



# Commodities Market Structure

*Grasping the interaction between futures and physical markets  
and the role of futures exchanges*

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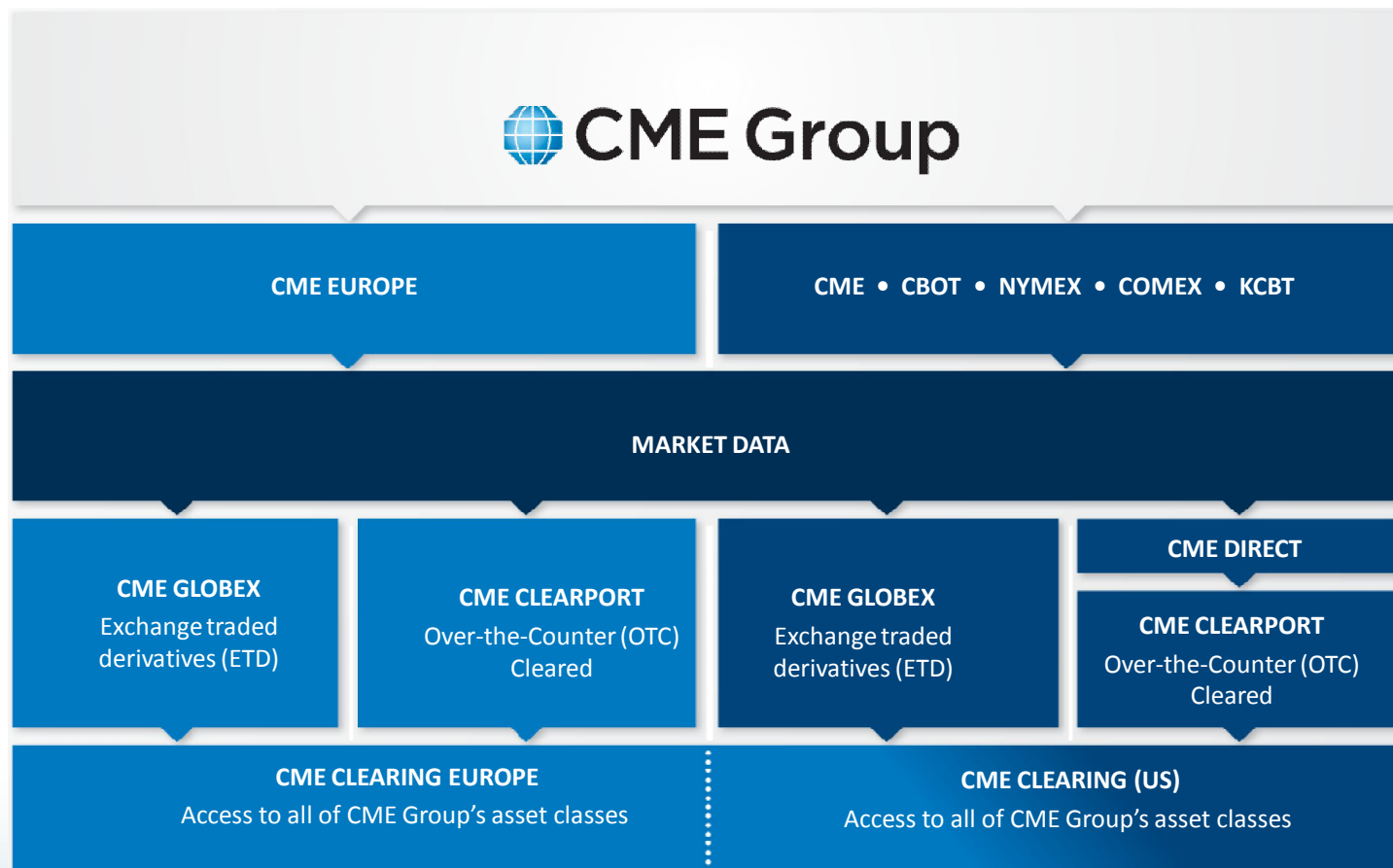
## Forward-Looking Statements

*Statements in this presentation that are not historical facts are forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or implied in any forward-looking statements. We want to caution you not to place undue reliance on any forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. Among the factors that might affect our performance are increasing competition by foreign and domestic entities, including increased competition from new entrants into our markets and consolidation of existing entities; our ability to keep pace with rapid technological developments, including our ability to complete the development, implementation and maintenance of the enhanced functionality required by our customers while ensuring that such technology is not vulnerable to security risks; our ability to continue introducing competitive new products and services on a timely, cost-effective basis, including through our electronic trading capabilities, and our ability to maintain the competitiveness of our existing products and services, including our ability to provide effective services to the over-the-counter market; our ability to adjust our fixed costs and expenses if our revenues decline; our ability to maintain existing customers, develop strategic relationships and attract new customers; our ability to expand and offer our products outside the United States; changes in domestic and non-U.S. regulations, including the impact of any changes in domestic and foreign laws or government policy with respect to our industry, including any changes to regulations and policies that require increased financial and operational resources from us or our customers; the costs associated with protecting our intellectual property rights and our ability to operate our business without violating the intellectual property rights of others; our ability to generate revenue from our market data that may be reduced or eliminated by the growth of electronic trading, the state of the overall economy or declines in subscriptions; changes in our rate per contract due to shifts in the mix of the products traded, the trading venue and the mix of customers (whether the customer receives member or non-member fees or participates in one of our various incentive programs) and the impact of our tiered pricing structure; the ability of our financial safeguards package to adequately protect us from the credit risks of clearing members; the ability of our compliance and risk management methods to effectively monitor and manage our risks, including our ability to prevent errors and misconduct and protect our infrastructure against security breaches and misappropriation of our intellectual property assets; changes in price levels and volatility in the derivatives markets and in underlying equity, foreign exchange, interest rate and commodities markets; economic, political and market conditions, including the volatility of the capital and credit markets and the impact of economic conditions on the trading activity of our current and potential customers stemming from the continued uncertainty in the financial markets; our ability to accommodate increases in contract volume and order transaction traffic without failure or degradation of the performance of our trading and clearing systems; our ability to execute our growth strategy and maintain our growth effectively; our ability to manage the risks and control the costs associated with our acquisition, investment and alliance strategy; our ability to continue to generate funds and/or manage our indebtedness to allow us to continue to invest in our business; industry and customer consolidation; decreases in trading and clearing activity; the imposition of a transaction tax or user fee on futures and options on futures transactions and/or repeal of the 60/40 tax treatment of such transactions; the unfavorable resolution of material legal proceedings; and the seasonality of the futures business. For a detailed discussion of these and other factors that might affect our performance, see our filings with the Securities and Exchange Commission, including our most recent periodic reports filed on Form 10-K and Form 10-Q.*

*NOTE: Unless otherwise noted, all references to CME Group volume, open interest and rate per contract information in the text of this document is based on pro forma results assuming the merger with CBOT Holdings and the acquisition of NYMEX Holdings were completed as of the beginning of the period presented. All data exclude CME Group's non-traditional TRAKRS<sup>SM</sup> products, for which CME Group receives significantly lower clearing fees of less than one cent per contract on average. Unless otherwise noted, all year, quarter and month to date volume is through 6/30/2013.*



## CME Group Overview



## Key Principles of a Derivatives Exchange

### Price Discovery and Transparency

- Markets are transparent and available for all participants to see, including depth of book and requests for quote

### Regulated Markets

- Fair and open markets
- Adherence to market/industry standards and regulatory requirements
- Strong market surveillance to prevent market abuse

### Clearing House

- Clearing house provides a reduction of risk exposure
- Clearing house sets well defined credit limit control
- Each customer faces the clearing house and products are marked to market intra-day (variation margining)

### Access to Technology

- Provides direct and open access to global participants
- Offers market protections to prevent against market abuse



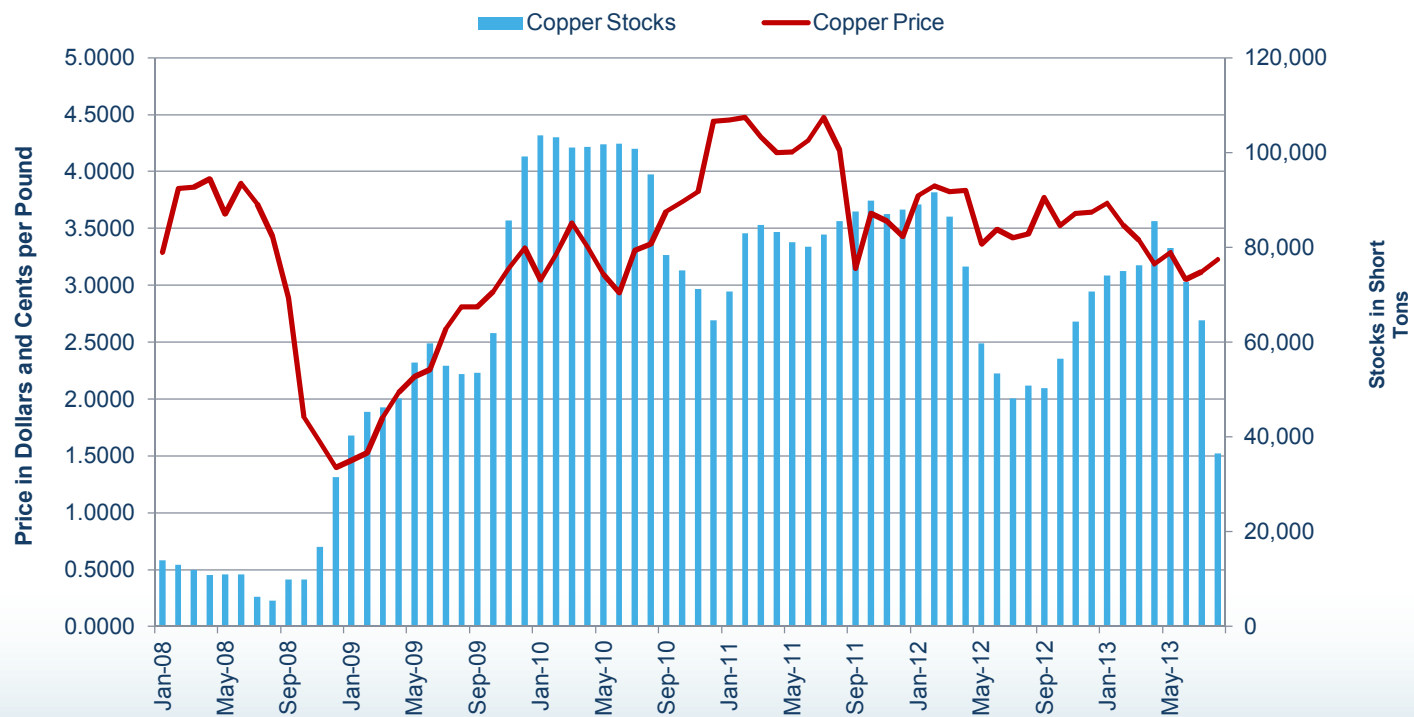
## Interaction between Physical Markets and Futures Markets

- **History of commodities futures exchanges is rooted in physical markets and that strong relationship must exist**
- **Most actively traded commodity futures benchmarks are physically delivered**
- **Imperative that futures products reflect the underlying physical market and often this means that changes must be made to the futures product to reflect the cash market**
  - ❑ CBOT Wheat futures
  - ❑ NYMEX Heating Oil to Ultra Low Sulfur Diesel futures
- **Customers require a deep and liquid marketplace; often willing to take on basis risk in order to have liquidity**
- **Transparency of futures markets is beyond what most physical markets provide**



# Inventory Levels are Reflective of Demand and Supply

## Copper Stocks vs. Copper Spot Price



Source: CME Group



## Market Structure Shifts are Underway

### Core Futures / Options

- Positioned to capture migration into futures
- Eurodollars out 10 years – can replicate certain swap trades
- Full slate of Treasury products
- Most capital efficient
- Ease of use – standardized product
- Significant existing liquidity pools, and open interest (\$28T of notional value)

### Cleared OTC Swaps

- Three waves to mandate
  - ✓ March – 30 active hedge funds, MSPs, Swap Dealers
  - ✓ June – Larger group - non-dealer banks, insurance, non-active hedge funds
  - September – pensions, third party sub accounts going through asset managers
- Expanding on multi-asset class solution
  - European IRS
  - OIS out 30 years
  - Portfolio margining
  - Real-time clearing

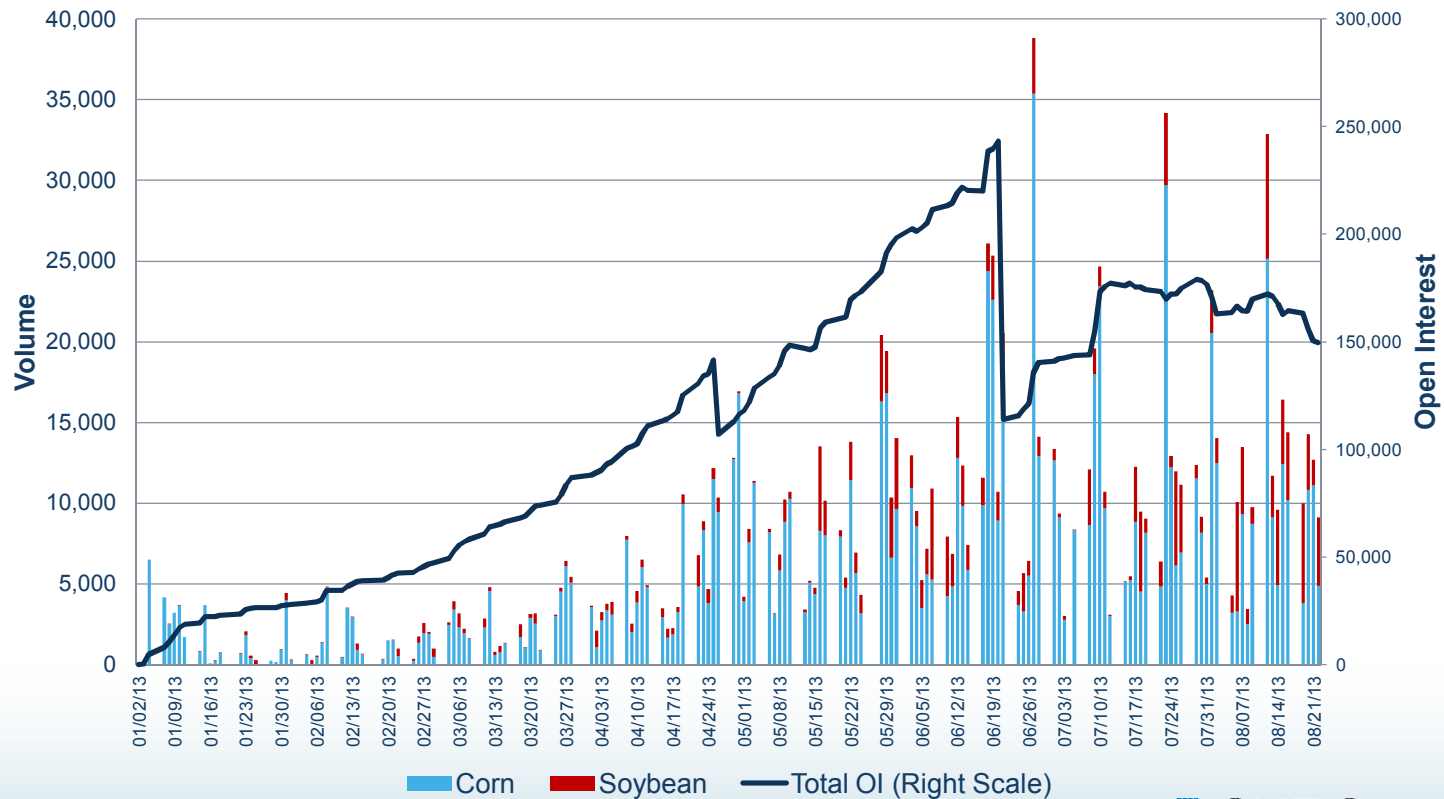
### Hybrid Futures

#### Deliverable Swap Futures

- Innovative new product created based on client demand
- Compliments CME Group's market-leading Interest Rate futures and options businesses, and cleared OTC Swaps offerings
- Unique solution for customers that may not be able to comply with upcoming mandates

# Marketplace Needs New Risk Management Tools like Short-Dated New Crop Options

2013 Daily Volume and OI: Short-Dated New Crop Options



Source: CME Group

