

Your Guide to Getting Started

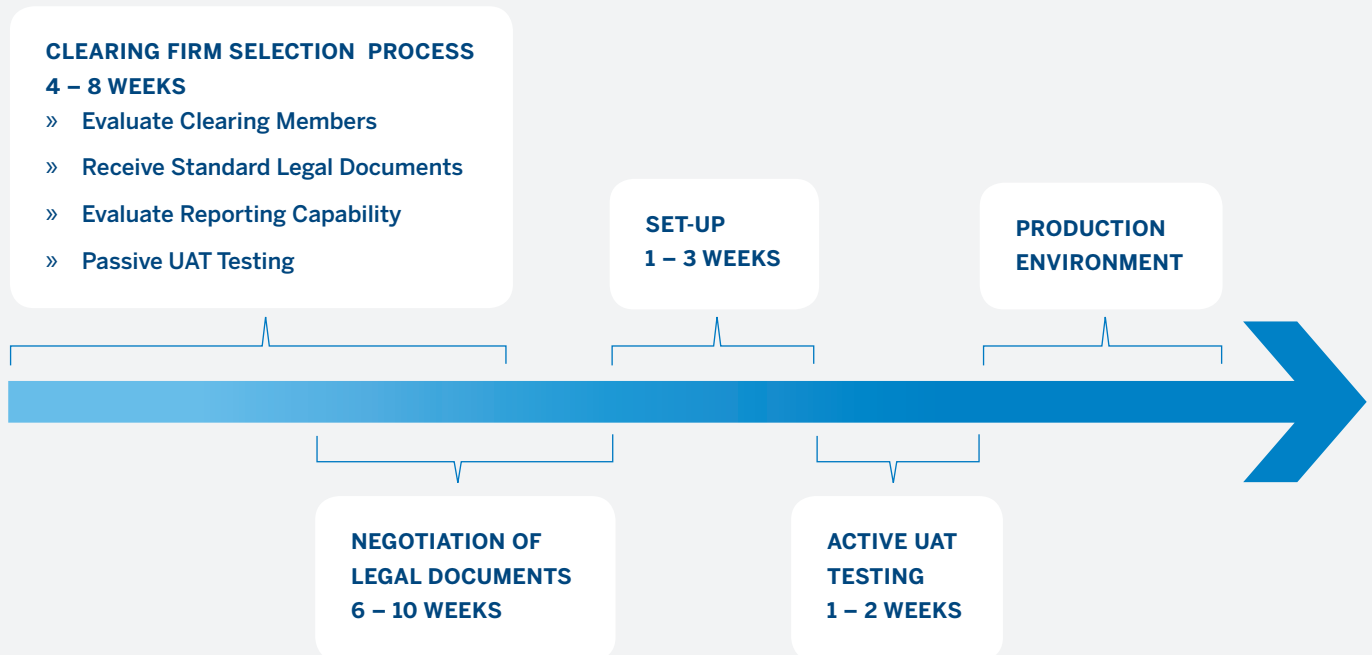
Clearing OTC Credit Default Swaps

Overview

This easy-to-follow guide clearly outlines everything you need to start clearing OTC Credit Default Swaps (CDS) accurately and efficiently, including:

- » Clearing Firm Selection
- » Legal Documentation
- » Set-Up
- » User Acceptance Testing (UAT) & Production Testing

Estimated Timeline to Cleared OTC CDS Readiness



*Actual timeframe may vary.

Legal Documentation

The following legal documents are required prior to initiating the set-up process.

Parties: Customer & Clearing Member

Legal Documents:

Futures Account Agreement

- » Clearing Member will provide access to the customer subject to the terms in the agreement
- » Customer agrees to effect transactions in contracts via the Clearing Member in accordance with the terms and conditions of this agreement as established by the Clearing Member

Cleared OTC Derivatives Addendum

- » The OTC Addendum template may be used as a basis to negotiate the terms and conditions of individual agreements. This agreement is an addendum to the Futures Account Agreement, which applies to OTC products. These documents may be obtained from your respective Clearing Member Firm. All contact information for clearing members is available at the end of this guide.

Parties: Customer & CME Group

Legal Documents:

OTC Clearing Account Registration Form

- » In order for clients to clear OTC IRS, CDS, and NDFs, clients must register their legal entities within ClearPort by filling out the CME Group OTC Clearing Account Registration form, which can be found at cmegroup.com/otcregistration
 - Clients who intend to use the ClearPort GUI to enter trades manually either as their primary or secondary mechanism will also be required to click through the Exchange User License Agreement (EULA), which can be found at cmegroup.com/clearport. This is applicable to clients who intend to clear commodities.

Parties: Executing Counterparties other than those affiliated with the Clearing Member Firm

Legal Documents:

FIA-ISDA Cleared Derivatives Execution Agreement

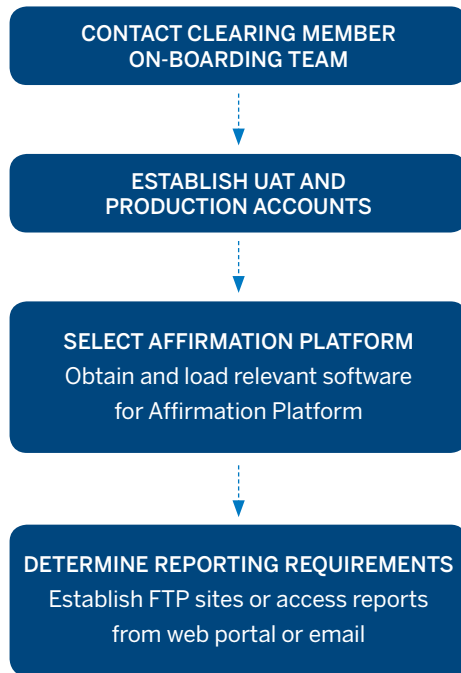
- » Lays out the procedures by which a trade is submitted for clearing, including the obligations for each party to affirm the trade within prescribed time limits
- » Establishes the rights and obligations of the parties in the event that a trade is not accepted for clearing
- » Includes optional annexes for those parties that want a clearing firm to be party to the agreement

Bi-lateral (non-exchange) Clearing Derivatives Execution Agreement:

- » Anonymity between Clearing Member and Executing Counterparty

Set-Up

Getting Started with a Clearing Member Firm



Getting Started with CME Group

Register for CME CORE Margin Tool

- » Web-based margin calculator
- » Generate portfolio initial margin requirements via the user interface or file upload
- » Run “what-if” scenarios
- » Access both CME production and UAT environments through a single login
- » Download initial margin results by firm and position in PDF and CSV formats

Set-Up CME Group Reporting

Reports	Description	Time	Available in Testing	Available in Production
Product Reference File	Product specific information for products we clear	6:00 p.m. EST	✓	✓
Early Settlement Price File	Provides preliminary settlement prices	4:45 p.m. EST	✓	✓
Final Settlement Price File	Provides final settlement prices	5:00 p.m. EST	✓	✓
Client Margin Report	Provides an account by account breakdown of your initial margin requirements across your FCMs	10:00 p.m. EST	✓	✓
CDS Position Report	CDS positions marked-to-market once a day	9:00 p.m. EST		✓

Testing

This step of your transition is designed to ensure accuracy and reliability, at every stage of the clearing process. Follow the steps outlined below, and you'll be ready to clear OTC CDS.

User Acceptance Testing (UAT) Environment Overview

For specific test scripts, contact your Clearing Member Firm.

Step 1:

Submit trades of various tenors to CME Group for clearing

- » Observe the following:
 - UAT Accounts properly mapped to CME Group
 - Client has the ability to select Clearing Member Firm on Affirmation Platform
 - Client has the ability to submit client-driven reference ID to CCP
 - Client observes both pending and cleared status
 - Client sees trades on both CME and Clearing Member Firm end-of-day registers
 - Valuation in line with expectations
 - Initial Margin in line with expectation
 - Verify Coupon Settlements Cash Flows
 - Price Alignment Interest
 - End of day valuations
 - Upfront fees

Step 2:

Repeat Step 1 with:

- » Various CDS contracts
- » Swaps that contain Upfront Payments

Step 3:

Terminate Various Cleared Trades

- » Verify Pricing on T+1 Settlement of Upfront Payments
- » Confirm the Affirmation Process: Able to affirm a new trade when terminating an existing trade
- » Integration with Client's internal systems

Step 4:

Repeat Steps 1 – 3, if applicable, with the following variables:

- » Executing Counterparties — Trade with one counterparty and clear with another counterparty
- » Alternative Clearing Member Firms
- » Alternative Affirmation Platforms

Production Environment Overview

Repeat Steps 1 – 4 of UAT Testing with Production Accounts:

- » Verify internal systems are compatible with:
 - Trade Submission
 - Cash Flows
 - Initial Margin
 - Terminations

For any questions regarding On-Boarding, please contact CME Clearing's On-Boarding team at **312 338 7112** or email **onboarding@cmegroup.com**.

For more general information, please contact:

Jennifer Peve

312 466 7472

jennifer.peve@cmegroup.com

Jack Callahan

312 454 8312

jack.callahan@cmegroup.com

Umesh Gajria

212 299 2134

umesh.gajria@cmegroup.com

Key CDS Dealer/Clearing Firm Contacts

Firm	Contact Name	Email	Phone Number
Bank of America Merrill Lynch	Todd D'Agosta (US) Samantha Page (EMEA)	merrill.otc.clearing@baml.com	646 855 6506 44 20 7995 3955
Barclays	Peter Borstelmann Sandy Fleischman	peter.borstelmann@barclayscapital.com sandy.fleischman@barclayscapital.com	212 526 6810 212 526 6548
BNP Paribas	Ira Rudman Gavin Dixon	ira.rudman@us.bnpparibas.com gavin.dixon@americas.bnpparibas.com	212 841 2768 44 20 7595 8417
Citigroup	Chris Perkins Mariam Rafi	christopher.perkins@citi.com mariam.rafi@citi.com	212 723 5943 212 723 4074
Credit Suisse	Neil Burke John Dlubac	neil.burke@credit-suisse.com john.dlubac@credit-suisse.com	212 538 0761 212 325 3977
Deutsche Bank	Piers Murray Thanassis Diplas	piers.murray@db.com athanassios.diplas@db.com	212 250 9253 212 250 8879
Goldman Sachs	Mike Dawley	michael.dawley@gs.com	212 902 7582
HSBC	Julianna Salazar Nick Marcelle	julianna.x.salazar@us.hsbc.com nick.marcelle@hsbcib.com	212 525 2353 44 20 7991 9132
JP Morgan	Dave Olsen Peter Sughrue Greg Azrak	david.a.olsen@jpmorgan.com peter.m.sughrue@jpmorgan.com gregory.s.azrak@jpmorgan.com	212 622 3360 212 622 3364 212 622 3366
Morgan Stanley	Thomas Levy Jason Swankoski	thomas.levy@morganstanley.com jason.swankoski@morganstanley.com	212 761 4215 212 761 5206
Nomura	Michael Schneider Sandeep Kohli	michael.schneider1@nomura.com sandeep.kohli@nomura.com	212 436 8009 212 667 2037
Societe Generale	Giovanna Carraro Shahab Amin	giovanna.carraro@sgcib.com shahab.amin@sgcib.com	44 20 7676 7170 212 278 5970
UBS	Paul Hamill Mark Daniels	paul.hamill@ubs.com mark.daniels@ubs.com	203 719 7746 212 713 2979



CME GROUP HEADQUARTERS

20 South Wacker Drive
Chicago, Illinois 60606
cmegroup.com

info@cmegroup.com
+1 800 331 3332
+1 312 930 1000

CME GROUP REGIONAL OFFICES

New York
+1 212 299 2000

Calgary
+1 403 444 6876

São Paulo
+55 11 2565 5999

Washington D.C.
+1 202 638 3838

London
+44 20 3379 3700

Hong Kong
+852 3101 7696

Seoul
+82 2 6336 6722

Singapore
+65 6593 5555

Houston
+1 713 658 9292

Tokyo
+81 3242 6232

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All references to options refer to options on futures.

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