

Open Credit Default Swaps Clearing Solution

Overview Migration Utility

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Introduction

These migration procedures provide an overview of the process for migrating existing bilateral positions into standardized contracts using the Migration Utility on the CME Group Trading Platform. A participant may not read these migration procedures until it has executed the required non-disclosure agreement with CME Group. As set forth in the Participant Access Agreement, each participant making use of the Migration Utility must comply with these migration procedures.

Migration Overview

What Is Migration?

Migration is the process of moving existing bilateral positions to contracts facing the CME Clearinghouse. Our current offering will convert existing non-standardized bilateral positions into standardized contracts. For an index contract the Migration Utility will simply replace each bilateral contract with one standard contract facing the CME Clearinghouse for each party to the original bilateral contract. For a single name contract, our Migration Utility will take an existing bilateral position with a non-standard coupon and convert it into one or two contracts with standard coupons (ex. one at 100 bps and one at 500 bps). The two new contracts will have the same net notional value and cash flows as the original non-standard bilateral position; thus, participants can easily migrate their existing book from non-standard OTC contracts to the standard centrally cleared contracts.

The Migration Utility will use standard DTCC Deriv/SERV LLC Trade Information Warehouse (DTCC Deriv/SERV TIW) daily position files or Migration Eligibility files as the input for positions, and keep all participants' net notional and cash flows the same.

Benefits of Migration

The major benefits are:

- Potential for reduced capital requirements through netting of new trades against current portfolio facing the CME Clearinghouse as a central counterparty.
- More flexibility for trading in and out of existing positions.
- Replacement of individual bilateral counterparty exposures with CME Clearinghouse as central counterparty, supported by its proven financial safeguards.

Description of Migration into Standard Contracts

Indices

The migration of existing CDS index contracts to the CME Clearinghouse does not require an upfront negotiation of tear-up value as the contracts already have standardized coupons, and thus the notional value and cash flows of the standard contract are equivalent to the original bilateral position.

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Single Names

Credit curves or calculation methods on existing bilateral positions can vary between counterparties, resulting in disputes in the terms of settlement. The Migration Utility has therefore developed a method to easily migrate existing bilateral single name positions to standardized contracts. An existing bilateral single name position will be replaced with two contracts at standard coupons that have:

1. Identical reference entities,
2. Identical restructuring, and
3. Identical maturities.

The standard coupons will be 100bps and 500bps for all reference entities and maturities.

The one-to-two approach is based on two fixed requirements:

- The net notional of the two new contracts must equal the original notional, and
- The net cash flow of the two new contracts must equal the original cash flow.

This is satisfied by the following two equations:

- $\text{Original Notional} = \text{New Notional 1} + \text{New Notional 2}$
- $\text{Original Notional} \times \text{Original bps} = (\text{New Notional 1} \times 100 \text{ bps}) + (\text{New Notional 2} \times 500 \text{ bps})$

Since total notional and ongoing cash flow remain unchanged, there is no need to determine and settle tear-up values. This migration process will not modify a counterparty's position or future cash flows relative to the original contract.

The examples below illustrate the mechanics behind the migration of an existing single name transaction into a standardized contract. The two formulas above can be solved for the new notional amounts for the 100bps and 500bps contracts as follows:

$$\text{New Notional 1 @ 100 bps} = [(\text{Original Notional} \times \text{Original bps}) - (\text{Original Notional} \times 500\text{bps})] / (100 \text{ bps} - 500 \text{ bps})$$

$$\text{New Notional 2 @ 500 bps} = [(\text{Original Notional} \times \text{Original bps}) - (\text{Original Notional} \times 100\text{bps})] / (500 \text{ bps} - 100 \text{ bps})$$

Example Single Name Contract Migration

Original Contract Details				Migrated Contract 1				Migrated Contracts 2			
Notional	Coupon	Cash Flow	Maturity	Notional 1	Coupon 1	Cash Flow 1	Maturity 1	Notional 2	Coupon 2	Cash Flow 2	Maturity 2
100,000	52.00	520	6/20/2013	112,000	100.00	1,120	6/20/2013	(12,000)	500.00	(600)	6/20/2013
(100,000)	68.00	(680)	6/20/2013	(108,000)	100.00	(1,080)	6/20/2013	8,000	500.00	400	6/20/2013
100,000	54.00	540	6/20/2013	111,500	100.00	1,115	6/20/2013	(11,500)	500.00	(575)	6/20/2013
200,000	53.00	1,060	6/20/2013	223,500	100.00	2,235	6/20/2013	(23,500)	500.00	(1,175)	6/20/2013
(300,000)	57.00	(1,710)	6/20/2013	(332,250)	100.00	(3,323)	6/20/2013	32,250	500.00	1,613	6/20/2013
200,000	50.00	1,000	6/20/2013	225,000	100.00	2,250	6/20/2013	(25,000)	500.00	(1,250)	6/20/2013
500,000	52.00	2,600	6/20/2013	560,000	100.00	5,600	6/20/2013	(60,000)	500.00	(3,000)	6/20/2013
700,000	65.00	4,550	6/20/2013	761,250	100.00	7,613	6/20/2013	(61,250)	500.00	(3,063)	6/20/2013
1,000,000	50.00	5,000	6/20/2013	1,125,000	100.00	11,250	6/20/2013	(125,000)	500.00	(6,250)	6/20/2013
(400,000)	50.00	(2,000)	6/20/2013	(450,000)	100.00	(4,500)	6/20/2013	50,000	500.00	2,500	6/20/2013
(100,000)	100.00	(1,000)	6/20/2013	(100,000)	100.00	(1,000)	6/20/2013	-	500.00	-	6/20/2013
100,000	150.00	1,500	6/20/2013	87,500	100.00	875	6/20/2013	12,500	500.00	625	6/20/2013
400,000	250.00	10,000	6/20/2013	250,000	100.00	2,500	6/20/2013	150,000	500.00	7,500	6/20/2013
(1,000,000)	350.00	(35,000)	6/20/2013	(375,000)	100.00	(3,750)	6/20/2013	(625,000)	500.00	(31,250)	6/20/2013
(700,000)	400.00	(28,000)	6/20/2013	(175,000)	100.00	(1,750)	6/20/2013	(525,000)	500.00	(26,250)	6/20/2013
(500,000)	437.50	(21,875)	6/20/2013	(78,125)	100.00	(781)	6/20/2013	(421,875)	500.00	(21,094)	6/20/2013
(200,000)	445.00	(8,900)	6/20/2013	(27,500)	100.00	(275)	6/20/2013	(172,500)	500.00	(8,625)	6/20/2013
(1,600,000)	440.00	(70,400)	6/20/2013	(240,000)	100.00	(2,400)	6/20/2013	(1,360,000)	500.00	(68,000)	6/20/2013
(1,300,000)	600.00	(78,000)	6/20/2013	325,000	100.00	3,250	6/20/2013	(1,625,000)	500.00	(81,250)	6/20/2013
(1,100,000)	700.00	(77,000)	6/20/2013	550,000	100.00	5,500	6/20/2013	(1,650,000)	500.00	(82,500)	6/20/2013
(800,000)	550.00	(44,000)	6/20/2013	100,000	100.00	1,000	6/20/2013	(900,000)	500.00	(45,000)	6/20/2013
(2,200,000)	470.00	(103,400)	6/20/2013	(165,000)	100.00	(1,650)	6/20/2013	(2,035,000)	500.00	(101,750)	6/20/2013
(1,900,000)	450.00	(85,500)	6/20/2013	(237,500)	100.00	(2,375)	6/20/2013	(1,662,500)	500.00	(83,125)	6/20/2013
(1,700,000)	470.00	(79,900)	6/20/2013	(127,500)	100.00	(1,275)	6/20/2013	(1,572,500)	500.00	(78,625)	6/20/2013
(1,400,000)	450.00	(63,000)	6/20/2013	(175,000)	100.00	(1,750)	6/20/2013	(1,225,000)	500.00	(61,250)	6/20/2013
(2,800,000)	460.00	(128,800)	6/20/2013	(280,000)	100.00	(2,800)	6/20/2013	(2,520,000)	500.00	(126,000)	6/20/2013
(2,500,000)	435.00	(108,750)	6/20/2013	(406,250)	100.00	(4,063)	6/20/2013	(2,093,750)	500.00	(104,688)	6/20/2013
(2,300,000)	700.00	(161,000)	6/20/2013	1,150,000	100.00	11,500	6/20/2013	(3,450,000)	500.00	(172,500)	6/20/2013
(2,000,000)	650.00	(130,000)	6/20/2013	750,000	100.00	7,500	6/20/2013	(2,750,000)	500.00	(137,500)	6/20/2013
(3,400,000)	600.00	(204,000)	6/20/2013	850,000	100.00	8,500	6/20/2013	(4,250,000)	500.00	(212,500)	6/20/2013
(3,100,000)	300.00	(93,000)	6/20/2013	(1,550,000)	100.00	(15,500)	6/20/2013	(1,550,000)	500.00	(77,500)	6/20/2013
(2,900,000)	250.00	(72,500)	6/20/2013	(1,812,500)	100.00	(18,125)	6/20/2013	(1,087,500)	500.00	(54,375)	6/20/2013
(2,600,000)	1,000.00	(260,000)	6/20/2013	3,250,000	100.00	32,500	6/20/2013	(5,850,000)	500.00	(292,500)	6/20/2013
(4,000,000)	1,200.00	(480,000)	6/20/2013	7,000,000	100.00	70,000	6/20/2013	(11,000,000)	500.00	(550,000)	6/20/2013
(3,700,000)	1,300.00	(481,000)	6/20/2013	7,400,000	100.00	74,000	6/20/2013	(11,100,000)	500.00	(555,000)	6/20/2013
(3,500,000)	1,300.00	(455,000)	6/20/2013	7,000,000	100.00	70,000	6/20/2013	(10,500,000)	500.00	(525,000)	6/20/2013
(3,200,000)	500.00	(160,000)	6/20/2013	-	100.00	-	6/20/2013	(3,200,000)	500.00	(160,000)	6/20/2013

Note: The Day 1 offering will only allow participants to migrate positions by converting them to the standard 100bps and 500bps contracts. In the future, we will offer functionality to migrate positions without converting to the standard 100bps and 500bps coupons.

Migration Product Scope

Only products eligible for trading on the CME Group Trading Platform will be accepted in the migration process. The products are described in the following sections.

Indices

Current series and three most recent off-the-run series for the CDX and iTraxx indices below:

Product	Sub-Type	Tenors (years)
CDX	IG	3, 5, 7, 10
	HY	3, 5, 7, 10
	IG HVOL	3, 5, 7, 10
	XO	3, 5, 7, 10
iTraxx	Europe	3, 5, 7, 10
	Europe HVOL	3, 5, 7, 10
	XO	3, 5, 7, 10
	Financial Senior	5, 10
	Financial Subordinate	5, 10

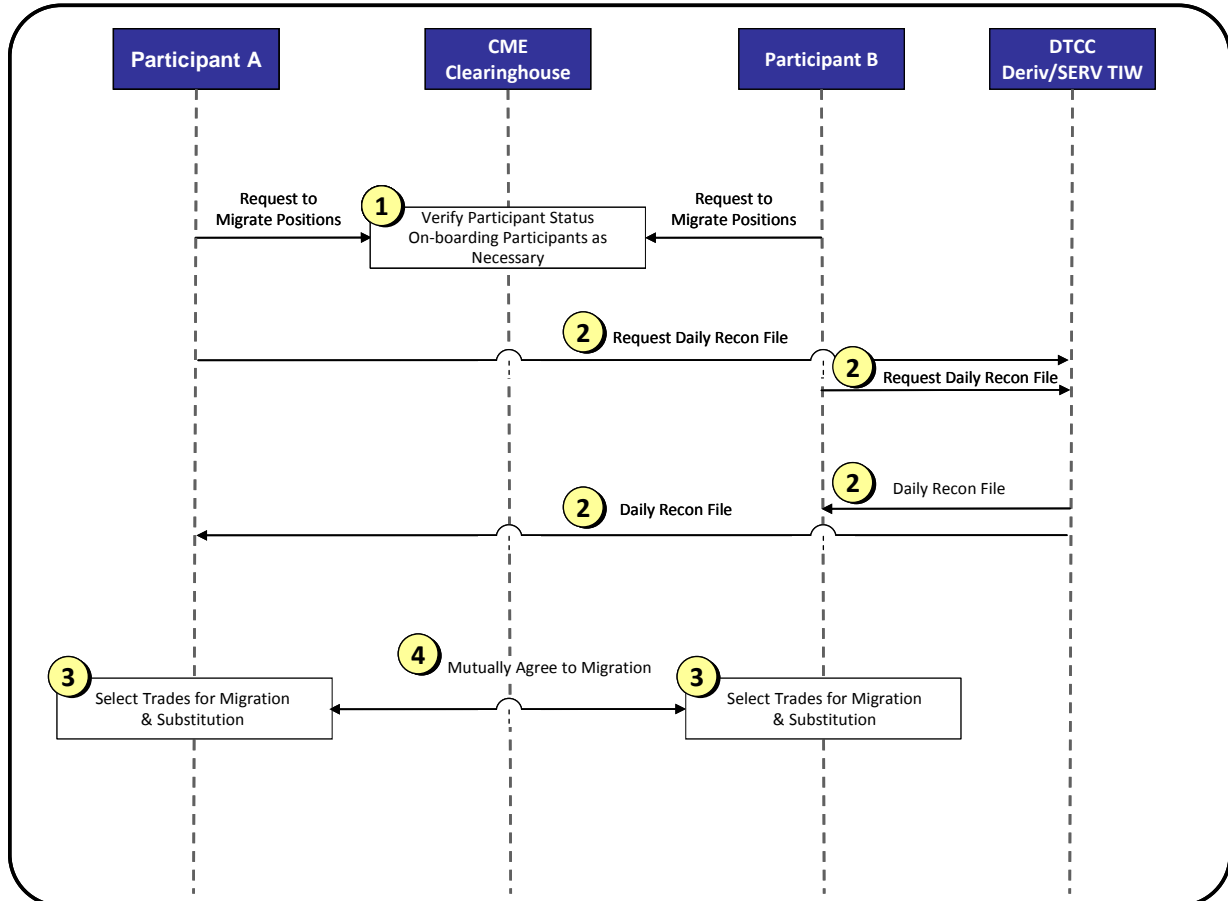
Single Names

Constituents of the available indices with any International Monetary Market (IMM) date up to 10 years:

CDX IG	Includes 125 Single Names (Investment grade CDS entities domiciled in North America.)
CDX HY	Includes 100 Single Names (High yield CDS entities domiciled in North America.)
CDX IG HVOL	Includes 30 Single Names (Most volatile names from CDX IG index.)
CDX XO	Includes 35 Single Names (Eligible Rating and are either domiciled in North America or have a majority of their outstanding bonds and loans denominated in USD.)
iTraxx Europe	Includes 125 Single Names (Most actively traded names in the six months prior to the index roll.)
iTraxx Europe HVOL	Includes 100 Single Names (Highest spread names from iTraxx Europe index.)
iTraxx XO	Includes 50 Single Names (Sub-investment grade names.)
iTraxx Financial Senior	Includes 25 Single Names (Senior subordination financial names.)
iTraxx Financial Subordinate	Includes 25 Single Names (Junior subordination financial names.)

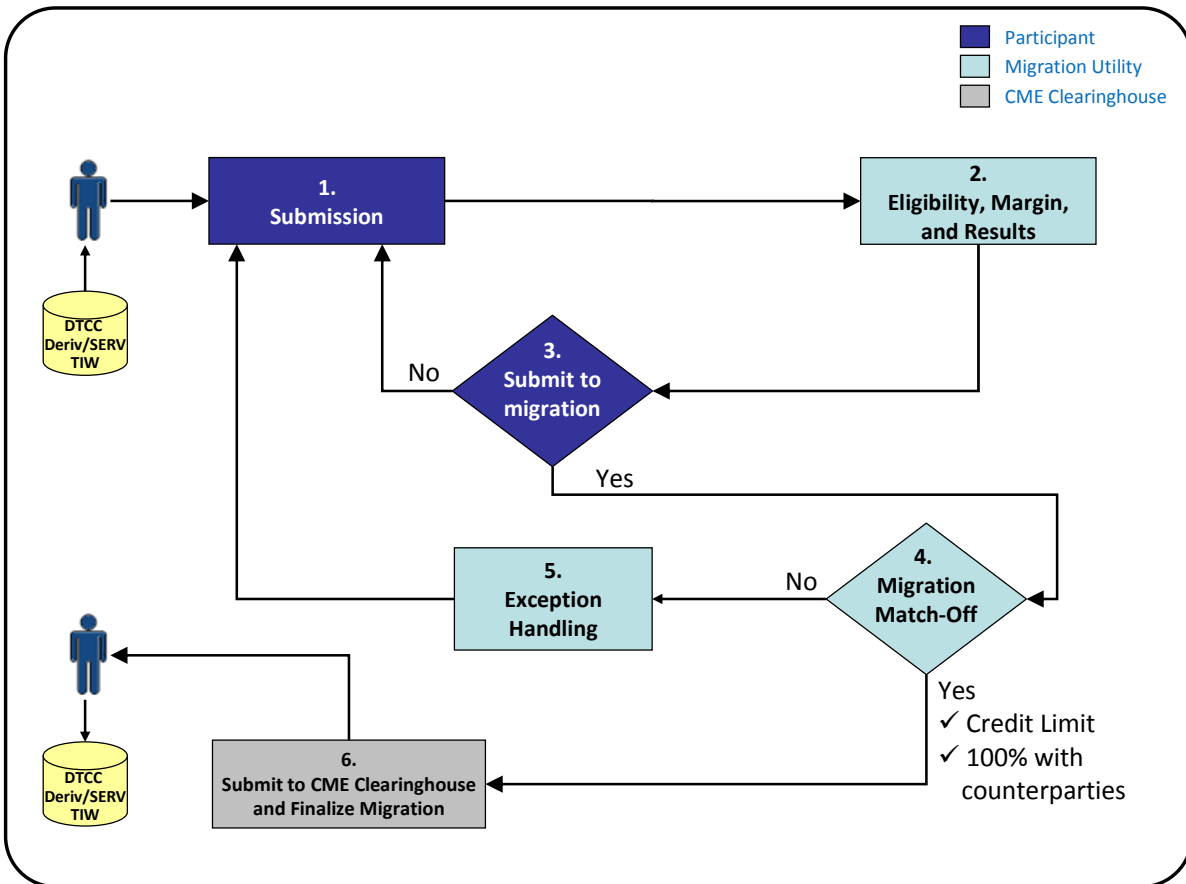
Migration and Substitution Procedures

Pre-Migration Procedure



1. Participant declares intent to migrate and confirms status and permission with the CME Clearinghouse.
2. The DTCC Deriv/SERV Daily Recon File is requested and uploaded by the participants in preparation for migration.
3. Participant identifies the set of contracts to be migrated to standardized contracts.
4. Participants mutually agree with their counterparties which subset of contracts will be migrated for clearing.

Day of Migration Process



Note: No migration cycles will be run the day before, the day of, or the day after IMM dates.

Step 1: Submission

After downloading the contract data from the DTCC Deriv/SERV TIW, participants must upload their positions via the web interface.

The DTCC Deriv/SERV TIW may have ambiguous Seniority and Restructuring information. Seniority and Restructuring are material in determining contract eligibility and margin requirements for migration. Therefore, participants may “enrich” the DTCC Deriv/SERV TIW Daily Recon Positions file by adding two optional columns (“Seniority” and “Restructuring Type”) to the end of the spreadsheet prior to uploading their positions via the web interface. If not specified, Seniority and Restructuring will be inferred based on the Inference Specification Methodology below.

Note: The CME Clearinghouse does not guarantee that the inferred Seniority and Restructuring will match those in the original contract terms. Thus, participants must validate the results of the Inference Specification Methodology prior to submitting contracts for migration.

Inference Specification Methodology

This section describes the Restructuring and Seniority for Single Names and Indices.

Restructuring

Single Names

1. If Master Document Transaction Type = EuropeanCorporate or ISDA2003CreditEuropean then Restructuring = MM.
2. If Master Document Transaction Type = NorthAmericanCorporate or ISDA2003CreditNorthAmerican
 - If Restructuring Event = ‘Y’ then Restructuring Type = MR
 - If Restructuring Event = ‘N’ then Restructuring Type = XR

Indices

1. If Master Document Transaction Type = iTraxxEuropeDealer or iTraxxEuropeNonDealer then Restructuring = MM.
2. If Master Document Transaction Type = 2003CreditIndex or CDX.
 - a. If Reference Entity Name contains ITRAXX EUROPE then Restructuring = MM
 - b. If Reference Entity Name contains CDX.NA.IG then Restructuring = XR
 - c. If Reference Entity Name contains CDX.NA.XO then Restructuring = XR
 - d. If Reference Entity Name contains CDX.NA.HY then Restructuring = XR
 - e. If Reference Entity Name contains CDX.EM then Restructuring = FR

Seniority

Single Names

1. If "Additional Provisions For Monoline" is "ISDA2003SecuredDeliverableObligationCharacteristic" then Seniority is "Secured Debt"
2. If no ISIN or the ISIN is Unknown then Seniority is "Senior Unsecured".
3. If the ISIN is present then the Seniority will be pulled from Market Data based on the ISIN

Step 2: Eligibility, Margin and Results

The Eligibility and Margin process is provided to participants to test their portfolio's eligibility and view what margin requirements will be once migrated to the CME Clearinghouse. The Eligibility, Margin, and Results will compile three pieces of data for the participant:

1. Eligibility of all contracts submitted:
A downloadable status file contains the eligibility of all contracts submitted, as well as any enrichment added. Eligible contracts must meet all the requirements below:
 - a. Be in a "Certain" status in DTCC Deriv/SERV
 - b. Have a notional not equal to 0
 - c. Be within the scope of available products
 - d. Not be a sovereign contract, where Master Document Transaction Type has "Sovereign" in the name.
2. Contracts eligible for migration:
A downloadable eligibility file contains only eligible contracts for migration as well as any enrichment added. This file consists of original contracts submitted to the CME Clearinghouse for migration, as well as substituted contracts at the pre-determined standardized coupons
 - a. Indices will be substituted on a 1-for-1 basis per the listed contracts
 - b. Single Names will be substituted on a 1-for-2 basis per the contract split methodology into standard coupons of 100bps and 500bps.

The eligibility file will also include:

 - a. Premium accrual requirements, assuming all eligible contracts are migrated (see Premium Cash Flow Accruals section for further details)
 - b. The clearing account of the firm who will clear the contract(s). Note: submitted portfolios may contain trades from multiple clearing accounts
3. Margin Requirement

Step 3: Submit to Migration

1. After the participant has run a file through the Eligibility, Margin, and Results process, and has received the results, they are given the option to submit the file for migration.
2. Once a participant accepts a file, all other files previously loaded are marked as Invalid and must be re-run through the Eligibility, Margin, and Results process.
3. If the participant decides not to submit the file, the file is held for the user to download and edit but the file must be re-run through the Eligibility and Margin process before it can be submitted to migration.

Step 4: Migration Match-Off

1. The Migration Match-Off process collects all data submitted for migration, matches both sides of contracts, and evaluates for exceptions in contract terms.
2. The CME Clearinghouse evaluates all migrated portfolios for credit limits and eligibility, and confirms permission to clear through indicated clearing accounts. In addition, the CME Clearinghouse analyzes the migration portfolio, and may at any point up to the time for submission to clearing, reject positions being migrated to the CME Clearinghouse.
3. Clearing members will be responsible for establishing an appropriate migration credit limit for their clients prior to any migration cycle. The default migration credit limit will be set to zero, and may only be adjusted through a request by the clearing member.
4. The portfolio of contracts is automatically vetted against migration credit limits. This separate credit limit is established for migration purposes only to ensure trading activity is not impacted. For additional details on migration credit limits, please contact your CME Clearinghouse representative.

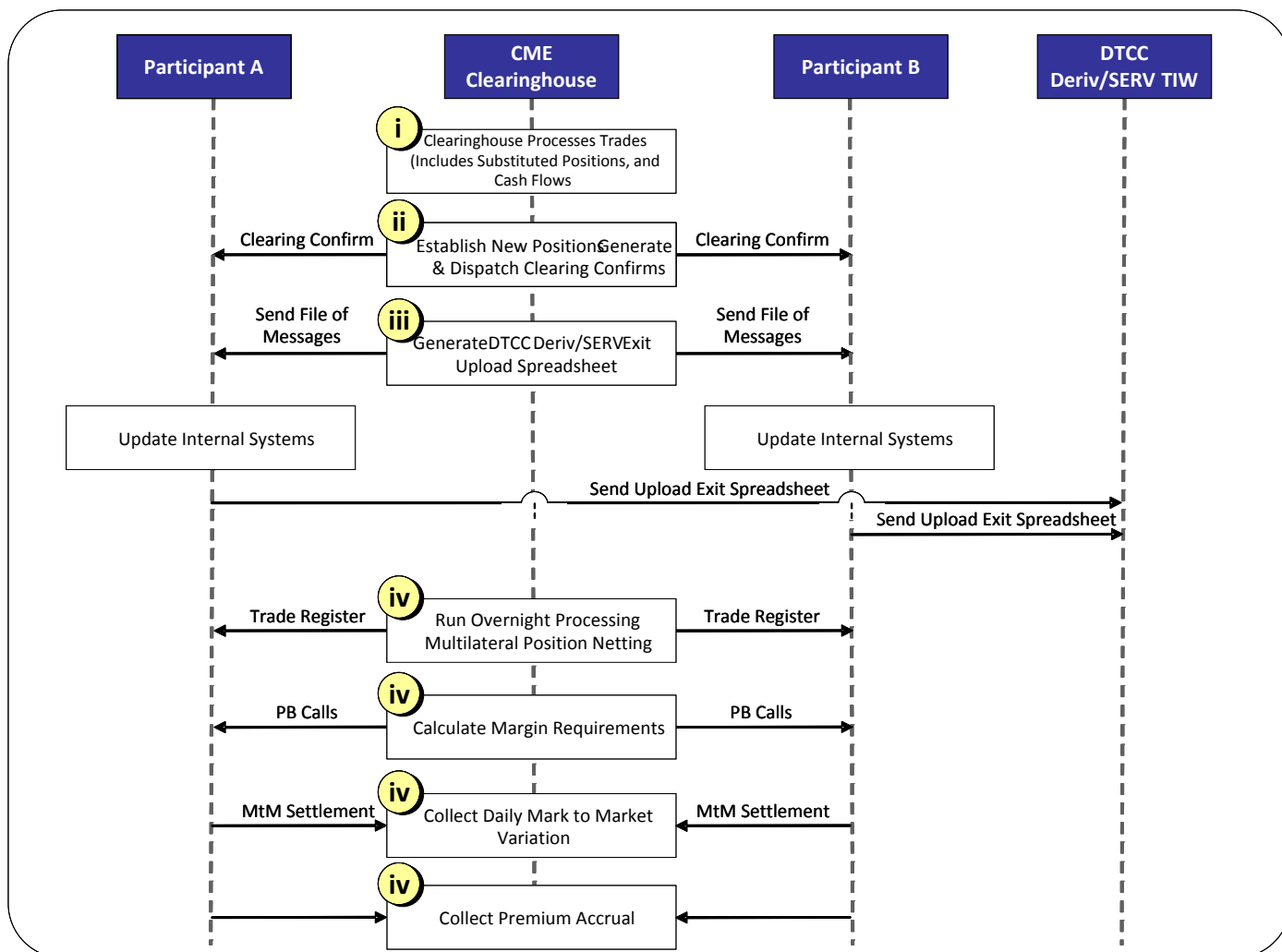
Step 5: Exception Handling

Participants are able to view their migration results in the Eligibility, Margin, and Results process, thus no instances of exceeded credit limits or un-matched contracts are expected. However, if exceptions arise or the CME Clearinghouse chooses to reject migration of positions, the CME Clearinghouse will execute the following Exception process:

- a. Discussions are opened with the relevant participants to evaluate if the issue can be resolved without changing the composition of the submitted portfolio.
- b. Based on the results of the initial discussion, additional counterparties may be brought in for negotiations to determine how any changes in portfolio composition will affect their migration results.
- c. As a last resort, the CME Clearinghouse may terminate the migration of the portfolio and request that the counterparties re-negotiate which positions to migrate.

Once participants have come to an agreement, one or both parties are allowed to resubmit any positions and see updated margin requirement and final positions in the “Submit to Migration” step.

Step 6: Submit to the CME Clearinghouse and Finalize Migration



1. After participants confirm acceptance of migration as necessary, the Migration Utility sends the CME Clearinghouse the substituted portfolio of contracts to be established.
 2. CME Clearinghouse clearing confirms are generated and distributed to appropriate parties identifying contracts established with the CME Clearinghouse and distributed to clearing members in FIXML format via MQ. This requires direct connectivity with participants.
 3. Generate Exit Spreadsheet.
The original portfolio of contracts to be exited will be provided to participants in the DTCC Deriv/SERV Exit Upload Spreadsheet format. Participants may access this file via the web user interface.
- Participants submit the exit file to DTCC Deriv/SERV to tear-up contracts within the TIW. To do this, participants must:
 - Log onto the DTCC Deriv/SERV URL and access the "Upload" option on the menu bar
 - Select the file to be transmitted to DTCC Deriv/SERV and submit.
 - Participants will receive immediate notification of the status of each transmission. Participants should use the "Bulk Uploading" facility if submitting more than 500 records.

Notes:

- Only eligible users, (i.e., those with data entry capability), will have access to the DTCC Deriv/SERV Upload facility.

- Only rows with valid contract data will be reported and counted as successfully accepted transactions. Rows containing non-valid contract data will be classified as rejects

4. CME Clearinghouse executes standard contract processing:

- a. Multi-lateral position netting
- b. Performance Bond Requirement Calculation and Call
- c. Mark to Market (Variation) Calculation and Call
- d. Settlement of Premium Accruals

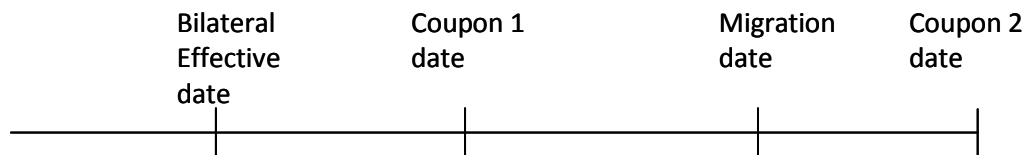
Note: All Cash Flow settlements will be done in accordance with standard currency settlement guidelines.

Premium Cash Flow Accruals

For both indices and single names, depending upon the timing of the original effective date, the previous coupon date, and the migration date, premium accrual must be handled in slightly different ways.

Scenario 1

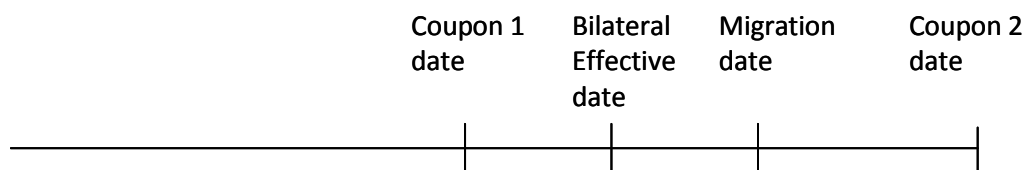
In this scenario, the Bilateral Effective date is prior to Coupon 1 date and Migration date is between Coupon 1 and Coupon 2 date.



- Premium accrual from Coupon 1 date to the Migration date is collected by the CME from the protection buyer on the Migration date.
- Premium accrual from the Migration date to Coupon 2 date is collected daily on an ACT/360 basis by the CME from the protection buyer.
- The full coupon is paid on Coupon 2 date to the protection seller.
- All premium accruals between the Bilateral Effective date and Coupon 1 date must be handled bilaterally.
- Payment details (e.g., routing, premium required at time of migration) will be communicated by the Migration Utility prior to submission.

Scenario 2

In this scenario, the Bilateral Effective date and Migration date are between Coupon 1 and Coupon 2 date.



- Premium accrual from Coupon 1 date to the Migration date is collected by the CME Clearinghouse from the protection buyer on the Migration date.
- Premium accrual from the Migration date to Coupon 2 date is collected daily on an ACT/360 basis by the CME Clearinghouse from the protection buyer.
- The full coupon is paid on Coupon 2 date to the protection seller.

- The protection buyer is owed the premium accrual from Coupon 1 date to the Bilateral Effective date (called an “Accrual Rebate”).
- The counterparties will have settled the “Accrual Rebate” on the Bilateral Effective Date.
 - The CME Clearinghouse enters a cash adjustment equal to the bilateral settlement of the coupon accrual on the Migration date, OR
 - Counterparties unwind the bilateral coupon settlement payment that was made.
- Payment details (e.g., routing, premium required at time of migration) will be communicated by the Migration Utility prior to submission

Web Migration Guide

This section provides user interface directions for the CME Group web-based Migration Utility. The Utility supports the trade migration process.

Before using the migration site, you will need a migration account, which is setup by the CME Operations Center. Please call Michael O'Connell at (312) 930-3395 or email at Michael.OConnell@cmegroup.com.

Welcome Tab

When users first log in, they are presented with the *Welcome* screen. This screen provides instructions on how to begin, and displays reminders about upcoming events, for example, the deadline for submitting positions for a particular migration.

CME Group
A CME/Chicago Board of Trade/NYMEX Company

CME Cleared OTC CDS

Welcome FAL\pjain-fal-mig [Logout](#)

Welcome | Margin Eligibility Check | Migration Status | Trades | Eligible Contracts | User Contact Info

Overview

CME Cleared OTC CDS Import Portfolios

Welcome to the CME Cleared OTC CDS Portfolio Migration Utility. From here you can import your CDS portfolio for migration to CME Clearing. This utility allows you to upload your portfolio and receive eligibility verification and margin requirements prior to the migration. Once reviewed, you and your counterparty have the opportunity to submit your portfolios for migration to CME Clearing.

Below you will find the current migration schedule.

Portfolio Submission:
This is the time allocated in which you are allowed to submit your portfolio to determine eligibility and margin requirements. This exercise will not migrate your portfolio to CME Clearing.

Migration Submission:
This is the time allocated in which you can submit your portfolio for migration. Any and all exceptions must be resolved before the window expires.

Migration:
This is the time allocated in which your portfolio will be migrated to CME Clearing. Margin requirements will be verified with margin limits in place. New trade files and DTCC exit files will be generated and made available to you upon completion of the migration process.

To begin, click on the 'Margin Eligibility Check' tab and select 'Upload' to begin the process.

Announcements

Subject	StartDate	EndDate
SubmissionWindow	08:26:45 PM 06/01/2009	12:09:00 PM 10/30/2009

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Margin Eligibility Check Tab

This screen allows users to analyze how a migration would look before committing to the **migration**. The screen contains three sections.

Portfolio Files

The **Portfolio Files or Submission** section allows uploading of DTCC Deriv/SERV portfolio file or Migration Eligibility file to the Migration Utility of the CME Group Trading Platform.

File Name ^	Received Date	File Status	Migration Cost	File Type	File Rows	Eligible Rows	Rejected/Deleted...	Status Notes
FAL_Eligibility_200...	08:30:14 AM 08/18...	Loaded		Migration	3			
fal_test.csv	08:24:36 AM 08/18...	Accepted	1,105	Simulation	3	3		

Click the yellow **Upload** button in the upper right hand corner to browse for and select portfolio files on your computer. All files are transmitted via SSL encryption to ensure security.

Upload results appear in the grid showing how many trades were imported and the number of trades ineligible for migration. The most common reason for trade ineligibility is no standardized contract defined

that matches the trade. Select a row in the grid to see additional information in the other two sections of the screen.

Details

The **Details** section shows additional details about the selected portfolio from the **Portfolio Files** section, including margin requirements and an initial cash flow of the migration file. If the uploaded portfolio contained multiple clearing accounts, this section displays the results with a different margin for each clearing account.

CASName ▲	Generated Date	Margin	Initial Cash Flow
FALTEST	08:24:46 AM 08/18/2009		34.00

Output File

The **Output Files / Submit to Migration** section lists additional files where the user can obtain details about the selected portfolio from the **Portfolio Files** section, including an augmented version of the uploaded portfolio file.

File Name ▲	File Type	File Status
FAL_Eligibility_20090818_082502.csv	Eligibility	Accepted
FAL_Status_20090818_082502.usv	Status	Accepted

The Migration Eligibility file will identify specifically which trades are eligible for migration, seniority and restructuring. Once the user has reviewed the output files, right click the row in the grid to accept / submit that file for migration. You can only accept a file after a margin number is available. Once a file is accepted, all the other eligibility files will become ineligible for migration and must be resubmitted for margin check, before they can be accepted.

In some cases, a participant may be allowed to run a margin and eligibility check, but not have the ability to accept files for migration (i.e., for clearing). Please contact Mike O'Connell at (312) 930-3395 or at Michael.OConnell@cmegroup.com to confirm your status as a full migration participant.

Migration Status Tab

This screen provides margin/cash flow, counterparty migration, status information in three sections.

The screenshot shows the 'CME Cleared OTC CDS Import Portfolios' application in a Microsoft Internet Explorer browser. The address bar shows 'http://10.33.36.113/ImportPortfolios.aspx'. The page has a navigation bar with tabs: 'Welcome', 'Margin Eligibility Check', 'Migration Status' (selected), 'Trades', 'Eligible Contracts', and 'User Contact Info'. The 'Migration Status' section is active, displaying three tables.

Margin Requirements

CASName	MarginDate	MarginAmount	Initial Cash Flow
FALTEST	08:30:15 AM 08/18/2009	34.00	43.00

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Counterparty Matrix

Counterparty	Uploaded By You	Uploaded By Them	Unpaired	Paired	Matched	Failed	Incomplete	PendingMigration	Migr
BARC			3						
CFL	3	3				3			

Page 1 of 1

Status Reports -- Double-click a row to download that file

OutputFileName	OutputFileTypeCode
FAL_Migration_20090818_085755.csv	Migration

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Margin Requirements

The **Margin Requirements** section provides overall view of margin amount and initial cash flow by Clearing Alias for the current trading session.

Margin Requirements			
CASName	MarginDate	MarginAmount	Initial Cash Flow
FALTEST	08:30:15 AM 08/18/2009	34.00	43.00

Counterpart Matrix

The **Counterparty Matrix** section provides overall status of the current migration. It allows participants to review what they uploaded compared to what their counterparties have uploaded, how many of the counterparty's uploaded positions matched and migration status. Each position can be migrated only after both counterparties upload identical details for each position.

Counterparty Matrix								
Counterparty ▲	Uploaded By You	Uploaded By Them	Unpaired	Paired	Matched	Failed	Incomplete	PendingMigration
BARC			3					
CFL	3		3			3		

If the positions uploaded by counterparties are not identical, they will need to work to resolve differences, and resubmit for migration.

Status Reports

The **Status Reports** section allows users to download migration status reports containing additional information about their migration. To download a file, double-click the target row.

Status Reports -- Double-click a row to download that file	
OutputFileName ▲	OutputFileTypeCode
FAL_Migration_20090818_085755.csv	Migration

Trades Tab

This screen provides overview of the session's trading activity by counterparty, reference entity and other details. The data can be exported to Excel® in the .csv file format.

CME Cleared OTC CDS Import Portfolios - Microsoft Internet Explorer provided by Citadel Investment Group, L.L.C.

http://10.33.36.113/ImportPortfolios.aspx

File Edit View Favorites Tools Help

★ Favorites ★ FIX Message SecurityDefinition Home - GMB0 Reporting CMDX Login Home - OTC Clearing and S... Home - CMDX - RFQ TB CMDX Documents - Ces-sup...

CME Cleared OTC CDS Import Portfolios

Welcome FAL\pjain-fal-mig Logout

Welcome Margin Eligibility Check Migration Status **Trades** Eligible Contracts User Contact Info

Trades

Matched

Counterparty	DTCC_TradeID	DTCC_Account	DealState	Notional	Side	Currency	TIW_Status	TradeDate	EffDate
CFL	20080821D0004...	00008889	Matched	10,000,000	Short	USD	Certain	08/20/2008	08/21/2008
CFL	20081024D0004...	00008889	Matched	5,000,000	Short	USD	Certain	10/24/2008	10/25/2008
CFL	20090302D0005...	00008889	Matched	50,000,000	Short	USD	Certain	03/02/2009	09/21/2008

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Internet 100%

Eligible Contracts Tab

This screen provides overview of the session's eligible contracts. The data can be exported to Excel® in the .csv file format.

CME Cleared OTC CDS Import Portfolios - Microsoft Internet Explorer provided by Citadel Investment Group, L.L.C.

http://10.33.36.113/ImportPortfolios.aspx

File Edit View Favorites Tools Help

Favorites FIX Message SecurityDefinition Home - GMMO Reporting CMDX Login Home - OTC Clearing and S... Home - CMDX - RFQ TB CMDX Documents - Ces-sup...

CME Cleared OTC CDS Import Portfolios Page Safety Tools

CME Group A CME/Chicago Board of Trade/NYMEX Company **CME Cleared OTC CDS** Welcome FAL\pjain-fal-mig Logout

Welcome Margin Eligibility Check Migration Status Trades **Eligible Contracts** User Contact Info

Eligible Contracts

Contract	Spread	Maturity	Currency	Restructuring	Seniority	Clearing Code	Ref Entity	Security Type
AA.SR.MR.USD.09M.100	100	06/20/2009	USD	MR	SNRFOR	AARDU	ALCOA INC.	HYSN
AA.SR.MR.USD.09M.500	500	06/20/2009	USD	MR	SNRFOR	AARDU	ALCOA INC.	HYSN
AA.SR.MR.USD.09U.100	100	09/20/2009	USD	MR	SNRFOR	AARDU	ALCOA INC.	HYSN
AA.SR.MR.USD.09U.500	500	09/20/2009	USD	MR	SNRFOR	AARDU	ALCOA INC.	HYSN
AA.SR.MR.USD.09Z.100	100	12/20/2009	USD	MR	SNRFOR	AARDU	ALCOA INC.	HYSN
AA.SR.MR.USD.09Z.500	500	12/20/2009	USD	MR	SNRFOR	AARDU	ALCOA INC.	HYSN
AA.SR.MR.USD.10H.100	100	03/20/2010	USD	MR	SNRFOR	AARDU	ALCOA INC.	HYSN
AA.SR.MR.USD.10H.500	500	03/20/2010	USD	MR	SNRFOR	AARDU	ALCOA INC.	HYSN
AA.SR.MR.USD.10M.100	100	06/20/2010	USD	MR	SNRFOR	AARDU	ALCOA INC.	HYSN
AA.SR.MR.USD.10M.500	500	06/20/2010	USD	MR	SNRFOR	AARDU	ALCOA INC.	HYSN
AA.SR.MR.USD.10U.100	100	09/20/2010	USD	MR	SNRFOR	AARDU	ALCOA INC.	HYSN
AA.SR.MR.USD.10U.500	500	09/20/2010	USD	MR	SNRFOR	AARDU	ALCOA INC.	HYSN
AA.SR.MR.USD.10Z.100	100	12/20/2010	USD	MR	SNRFOR	AARDU	ALCOA INC.	HYSN
AA.SR.MR.USD.10Z.500	500	12/20/2010	USD	MR	SNRFOR	AARDU	ALCOA INC.	HYSN
AA.SR.MR.USD.11H.100	100	03/20/2011	USD	MR	SNRFOR	AARDU	ALCOA INC.	HYSN
AA.SR.MR.USD.11H.500	500	03/20/2011	USD	MR	SNRFOR	AARDU	ALCOA INC.	HYSN
AA.SR.MR.USD.11M.100	100	06/20/2011	USD	MR	SNRFOR	AARDU	ALCOA INC.	HYSN
AA.SR.MR.USD.11M.500	500	06/20/2011	USD	MR	SNRFOR	AARDU	ALCOA INC.	HYSN
AA.SR.MR.USD.11U.100	100	09/20/2011	USD	MR	SNRFOR	AARDU	ALCOA INC.	HYSN

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Migration FAQs

General Questions

1. What are the major benefits of migrating my existing positions through CME Group?
 - Reduced margin and capital requirements by netting new contracts against the current portfolio.
 - Increased flexibility for trading single-name contracts.
 - Reduced counterparty risk and protection

2. What standard contracts are available Day 1 for trading?

On day 1, the CME Group platform provides access to trade and clear ~75% of index and single-name notional value, including the highest-volume CDX and iTraxx indices as well as their single-name constituents. For a list of the standard contracts available on Day 1 for trading, please visit the CME Group website.

3. Does this process support migrating existing OTC contracts to non-standard contracts facing CME Clearing?

No, the process supports migration to standard contracts only.

4. Are there any fees? If so, what are the charges?

Please call Mike O'Connell at (312) 930-3395 or at Michael.OConnell@cmegroup.com for a fee schedule.

5. What does this do to the original contracts in place?

Upon receipt of the migration process confirmation, all original contracts must be exited. The Migration Utility provides a file of positions to be exited upon finalization of migration.

6. What are the differences between a migrated contract and a contract that I established through the CME Group trading facility?

For standard coupons, once the migration process is completed, there is no difference between a migrated contract and one established through the trading facility. Margining, settlement, and all other CME Clearing procedures are managed identically.

Migration Submission

7. Who can submit contracts for migration?

Both participants that are clearing members and non-clearing members are eligible for migration. Participants that are Non-clearing members must establish clearing sponsorship with a clearing member.

8. What do I do for distressed credit that has upfront payment amounts to the counterparty? Does anything change in the process?

There is no need for special treatment of migration of distressed credit. The net notional amount, net ongoing cashflows, and overall risk profile of the contracts remain unchanged. Participants have the responsibility to settle all pre-migration cash flows prior to migrating.

9. What is the timing and frequency of migration cycles?

Please call Mike O'Connell at (312) 930-3395 or email at Michael.OConnell@cmegroup.com for information on the migration cycles.

10. Does the utility have exception processing?

Yes, the technology used to match and process data is designed to manage exceptions and ensure high data quality. Common exceptions include:

- Contracts not in DTCC Deriv/SERV "Certain" status
- Only one side of contract is submitted
- Non-matching contract details (e.g., notional, seniority, restructuring, maturity date)

11. How am I notified about exceptions?

Depending on the exception type and where in the process the exception occurs, exceptions are contained in the portfolio responses on the Migration Web Interface for review or a CME Group representative will contact you via email or phone.

12. I'm a non-clearing member and want to migrate my positions. Does the process work differently for me?

The only difference occurs during the credit check and final migration approval stage. Your clearing member will have set credit limits for your CME Clearing positions. If credit limits are exceeded, your clearing member may choose to allow or reject the migration of positions through CME Group. Additionally, at any time during the final migration approval process, your clearing member may cancel your migration.

Participant Interaction

13. Does the counterparty in my contract have to agree to migration?

Yes, your bilateral contract counterparty must also choose to migrate the position. This should be discussed and agreed to prior to submission through CME Group to ensure that both sides of the position are submitted. Additionally, the presence of both sides of the contract is one of the first conditions checked during the migration process. If they are not both present, the position cannot be migrated and an exception is triggered.

14. Do I get a final review of my submitted portfolio before accepting?

During the migration process you have an opportunity to review the positions being submitted for migration, as well as your indicative initial margin requirements based on the assumption that your counterparty is submitting their side of the contract as well. Once you confirm this portfolio for migration, if your counterparty agrees on all the contract details and both parties pass their credit limit checks, there is no additional review. However, if there are differences between your original submission and potential migration results (based on credit limits or counterparty mismatching submissions), there is an opportunity to resubmit and see updated results before final confirmation.

15. What must I do during the migration cycle?

Among other things, participants must:

- Agree with counterparties on migration to a trading facility
- Establish clearing membership or sponsorship from a clearing member
- Provide position data in the Migration File format
- Ensure that all pre-migration cashflows are settled appropriately
- Send exit messages to DTCC Deriv/SERV (as provided by the Migration Utility)

Migration Cash Flows

16. How does the one-to-two single-name approach avoid the need to determine and settle tear-up values?

The one-to-two approach is based on two main principles: the net notional value of the two new contracts must equal the original notional value, and the total cash flow based on the new notional values and standard 100 and 500 bps coupons must equal the original cash flow.

17. What cash flows must be settled at the time of migration?

The one-to-two single-name approach avoids the need to determine and settle tear-up values. The only cash flows to be settled are the initial margin and the premium accrued.

18. Can I view my margin charges?

Yes. When presented with your initial migration simulation results, you will see your margin charges.

19. Will the utility provide marks used to determine margin requirements on the initial migration results?

No, specific marks are included with initial migration results for review. However, each participant may access the Multi-Factor Margin file used to mark positions via the Trading Platform interface.

20. When must I post margin?

Margin is required on the next CME Clearing margin call. As the migration cycle takes place over the course of a trading day, margin posting is typically required at the next day's morning margin collection.

21. Who handles the IMM quarterly payment process?

CME Clearing administers the IMM quarterly payment process for all migrated positions after the day of migration. Migrated positions function just like positions established through the trading facility. However, all responsibility for settling pre-migration cashflows remains with the bilateral contract counterparties.

22. Are there tax implications for migrating my existing positions through CME Group?

- There may be tax implications for terminating the original contract.
- Please consult your tax and accounting professionals for information specific to your situation; CME Clearing is unable to provide any advice or guidance as to accounting or tax implications of migration through CME Group.