in SEC Rule 240.15c3-1.

### **Rule 930.I. Hedge Positions**

Requires clearing members to have reasonable support to classify positions as bona-fide hedge and risk management positions, as defined by Rule 9A.28, that are afforded hedge performance bond rates.

### **Rule 930.L. Clearing House Authority to Require Additional Performance Bond**

Specifies that the Clearing House, in its sole discretion, has the authority to require clearing members to collect additional performance bond from specific account holders in circumstances deemed necessary.

### **Rules 950. - 958. Sales Practices and Customer Protection**

Covers sales practices for both options and futures contracts and includes clearing member requirements respecting branch offices, guaranteed introducing brokers and associated persons.

### **Rule 960. Omnibus and Carrying Broker Accounts**

Requires clearing members to maintain a complete list of all omnibus and carrying broker accounts maintained on their books and sets forth clearing member responsibilities with respect to such accounts.

### **Rule 970. Financial Requirements**

Requires all clearing members, subject to exceptions granted by Exchange staff, to comply with CFTC Regulations 1.10, 1.12, 1.17 and 1.18 respecting capital requirements, financial statements submissions, notifications, computing and recording the balances in the net capital computation, and subordinated debt agreements.

### **Rule 971. Segregation and Secured Requirements**

Requires all clearing members to comply with the CFTC's segregation and secured requirements, as set forth in CFTC Regulations 1.20 through 1.30, 1.32 and 30.7. respecting maintaining sufficient excess funds in segregation and secured, computing, recording and reporting segregated and secured balances, obtaining satisfactory segregation and secured acknowledgement letters and properly titling accounts as such, and preparing complete and materially accurate daily segregation and secured amount calculations.

**Rule 982. Risk Management**

Requires all clearing members to have written risk management policies and procedures in place to ensure they are able to perform certain basic risk and operational functions at all times.

**Rule 983. Disaster Recover and Business Continuity**

Requires all clearing members to have written disaster recovery and business continuity procedures in place to ensure they are able to perform certain basic operational functions in the event of a significant internal or external interruption to their operations.

Clearing members are responsible for ensuring continued compliance with all rules. The NYMEX Rulebook may be found on CME Group's Web Site at <http://www.nymex.com/rulemain.aspx>.

If you have questions, please call the Audit Department at (312) 930-3230 or at (212) 299-2120.