

ISDA Study Information Requirements

1. *Service Description – plain English on what the service offers*

CME is offering an industry-leading solution for clearing CDS, unmatched in its efficiency and breadth of offering. CME's offering provides straight through processing to reduce operational risk and costs, including T+0 confirmation. CME's CDS solution is open to all market participants including buy-side customers.

CME's CDS clearing solution will (i) eliminate bilateral counterparty risk with a full central counterparty clearing guarantee; (ii) leverage CME's best-in-class infrastructure; (iii) provide full trade life-cycle management; (iv) provide true multi-lateral position netting and capital efficient risk based portfolio margining; and (v) cover over 75% of existing open single name and index notional value.

CMDX, which is the solution's open architecture trade-validation and migration platform, provides: (i) flexibility to receive and validate trades from all venues with straight through processing to CME clearing; (ii) and a migration Utility to move existing bilateral OTC contracts to standard centrally cleared contracts from the DTCC Trade Information Warehouse (TIW).

Market participants access CME Clearing through established clearing member firms that meet the eligibility requirements for clearing CDS.

2. *Legal structure of the CCP, and ownership structure by the service provider or in partnership with stakeholders*

CME Clearing is providing central counterparty services to CMDX under an outsourcing arrangement. CMDX is partnering with CME Group ("CME"), Citadel Investment Group ("Citadel") and other major market participants to design and establish a comprehensive central counterparty clearing solution for CDS products. CMDX promotes an open architecture clearing model where trades can be submitted to CME Clearing independent of execution venue. CMDX vests control of business strategy, product characteristics and credit event determination in the hands of the market participants who govern the venture.

CME Clearing is a division of Chicago Mercantile Exchange, Inc and serves as the central counterparty for CME, Chicago Board of Trade, and New York Mercantile Exchange transactions, as well as those of their affiliates. CME is registered with the Commodity Futures Trading Commission ("CFTC") as a Derivatives Clearing Organization. The CFTC acts as the primary regulator of CME Clearing.

3. *Governance structure, Board members, CEO, shareholdings*

Founding Members will participate in the following: (i) CMDX Board of Directors; (ii) CMDX Product Advisory Board; and (iii) CME Determinations Board which resides within CME Clearing.

- I. The CMDX Board of Directors will oversee the management, operation and development of CMDX, including its business plan and financial matters.
- II. The Product Advisory Board will provide recommendations to the CMDX Board of Directors concerning the CDS products cleared through the offering and their product terms, incentives to support adoption and service functionality.
- III. CME Cleared CDS deals will be subject to the same ISDA Determinations standards as OTC bilateral deals. The CME Determinations Board will make determinations concerning such matters as the occurrence or non-occurrence of a credit event, successors of reference entities, substitute reference obligations, deliverable obligations and CDS Contract settlement processes. Issues may be brought to the Board's

attention by any CDS Participant or CDS Clearing Member. The Board may also choose to address issues proactively.

The Board will be comprised of CDS Participants and CDS Clearing Members, including both Dealer Board Members and Non-Dealer Board Members. The Board is generally responsible for ratifying ISDA determinations and making determinations in the absence of an ISDA determination on any specific Issue.

4. *Product scope, which OTC products are (will be) supported, how close are they to pure OTC or exchange like OTC products?*

CDX IG, HVOL, and HY Indices

- 3, 5, 7 and 10 year tenors
- Current and Previous 3 off-the-run series

iTraxx Europe, HVOL and XO

- 3, 5, 7 and 10 year tenors
- Current and Previous 3 off-the-run series

iTraxx Financial Senior and Financial Subordinate

- 5 and 10 year tenors
- Current and Previous 3 off-the-run series

Single Name constituents of the CDX and iTraxx indices (over 500 reference entities)

- Standardized fixed coupons of 100 bps and 500 bps so that the risk profiles of the cleared contract match those of existing OTC contracts
- Quarterly maturities up to 10 years

Forthcoming product offerings (e.g. Sovereigns, Tranches, additional Indexes, and additional Single Names) will be based on recommendations of the CMDX Product Advisory Board

- Our standardized contract terms for the cleared CDS contracts are designed to mirror the bilateral OTC contracts, and are consistent with ISDA definitions, adhere to ISDA determinations, and are eligible for participation in ISDA auctions
- Existing single name deals will be converted to the new coupons, with each split into two new deals, one with a 100 bps coupon and one with a 500 bps coupon - the net notional and coupon remain the same
- Going forward new single name deals will be submitted to clearing with fixed 100 and 500 bps coupons in accordance with the ISDA standards in place after April 2009. An upfront payment will be calculated to compensate for the difference between the fixed coupon and the fair spread.

5. *Details of each contract or products. Please identify any differences with existing OTC contracts supported by the DTCC Trade Information Warehouse*

	Bilateral Contracts Today	Bilateral Contracts after April 2009*	CME Cleared Contracts
Credit event determination	<ul style="list-style-type: none"> Either counterparty can submit credit event notice Notices handled on bilateral basis 	<ul style="list-style-type: none"> ISDA will hardwire credit event determinations 	<ul style="list-style-type: none"> Will adhere to ISDA determinations
Cash settlement for non-Restructuring credit events	<ul style="list-style-type: none"> Settlement process is bilateral Market participants typically adhere to ISDA auction protocol and settles based on auction final price 	<ul style="list-style-type: none"> Cash settlement will be hardwired based on ISDA auction 	<ul style="list-style-type: none"> Will adhere to ISDA cash settlement processes
Physical settlement for non-Restructuring credit events	<ul style="list-style-type: none"> Settlement process is bilateral Market participants typically adhere to ISDA auction protocol and settles based on auction final price 	<ul style="list-style-type: none"> ISDA auction protocol will be hardwired into contracts Participants will have right to take part in the auction 	<ul style="list-style-type: none"> Physical settlement is an option through the ISDA auction
Succession event determination	<ul style="list-style-type: none"> Determined bilaterally; however counterparties generally adhere to advise of ISDA and market 	<ul style="list-style-type: none"> ISDA will hardwire Succession event determinations 	<ul style="list-style-type: none"> Will adhere to ISDA determinations
Calculation agent	<ul style="list-style-type: none"> Bilaterally agreed upon 	<ul style="list-style-type: none"> Bilaterally agreed upon 	<ul style="list-style-type: none"> CME Clearing

	Bilateral Contracts Today	Bilateral Contracts after April 2009*	CME Cleared Contracts	
Index Single Names	Settlement under restructuring credit event	<ul style="list-style-type: none"> Bilaterally agreed upon However ISDA may choose to issue protocol for restructuring credit events and bilateral counterparties would have right but not obligation to adhere 	<ul style="list-style-type: none"> Will adhere to ISDA settlement process if available Otherwise, CME Determination Board will issue settlement process 	
	Deliverables under restructuring credit event	<ul style="list-style-type: none"> Acceptable deliverables depend on whether the credit event notice is issued by the buyer or seller of protection If buyer of protection issues notice, they may be subject to certain deliverable restrictions If seller of protection issues notice, no deliverable restrictions 	<ul style="list-style-type: none"> If ISDA determines deliverable obligations for a restructuring credit event, CME will adhere to those determinations If ISDA does not, then the deliverable obligations will be determined by the CME Determinations Board 	
	Restructuring as a credit event	<ul style="list-style-type: none"> Accept modified restructuring as a credit event 	<ul style="list-style-type: none"> The default for NA single names is no restructuring However, bilateral counterparties can choose to include restructuring 	<ul style="list-style-type: none"> Will accept both restructuring types, subject to participant demand and availability of pricing
	Effective date	<ul style="list-style-type: none"> As agreed to by the bilateral counterparties This is commonly the trade date or the day after the trade date 	<ul style="list-style-type: none"> The effective date will be 60 calendar days prior to the current date, on a rolling forward basis 	
	Coupon accruals	<ul style="list-style-type: none"> Accrual starts from the day after the trade date 	<ul style="list-style-type: none"> Accrual starts from last quarterly payment date 	
	Coupons	<ul style="list-style-type: none"> Current market does not use fixed coupons 	<ul style="list-style-type: none"> Contracts will be based on 100 bps and 500 bps coupons 	

* Expected date for ISDA amendment incorporating the ISDA Credit Derivatives Determination Committee

6. Membership requirements and membership structure (for direct and indirect members)

Every market participant will face CME Clearing through a CME Clearing Member firm. Some market participants may already either be CME Clearing Members or have a CME Clearing member within their corporate family. Other market participants will clear their CDS trades through CME Clearing Members who meet the eligibility requirements for clearing CDS.

CME Clearing Member CDS Eligibility Requirements

Existing CME Clearing Members

- Adjusted Net Capital (ANC) of \$300M
- Verification of existing business, financial and operational capabilities to support CDS market activity
- Additional security deposit as appropriate scaled according to the book of CDS business cleared

New CME Clearing Members clearing only CDS

- Minimum Tier One capital or ANC of \$300M
- Minimum membership requirement deposit of \$5M
- Additional security deposit requirement \geq \$7M

Firms with Multiple Internal Divisions

For firms anticipating clearing CDS within multiple internal divisions, CME Clearing offers an extremely flexible trade management and collateral account architecture. Firms may set up multiple accounts to facilitate trade management within distinct internal divisions, and may then choose to maintain one collateral pool with netting of cash flows, or to have separate collateral pools with separate banking.

Firms with Multiple Legal Entities

CME Clearing has customized two approaches to supporting firms with multiple legal entities. The first approach is to offer a streamlined membership approval process for a family of companies desiring a secondary clearing member relationship. Firms utilizing this approach will have to designate one member exclusive to OTC clearing. The second approach revolves around utilizing CME Clearing's set of customizable operational interfaces to help facilitate deal management between a firm's FCM legal entity and all other distinct legal entities within its corporate family.

7. *Margin Methodology*

- *Variation Margin or equivalent including pricing method and data sources*

CME Clearing supports both intraday and end-of-day calculation and settlement of variation margin. To appropriately manage risk, CME Clearing will use three pricing data sources to determine price levels, both intraday and end-of-day, for CDS products.

1) Executed Prices

Executed prices are captured for all trades cleared with CME Clearing on a particular day, regardless of where the trade was executed.

2) Quoted Prices

Founding Member Quotes. Dealer and Buy-Side Founding Members in CMDX are required to submit Price Levels for the full term structures for all indices and single-name reference entities by seniority, restructuring type, and currency eligible for clearing and where such Founding Member has a position.

CMA Pricing Service. CMA aggregates Price Levels submitted by a market consortium of 34 distinct active CDS market participants including banks, hedge funds and asset managers. Each member of the consortium provides in real-time to CME an average of the pricing quotes, including bids and offers, they receive from dealers for the particular CDS instruments they actively monitor and trade. CMA receives ~100,000 anonymous aggregations of Price Levels throughout the day for Day 1 contracts eligible for clearing.

Price Auction Quotes. For a small selected group of highly illiquid Credits, Dealer and Buy-Side Founding Members in CMDX may be required to participate in an interactive price auction protocol organized on regular basis. Front offices submit Price Levels for Required Tenors for the selected group of highly illiquid Credits.

3) Position Marks

Aggregated marks from dealer's books and records are obtained through third party data providers

- *Initial Margin or equivalent, and calculation methodology*

CME Clearing's innovative multi-factor margin methodology is both transparent and replicable.

- CME Clearing will utilize a multi-factor risk model to gauge forward looking risk coverage for price, liquidity, and "jump to default" risk
- CME Clearing's multi-factor portfolio margining model is designed to efficiently and transparently assess the risk of CDS portfolios
- For the margining of the CDS instruments, the Performance Bond will address seven risk factors
 - ✓ Macro-economic credit risks: systematic, curve, and spread convergence/divergence risk
 - ✓ Sector-level risk
 - ✓ Idiosyncratic risk
 - ✓ Liquidity risk
 - ✓ Basis risk
- The total portfolio margin equals the sum of the margins required to cover individual shocks to each of the seven risk factors (and is subject to a minimum total portfolio margin requirement), and is completely replicable by participants
- The margin regime has been thoroughly back tested on portfolios of different sizes and compositions; the results are robust, providing coverage even in the most volatile periods of 2008
- More than fifty real life portfolios have been processed through hypothetical margin scenarios for both dealers and buy-side participants

CME Clearing has the capability to pull and post initial margin on a twice daily basis. Initial margin may be posted as cash or other eligible securities with CME Clearing.

- *Default or Guarantee Fund, structure, size and calculation method*

To address the risks of clearing CDS, the CME will rely on its existing risk management practices and principles, as well as certain additional risk controls that are even more conservative than those utilized for existing futures and options products (e.g., more stringent membership eligibility requirements). In addition, the CME has proposed a new system for computing margin requirements for CDS.

The CME has 4 key pillars of financial safeguards

- 1) Portfolio Margining and Risk Evaluation. Margin requirements are based on the risk in a portfolio and defined by a series of scenarios and shocks (e.g., steepening/flattening, compression/decompression, industry concentration). Portfolio margin requirements are designed to cover a 2 to 5 day move with a 99% confidence interval.
- 2) Daily Mark to Market. Accurate, automated daily mark-to-market calculations for variation margin.
- 3) Real-time P&L, Concentration and Financial Monitoring. Consistent monitoring of financial strengths of clearing firms (including risk-based examinations, net capital requirements and segregation requirements) ensure clearing firms have the appropriate credit limits that cannot be exceeded

- 4) Membership Standards. Participant requirements will be consistent with the CME's overall risk management framework and regulatory guidelines. Credit, financial, and operational review of clearing members occurs at regular intervals.

CME has a five-tiered financial safeguards package available in case of a counterparty default. Beyond tier 1, CME has an industry-leading \$7 billion default fund protection layer. As funds are exhausted from each tier, funds can be drawn upon from the higher tier. Financial Safeguards funding reported as of December 31, 2008:

- ✓ Tier 1. Includes \$100 billion in performance bond collateral posted by CME Clearing members. As discussed in the risk management section above, performance bond requirements for CDS are calculated to cover 2- to 5- day price moves with 99% confidence.
- ✓ Tier 2. Includes an \$600 million fully secured, confirmed line of credit with a consortium of domestic and international banks that can be expanded to \$1 billion under an accordion feature
- ✓ Tier 3. Includes a minimum \$100 million CME capital contribution surplus fund
- ✓ Tier 4. Includes \$1.8 billion guarantee fund held by the CME
- ✓ Tier 5: Includes contingent risk capital assessment powers of \$4.8 billion

- *Stress testing approach (reference methodology described above)*

- *Cross margining capability with other products*

CME is not initially recognizing any risk offsets between CDS and other products but is open to doing so as appropriate in the future.

- *Cross margining capability with other services or jurisdictions*

CME Clearing has existing mature cross margin agreements with partner clearing organizations for listed derivatives contracts. Developing similar programs for Cleared Credit Default Swaps will depend on customer demand and the sufficient vetting of all the risk contingencies and operational issues inherent in any cross clearing organization margining agreement.

- *Any details you would like to include on back testing and other risk management techniques*

CME Clearing will also leverage its full suite of real time market risk management tools and procedures to monitor CDS cleared portfolios. These include:

- 24-hour monitoring of market conditions, market impacting news and events
- In depth knowledge of clearing member business models, customer bases, market exposures, and exposure sensitivities
- Continuous monitoring of individual portfolio activity, P&L, performance bond exposures, post trade transactions and clearing member system viability
- Real time monitoring of clearing member level activity
- Access to customer level information at the large trader position level
- Real-time positions are marked to real-time prices and are available immediately for risk analysis
- Market, operational, liquidity, and credit risk are continuously and effectively monitored on a daily basis

- *Methodology behind any Intraday margin calls and related procedures*

See Answer to Question 14

8. *Connectivity to other services, including DTCC / Markit / T:Zero or Trading platforms, and intended automation plans such as spreadsheets or direct computer links*

CMDX and CME Clearing promote open CDS clearing solutions. There are multiple methods trades may be submitted to CME Clearing: CMDX Trade Booking Facility, Migration Utility, and CME ClearPort. Each enables market participants to negotiate bi-lateral contracts as they do in the OTC market (electronically, verbally or brokered) and submit trades to CME clearing.

- The CMDX Trade Booking Facility is a state-of-the-art trade validation and confirmation platform. The Trade Booking Facility can accept trades from nearly any execution method (i.e., over the phone, through IDBs, etc.). It allows trades to be booked, credit checked, confirmed, and sent straight through to CME Clearing for nearly instantaneous clearing acceptance and confirmation.

Participants, IDBs, and electronic platforms can access the CMDX Trade Booking Facility using a web-based interface or a direct-access API. After executing a trade, a CMDX user submits the trade details to the Trade Booking Facility. If both counterparties submit matching trade details and the trade passes credit checks, then the trade is immediately confirmed and accepted for clearing.

- The Migration Utility serves two functions: (i) it allows participants to migrate (or backload) existing trades to CME Clearing, and (ii) it allows participants to execute and confirm new trades through their current technology (e.g. DTCC Deriv/SERV, DTCC TIW, T:Zero, etc), then migrate these trades to CME Clearing after the trade is confirmed in the Trade Information Warehouse (TIW).

CME Clearing has established direct connectivity to DTCC and the Trade Information Warehouse (TIW) for the purposes of trade migration, exit messaging, and post-trade information exchange to send and receive all data files.

- CME ClearPort, a direct access clearing only service, may also be used by market participants to submit transactions directly to CME Clearing

9. *Interoperability – with which entity (ies) and if any, please define dimensions*

CME Clearing is an active participant in ongoing industry discussions around clearing interoperability and is open to participating in any efforts that adequately address all common concerns about cost elements, risk management and operational compatibility.

10. *Regulatory background*

- *Which regulatory body*

The US Commodity Futures Trading Commission (CFTC) acts as the primary regulator of CME Clearing.

- *Treatment of trades for capital purposes*

Broker-Dealers and FCMs

Collateral deposited for security deposit and performance bond and mark-to-market gains are allowable for capital (less SEC haircuts on collateral based on type and maturity date)

The proprietary haircut for a CDS of a:

- CSE broker-dealer is calculated using its VAR haircut formula
- Non-CSE broker-dealer which is a CDS buyer is zero
- Non-CSE broker-dealer which is a CDS seller is calculated per SEC Rules for Nonconvertible Debt Securities if the underlying debt obligation is rated in one of the four highest rating categories by at least two NRSROs. This haircut varies between 2% to 9%. If the underlying debt obligation is not so rated by a NRSRO, the haircut is 15%.

Banks

Cash and other highly liquid collateral deposited with CME Clearing for security deposit and performance bond are subject to a capital charge on 100% of their value. Other collateral is subject to capital charges based on certain percentages of their value, dependent on the type of collateral and their maturity date.

Capital charges are also required for the market risk of CDS, along with the banks proprietary derivatives positions.

- *Segregation into a US / European service, details of any differences from a legal, governance, regulatory or default fund point of view*

CME Clearing is committed to offering a global clearing solution for CDS. We are currently working with the FSA for approval of CME Clearing as a UK registered clearing house.

11. *Buy-side involvement (membership?)*

CME Clearing's CDS Solution is Open to All Market Participants, including buy-side participation. CME's approach to the legal and regulatory treatment of CDS products follows a well-established construct, taking into account the interests of all market participants.

The CFTC regulatory framework will be used to underpin the financial safeguards package for CDS products. We have requested a CFTC order permitting CME to hold customer funds in segregated 4d accounts. If clearing of CDS positions begins before a CFTC order is issued and effective, customer funds will be accorded 30.7 "secured" treatments on Day 1, with Customer segregation treatment subsequently.

The 4d customer segregation regulatory regime is well established with jurisdictional certainty, explicit benefits under the Bankruptcy Code and has established and tested legal precedent. The use of 4d segregated accounts will enhance customer protections by protecting account balances against a clearing member bankruptcy as customer funds held in respect of a "commodity contract" under the Bankruptcy Code. This approach will require clearing firm collection of collateral from customers and clearing firm capital treatments, as well as disclosure of large position information, enhancing market oversight and risk management.

CME's initial use of 30.7 secured accounts is basically equivalent to 4d protection and is the basis of the bankruptcy protections currently afforded US customers trading foreign futures products. If required, 30.7 will address customer protection from a bankruptcy perspective by requiring that clearing members account for customer positions and property separately from the positions and property of the firm, and allow clearing members flexibility in collecting collateral from their customers and in calculating capital requirements.

12. *Trade servicing, such as post-trade events support (partials, amendments, novations)*

Post-trade events such as allocations, transfers, amendments, and terminations are supported by CME Clearing's highly automated and scalable clearing system to allow for real time confirmation and same day completion of all trade management functions.

13. *Trade netting approach and effect on novations*

CME's CDS clearing solution provides true multilateral position netting both for indices and single-names. Multilateral netting allows participants to net offsetting cleared transactions regardless of counter-party. Maximum netting benefit will be ensured by keeping all single-name positions at a standard 100 bps or 500 bps coupon rate, and using the ISDA "big bang" protocols (always accruing from previous quarterly date, effective date as a rolling 60 days previous to current date).

14. *Clearing & settlement cycle timing and supported currencies, settlement infrastructure and usage of CLS if any*

The CMDX trade migration platform will run daily at a time still to be finalized with market participants. Confirms are generated and transmitted to all firm back office systems and exit messages are sent to the DTCC by participants once the migration cycle has completed.

CME Clearing operates continuously, and is available to clearing participants, from mid-day Sunday through Friday evening CST 24 hours a day and can process two business dates simultaneously. There are no time limitations on when other platforms or clearing firms may submit trades or when clearing firms may process them, though there will be a cut off for when current day business can be submitted and when the next business day begins.

Clearing cycles run every weekday except Christmas and New Years. CME Clearing runs two settlement cycles daily. There is an end-of-day settlement cycle on every weekday except Christmas and New Year's, intraday settlement cycles on common major currency value dates and in times of market emergency we have the ability to run special, *ad-hoc* settlement cycles either in the morning prior to the normally scheduled European end-of-day intra-day cycle or after the intra-day cycle but before the close of the US banking system.

Business Continuity

- CME systems feature fully redundant infrastructures at multiple remote sites
- CME systems are subject to on-going business continuity testing, including full industry tests at least annually

15. *Credit Events approach, including any information on cash or physical settlement, plus handling of a restructuring event*

CME Clearing shall, as a general rule, ratify and act in accordance with an International Swap Derivatives Association ("ISDA") credit event definition and/or determination of the occurrence of a credit event. In the extraordinary situation where there is no ISDA determination forthcoming, the CME Determinations Board, comprised of dealer and non-dealer market participants is empowered to render a determination.

Event Management Overview

- The CME Cleared CDS contracts will adhere to credit event and succession event determinations made by ISDA
- CME cleared contracts are cash settled at the Final Price from the relevant ISDA auction
- CME cleared contracts also provide contract holders the option to access the relevant ISDA auction for physical settlement in a manner consistent with today's OTC market
- If ISDA does not conduct an auction, the CME Determinations Board will make its best effort to allow for both cash and physical settlement
- CME Clearing will handle the processing of credit events and succession events

16. *Corporate Actions such as mergers, book changes, member default process, back-loading*

CME Clearing's member default procedures are based on the following foundations:

- Prevention and Mitigation: CME Clearing's rigorous 24-hour risk management practices, direct regulation, financial surveillance and audit of clearing members both minimizes the risk of member default and mitigates the impacts to customers and other market participants in the event of a member default.
- Customer fund segregation: CME Clearing has requested a CFTC order to provide customer fund segregation protection under what are generally referred to as the "4d" section of the CFTC regulations. "4d" customer segregation provides benefits under the bankruptcy code and jurisdictional certainty and legal precedents that cannot be achieved outside the CFTC regulatory regime.
- Portability: Customer segregation allows CME Clearing the flexibility to move non-involved customer positions and funds from the defaulting member to one or more solvent clearing members.
- Liquidate positions: In the event of a default, CME Clearing may act immediately to take control of a defaulting member's proprietary positions
- Competitive auction for defaulting members positions: CME Clearing may also hold a competitive auction of the defaulting member's positions
- Pro rata distribution of remaining positions among clearing members

- Strength of CME Group's Financial Safeguards: As described above, the full support of CME Group's financial safeguards package is being extended to CDS products

Back-loading – Migration Utility

The CMDX Migration Utility will convert existing non-standardized contracts into standardized contracts. For an index contract the Migration Utility will simply replace each bilateral contract with one standard contract facing the CME. For a single name contract, our Migration Utility will take an existing contract with a non-standard coupon and convert it into two contracts with standard coupons (one at 100 bps and one at 500 bps). The two new contracts are economically identical to the original non-standard contract; thus, participants can easily back-load their existing book from non-standard OTC contracts to the standard centrally cleared contracts.

17. *URL and other contact details for further information*

Mark Cox, Associate Director Clearing Business Development, 212-299-2166, Mark.Cox@cmegroup.com
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www.cmdx.com

18. *Service Pricing & Economics (within the limits of your own commercial confidentiality)*

Fees charged to participants are based on the risk profile presented by the portfolio of cleared trades and life cycle risk management services.

Product definitions

There are four Product Categories for CDS: (i) investment-grade index ("IG IN"); (ii) high-yield index ("HY IN"); (iii) investment-grade single name ("IG SN"); and (iv) high-yield single name ("HY SN").

Each single-name and index product will be classified as investment grade or high yield on January 1st and July 1st of each calendar year. A single-name or index product that trades with a spread less than or equal to 400 basis points (on the 5-year maturity) on one of those dates is classified as investment grade, and one that trades with a spread greater than 400 basis points (on the 5-year maturity) on one of those dates is classified as high yield.

Base Fee Schedule and Participant discounts

There are Base Fee Schedules for each of the four Product Categories. The applicable Base Fee is determined based on the notional volume each Participant clears of its positions with the CME within each Product Category measured over a 1-calendar month cycle. The Base Fee Schedules are subject to change over time.

Eligible Participants receive additional Participant discounts that are applied to each applicable volume tier in the Base Fee Schedules.

19. *Other items that you wish to highlight (to be reproduced as stated)*