

Presentation to the CFTC Technology Advisory Committee

Bryan Durkin, Chief Operating Officer

Any Breach of Trust Related to Customer Funds is Unacceptable

- Since MFG and PFG, we have all been working toward one goal – restoring customer confidence in all aspects of our industry by ensuring appropriate protections are in place at every point in the system.
- Though the firms may be at fault, it is our problem as an industry. To regain trust, every link in the chain must be as strong as the next.
- Technology is the key to better detecting potential issues, preventing future fraud, and making our regulatory system even stronger.

Strengthening Protections that Guard Customer Property



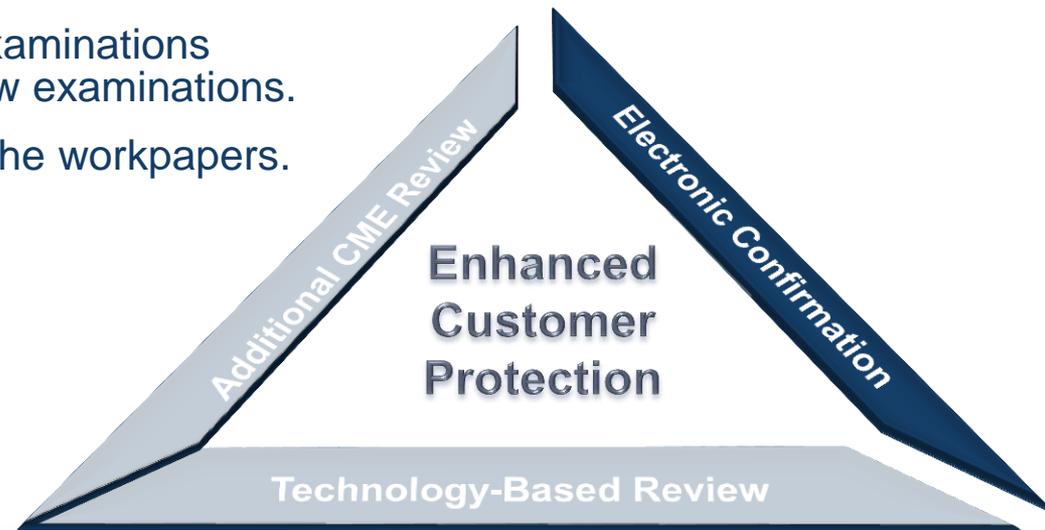
Electronic Confirmation

Yearly Risk Based Examinations

- Confirmations will be sent in audit areas where full testing is performed
- Material asset balances will be confirmed utilizing an electronic confirmation service (as available)
- Confirmations will be obtained for examinations currently in fieldwork and for any new examinations.
- All confirmations will be included in the workpapers.

Limited Daily Reviews

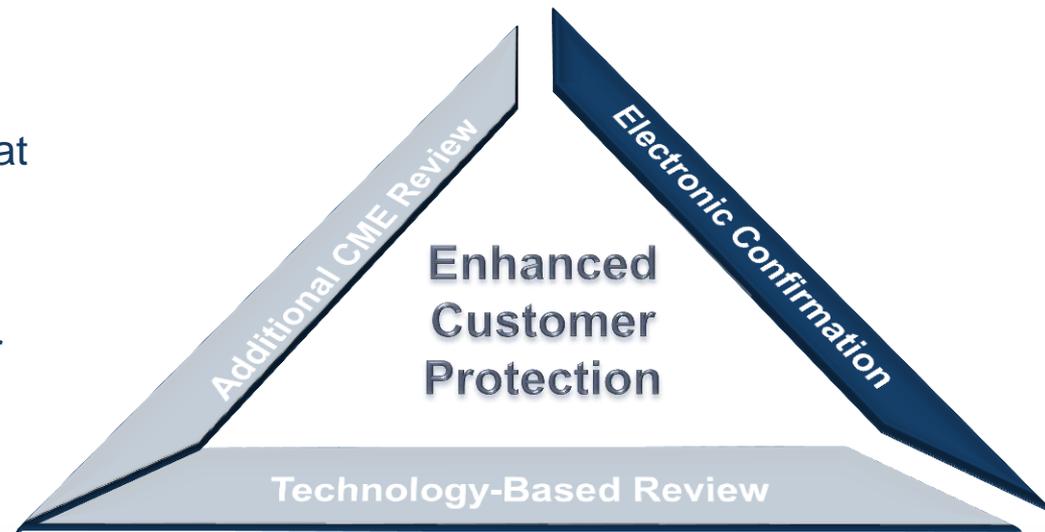
- Material cash-at-bank will be confirmed utilizing the new electronic confirmation service (as available) **or** in-person (on-line) review of daily bank statements
- CME may confirm additional balances as deemed necessary



Electronic Confirmation

Capital Confirmation Inc. (CCI – www.confirmation.com)

- Provides secure and electronic services for over 10,000 accounting firms (more information available on <https://www.confirmation.com/about.aspx>)
- Allows CME to effectively and efficiently confirm bank balances directly with a third party depository
- Provides secure electronic confirmation services for auditors that allows for electronic audit confirmation requests to be sent directly to the intended responder
- In addition, CME will work with other DCOs in order for DCOs to provide confirmation for listing of deposits maintained for common clearing member firms on a regular basis



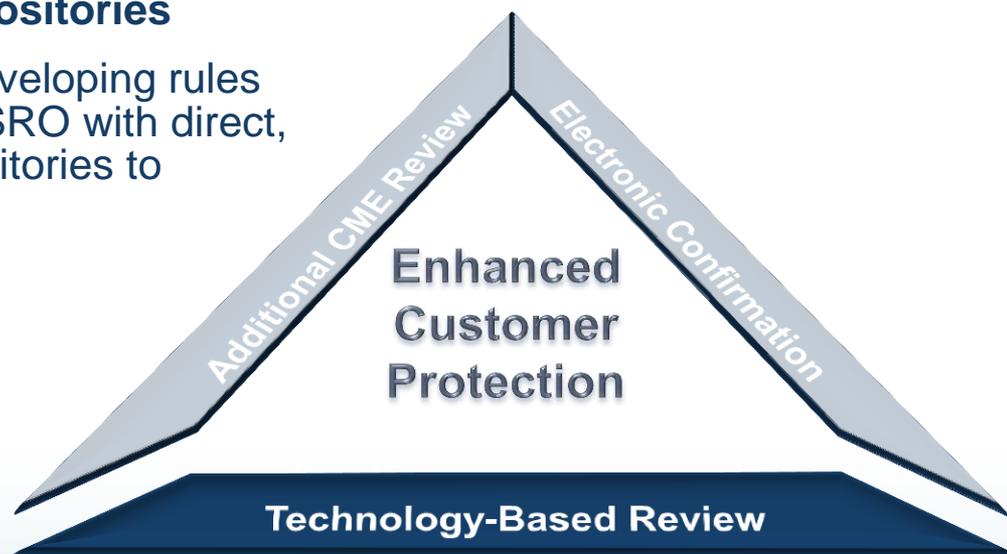
Technology-Based Review

Daily Reporting

- Effective **May 1, 2012**, all FCM clearing members are required to submit customer segregation daily statements electronically to CME and CME uses an internally developed software application for monitoring

Rules Requiring SRO Access to Depositories

- The SRO Committee is working on developing rules to require all FCMs to provide their DSRO with direct, read-only online access to their depositories to confirm segregation funds balances



Technology-Based Review

Semi-monthly Investment Reports (SIDRs)

FCM clearing members are required to electronically submit semi-monthly reports of investments reflected in customer segregated funds where the funds are held

- For SIDR Reports submitted as of **July 16, 2012**, CME initiated a limited review of material customer cash balances held at bank depositories. As part of this review, CME is confirming material cash balances at banks utilizing the new electronic confirmation service
- In addition to confirmations, CME is also performing a limited review of daily bank statements and reconciliations for material cash balances at banks
- For current and future SIDR reports submitted, CME will perform a limited review of customer investments to ensure compliance with requirements of CFTC Rule 1.25



Additional CME Review

- CME is using confirmation.com to perform reviews of FCM clearing member firms' customer segregation statements on a surprise basis including review of material differences, in addition to the regular risk-based examinations
- CME is performing a review of material differences between daily and month-end submitted customer segregation statements as part of the on-going monthly statement review process and risk-based examinations
- CME will perform limited review, as deemed necessary, for newly instituted customer enhancement protections including review of additional reporting requirements, disbursements approvals and SIDR reports to ensure compliance with new requirements



Futures trading is not suitable for all investors, and involves the risk of loss. Futures are a leveraged investment, and because only a percentage of a contract's value is required to trade, it is possible to lose more than the amount of money deposited for a futures position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyles. And only a portion of those funds should be devoted to any one trade because they cannot expect to profit on every trade.

The Globe Logo, CME®, Chicago Mercantile Exchange®, and Globex® are trademarks of Chicago Mercantile Exchange Inc. CBOT® and the Chicago Board of Trade® are trademarks of the Board of Trade of the City of Chicago. NYMEX, New York Mercantile Exchange, and ClearPort are trademarks of New York Mercantile Exchange, Inc. COMEX is a trademark of Commodity Exchange, Inc. CME Group is a trademark of CME Group Inc. All other trademarks are the property of their respective owners.

The information within this presentation has been compiled by CME Group for general purposes only. CME Group assumes no responsibility for any errors or omissions. Although every attempt has been made to ensure the accuracy of the information within this presentation, CME Group assumes no responsibility for any errors or omissions. Additionally, all examples in this presentation are hypothetical situations, used for explanation purposes only, and should not be considered investment advice or the results of actual market experience.

All matters pertaining to rules and specifications herein are made subject to and are superseded by official CME, CBOT, NYMEX and CME Group rules. Current rules should be consulted in all cases concerning contract specifications.