

**ROUND TABLE DISCUSSION
CUSTOMER PROTECTION: CLIENT COLLATERAL
SEPTEMBER 29th 2010
AGENDA**

CURRENT REFERENCE POINT: Over the counter (“OTC”) bilateral model with some additional benefits of tri-party client collateral protection through a custodian.

FINANCIAL REGULATION: Objective is to improve the protection of client assets, provide market transparency of the OTC derivatives market and reduce systemic risk.

OBJECTIVE OF DISCUSSION:

An open discussion with market participants on the feasibility of a structure that offers the same level of protection or more of client collateral as it exists in the current OTC bilateral model to cleared derivatives based on the futures commission merchant (“FCM”) model proposed by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”).

DISCUSSION:

To facilitate the discussion, we should focus on the categories below and the question therein.

A. STRUCTURE

1. Is client collateral at more risk in the FCM model than in the OTC bilateral model?
2. Should segregation of collateral be an optional feature for clients?
3. Should segregation of collateral be an option for all account classes or only for cleared derivative account class?
4. What was the reasoning to adopt the segregated collateral account structure in the LCH model by LCH and the dealer community?
5. Is the risk associated with OTC derivatives in general considered to be similar to the risk associated with futures?
6. Has the question of segregated collateral accounts been raised prior to the introduction of the cleared derivative account class within the FCM model?

B. COST

7. What are the increased costs associated with operational setup, ongoing maintenance, changes in credit risk, funding costs, and the loss of netting across all client positions, etc ?

C. OPERATIONAL CHANGES

8. Are the required operational changes
 - too hard to implement;
 - too costly to implement; and / or
 - ones that require time to implement (can there be a phased approach with short term solutions put in place)

D. ALTERNATE STRUCTURAL SOLUTIONS USING A MODIFIED FCM MODEL