

**Meeting between Federal Reserve Board Staff, the CME Group Inc. on behalf of the
Chicago Mercantile Exchange Inc., Clearing House Division (CME) and
Skadden, Arps, Slate, Meagher & Flom LLP (Skadden)
October 31, 2012**

Participants: Michael Gibson, Art Lindo, Anna Lee Hewko, Thomas Boemio,
David Lynch, Mona Elliot and April Snyder (Federal Reserve Board)

Jason Spence, Kim Taylor, Kathleen Cronin, Sean Tully, Susan Schultz,
Suzanne Sprague (CME); and Jerrold Salzman (Skadden)

Summary: Board staff met telephonically with CME and Skadden to discuss the proposed capital requirements in the notices of proposed rulemaking (NPRs) that relate to central counterparties. CME submitted a comment letter dated October 22, 2012, on the NPRs. Topics covered related to CME's comment letter and its discussion of the proposed margin period of risk for centrally cleared transactions. CME submitted the attached document as reference for the discussion.

Margin Period of Risk Considerations for Exchange Traded Derivatives

CME believes the BCBS interim framework's blanket assignment of a 5-day margin period of risk ("MPOR") for all cleared transactions does not properly distinguish between liquid exchange traded derivatives ("ETDs") and OTC traded derivatives. ETDs, traded by means of a transparent deep, liquid central limit order book and demonstrable rapid close-out mechanisms should be subject to a shorter MPOR.

CME believes the following should be considered to gauge the appropriate MPOR:

- High turnover rates and market depth provide liquidity for ETDs
- Standardization facilitates netting and liquidation
- Extensive historical price data of ETDs
- History of rapid ETD portfolio liquidations
- High level of margin coverage achieved

High Turnover Rates and Market Depth of ETDs

- Transparent pricing and depth of book in CLOB trading distinguishes ETDs and over-the-counter ("OTC") derivatives.
- ETDs turnover almost 10 times more frequently than OTC derivatives.
- In 2010, transaction volumes estimates for OTC derivatives were around 16 million, whereas ETDs had an estimated volume of 3 billion.*

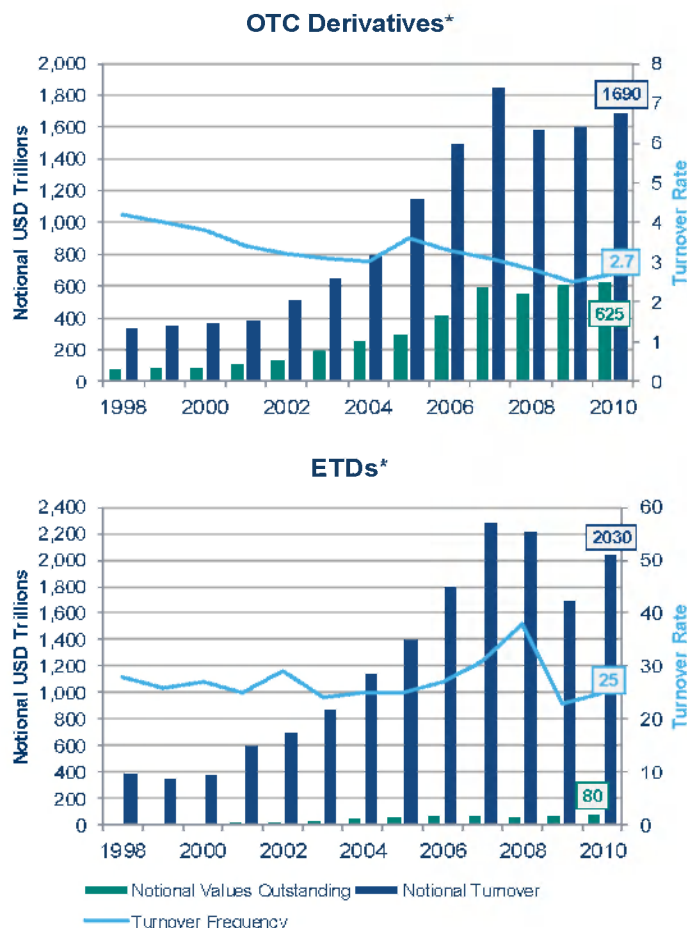
Exchange Traded Derivatives are "Positional" in Nature as Opposed to "Transactional" in Nature

Exchange trading and clearing of standardized products results in immediate netting of offsetting positions and makes the number of separate open line items easily manageable for purposes of calculating risk and valuing the portfolio. This permits immediate, efficient liquidation of the portfolio. Contrast the 50 line items for a party holding positions in all CME interest rate futures with the 60,000 line items that Lehman held because of dealing in OTC interest rate swaps.

Standardized ETDs Are More Easily Liquidated

The standardization of ETDs provides greater efficiency, transparency and access to price and volume information in liquidation scenarios due to the concentration of interest in fewer distinct contracts. Standardization broadens the range of participants in the auction or other process invoked to liquidate a portfolio.

*Data: A TABB Group Study: The Global Risk Transfer Market: Developments in OTC and Exchange Traded Derivatives, November 2010



History of Rapid ETD Portfolio Liquidations

CME has encountered several scenarios in which large central limit order book product portfolios were liquidated in less than one day at a cost within margin requirement. For example, following the bankruptcy of Lehman Brothers Inc. in 2008 CME took control of Lehman's positions and conducted an auction that was completed the same day. The auction was completed with a liquidation value well within the portfolios' \$2.3 billion USD margin requirement.

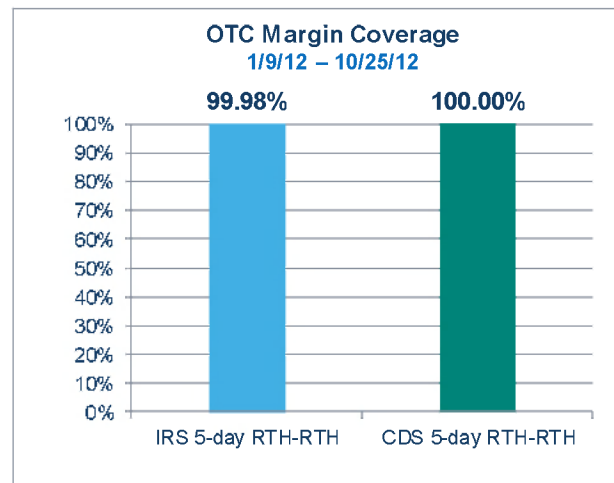
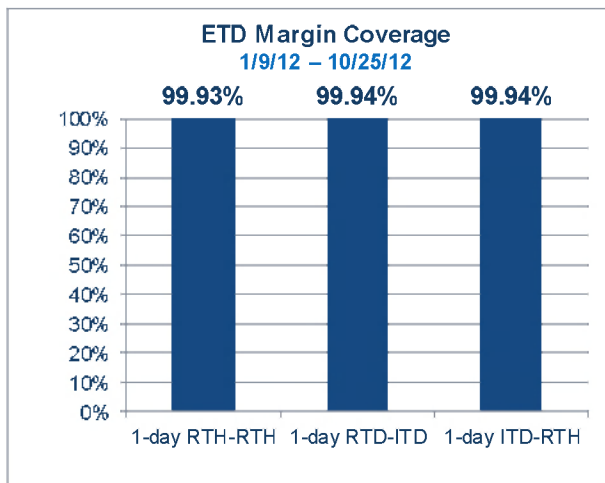
Extensive Historical Price Data

- CME maintains extensive historical price data that further demonstrates the adequacy of data in establishing margin levels and the appropriate exposure period to capture
- CME maintains price data for some of the most liquid exchange traded products
- CME's Treasuries, Eurodollars, and S&P contracts account for an average daily volume of approximately 7 million YTD 2012*

| ETD Contract | Contract launch date (historical price data begins) | Average Daily Volume 2012 YTD** |
|------------------------|---|---------------------------------|
| CME Treasuries | 1977 | 2,592,682 |
| CME Eurodollars | 1981 | 2,381,753 |
| S&P 500*** | 1982 | 2,022,101 |

CME Margins Cover Market and Liquidation Risks

CME has historically set margin at the appropriate exposure levels to capture risk to the clearing system. For ETD products, CME targets a 1-day MPOR and achieves nearly 100% margin coverage****. For OTC derivatives such as Interest Rate Swaps and Credit Default Swaps, CME targets a more appropriate 5-day MPOR.



** CME Group data as of 10/19/2012

***Data: CME Group data for E-mini S&P 500 contracts

****CME does utilize a 2-day MPOR where appropriate for some ETDs