

Advisory Notice

Clearing House

08-368

TO: Clearing Member Firms

FROM: CME Clearing

SUBJECT: Nymex Back-end Integration for Clearing Level Performance Bond, Collateral, Settlement and Banking to Go Live Monday, December 8, 2008

Date: November 24, 2008

This advisory provides important information and details the changes that will occur as a result of Nymex Back-end integration on December 8, 2008. As previously announced in CME Clearing Advisory 08-252, dated October 9, 2008; this phase calls for a merge of clearing level performance bond (margin), collateral management, and settlement banking. Additionally, included are details on CME Clearing testing and training that will be available to all Nymex clearing member firms. An additional CME Clearing House Advisory Notice will be distributed on December 4th. At that time a final determination will be made as to whether the December 8th phase I date will be solidified.

Collateral Movements

On Monday, December 8th, all firm performance bond assets will be withdrawn from the NYMEX C21 system by the NYMEX Clearing House. This will be transparent to the clearing firms.

Treasury Securities/Cash

Firm treasury securities on deposit will be physically transferred from NYMEX custodial accounts to CME custodial accounts. Any USD cash resulting from the withdrawal of the money fund collateral as well as any existing cash on deposit for performance bond purposes will also be physically transferred by NYMEX to CME on Monday, December 8th. Treasury deposits will be completed by CME staff Sunday, December 7th and will be physically transferred Monday, December 8th. CME prices treasury securities daily based on market value.

Letters of Credit

Any new letters of credit related to Energy Delivery tenders will continue to be sent to the New York office. Any new letters of credit to be posted for margin purposes must be sent to the Chicago office beginning on December 8th. We must be in receipt of the original letter of credit prior to finalizing a deposit in C21. Please utilize the address that follows when sending over new letters of credit or amendments to existing letters of credit for margin purposes.

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Attention Clearing House Financial Unit
CME Group LLC
20 South Wacker Drive
Chicago, IL 60606-7499

Per CME rules, firms are limited to combination of letters of credit and government agencies of no more than 50% of their core performance bond requirement in excess of \$5 million. Letters of credit that are put up as performance bond must not expire in less than three months nor more than 24 months from the date of issuance. Letters of credit must also expire on the last date of a calendar quarter. For integration purposes, we will grandfather those letters of credit that have differing maturity dates, but for future letters of credit, they must adhere to this guideline or they will not be accepted. Lastly, performance bond credit for letters of credit will be given to a firm up until the cycle prior to the maturity date.

Institutional Money Market Mutual Funds

In the past, money fund firm pledges have been handled differently at CME vs. NYMEX. CME operates an ("IEF®")2 program whereby firms are debited cash from their performance bond accounts and those monies are used to purchase shares into a fund at the instruction of the clearing member firm. The shares are held collectively in an omnibus account in the name of CME. CME acts as a shareholder servicing agent and as a result is responsible for all bookkeeping, tax reporting, and sub-accounting.

Firms that previously held money market fund collateral at NYMEX and would like to continue to do so for CME need to have a valid Member Firm Agreement signed prior to participating in CME's IEF2 program. For joint firms who already maintain investments in CME's IEF2 program, your existing agreement will automatically encompass NYMEX business. Any shares held in the American Beacon Fund or the Reserves Primary Fund will be moved to a holding account in C21 by CME personnel. The shares will not physically move over to the CME, but principle amounts will be able to be viewed. For all other funds, the cash associated with your money fund deposits will be transferred to CME on December 8th, it will be the responsibility of the firm to choose which fund to invest in by performing a deposit for that particular fund. A 3% haircut is applied to all IEF2 assets held by clearing firms.

The types of collateral which will be acceptable are detailed on our website and can be accessed by clicking on the link below.

<http://www.cmegroup.com/clearing/financial-and-collateral-management/collateral-types-accepted.html>

The timeline for collateral posting can be viewed by clicking on the link below.

<http://www.cmegroup.com/clearing/financial-and-collateral-management/collateral-transaction-timeline.html>

Banking Settlement Account Setup:

Over the course of the past few months, CME Clearing has been contacting the joint clearing member firms to ascertain which firms chose to maintain their NYMEX bank accounts or to consolidate banking

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movements into a single set of bank accounts for both CME and NYMEX settlement activity. If you have not decided yet to either use a consolidated or separate bank accounts, please communicate your decision to CME Clearing before November 25, 2008.

Certification Testing/C21 System Access

On Monday, December 1, and Tuesday December 2, 2008, CME Clearing plans to conduct back to back settlement cycles in the Clearing 21 Certification region. Clearing firms will be able to test collateral transactions and settlement variations in Clearing 21 via the CME Portal. We encourage all firms to participate in the testing and to provide their feedback to CME Clearing.

Back-End Launch, Monday December 8, 2008:

Beginning with the intraday cycle, Monday, December 8th, all NYMEX Banking, Performance Bond Collateral, Asset Management and Settlement Variations will only be available on CME Clearing 21 via the CME portal and will no longer be available in NYMEX C21. An exception to this would be any activity related to the NYMEX metal deliveries. Delivery bank accounts will be maintained in NYMEX C21. Also, all related system reports will be available via the Document Direct application, which is also available on the CME Portal. Your normal CME Clearing 21 user ID and password will allow you to access the certification environment and Document Direct.

As a reminder, training sessions will be held December 3rd -4th at NYMEX in New York. This session is a hands-on training session for the CME Clearing 21 system, Document Direct and the Portal. There will also be details provided on some of the differences between CME and NYMEX in relation to acceptable collateral and settlement cycle timelines. For more details on this training session, please refer to advisory #08-335 dated November 10th which can be accessed using the link below:

<http://www.cme.com/clearing/clr/clradv/files/Chadv08-335.pdf>

Important Contact Information:

For users Access to CME Portal, Clearing 21 and Document Direct please contact CME Customer Support at (312) 930-3444 and choose option #2 or via email to firmsupport@cmegroup.cme.com

For collateral related questions, please contact CME Clearing Financial Unit at (312) 207-2594 or via email to chfin@cmegroup.com.

For other questions, please contact CME Clearing Services at (312) 207-2525 or via email to ccs@cmegroup.com