

# Istanbul Stock Exchange / Organisation of Islamic Cooperation

## Capital Market Linkages & Technology Seminar

September 17, 2011

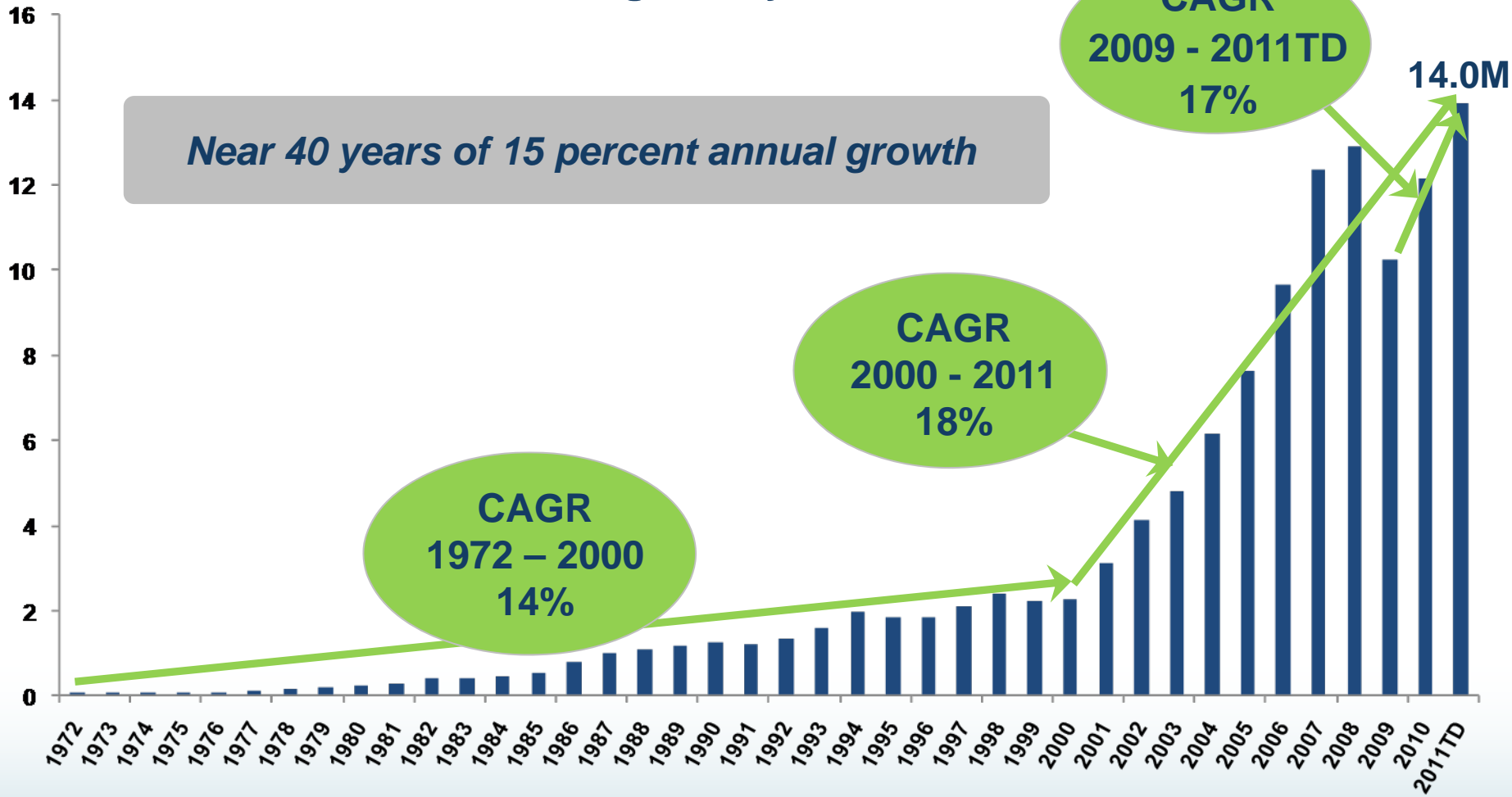
Thomas Krabbe, Corporate Development & Finance

# CME Group Overview

# Delivering Solid Results in a Variety of Environments

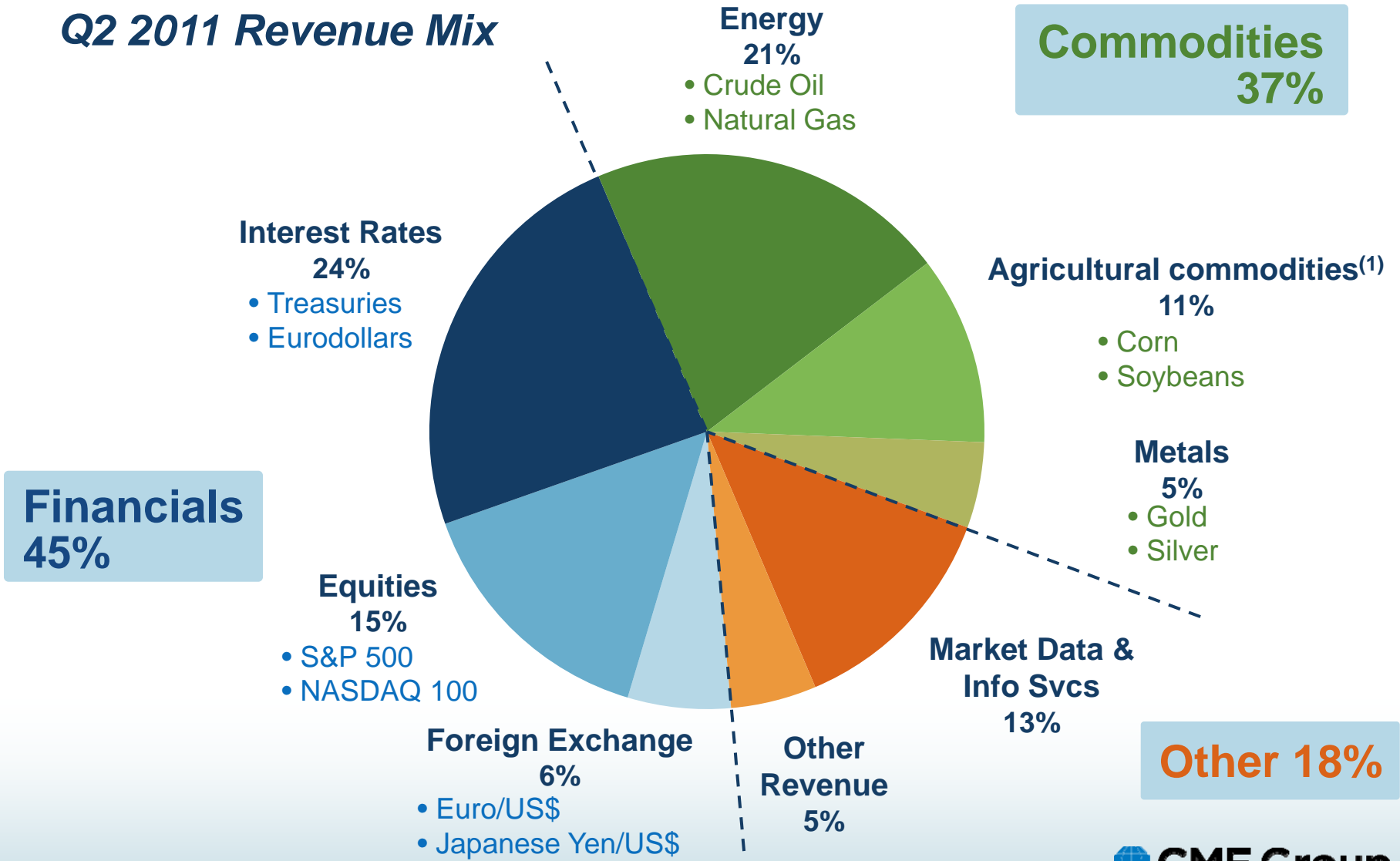
## Pro Forma Average Daily Volume

(round turns, in millions)



# Balanced Portfolio – Diverse and Globally Relevant Products

## Q2 2011 Revenue Mix



1. Agricultural commodities includes all agricultural commodities (grains, dairy, livestock, forest, NYMEX softs, indexes), weather and real estate

# CME Group – Attractive, Focused Business Model

- **Global leader in futures/options and swaps clearing**
- **Defensible franchise with high growth/operating margins**
- **Deep liquidity in all asset classes**
- **Diverse and growing customer base**
- **Scope and scale advantages in technology and clearing**
- **Positioned for global growth**

# Dow Jones: Working Together to Drive Growth



A CME/Chicago Board of Trade/NYMEX Company

- Proven experience developing mutually beneficial relationships with global partner exchanges
- Globally relevant products in asset classes underpenetrated by global index producers
- Deep customer relationships with exchange-traded futures users
- Domain expertise in creating index futures
- Extensive experience in sales, marketing and education to build user base for index futures
- Market data in exchange-traded futures, OTC credit and energy

## Joint Venture Opportunities

Global Growth

Product Expansion

Market Data Development



- Leading financial index brand
- Penetration in equities markets; growing commodities presence
- Deep customer relationships with corporate and institutional asset managers
- Domain expertise in index creation and calculation
- Strong IP portfolio
- Market data in equity indexes



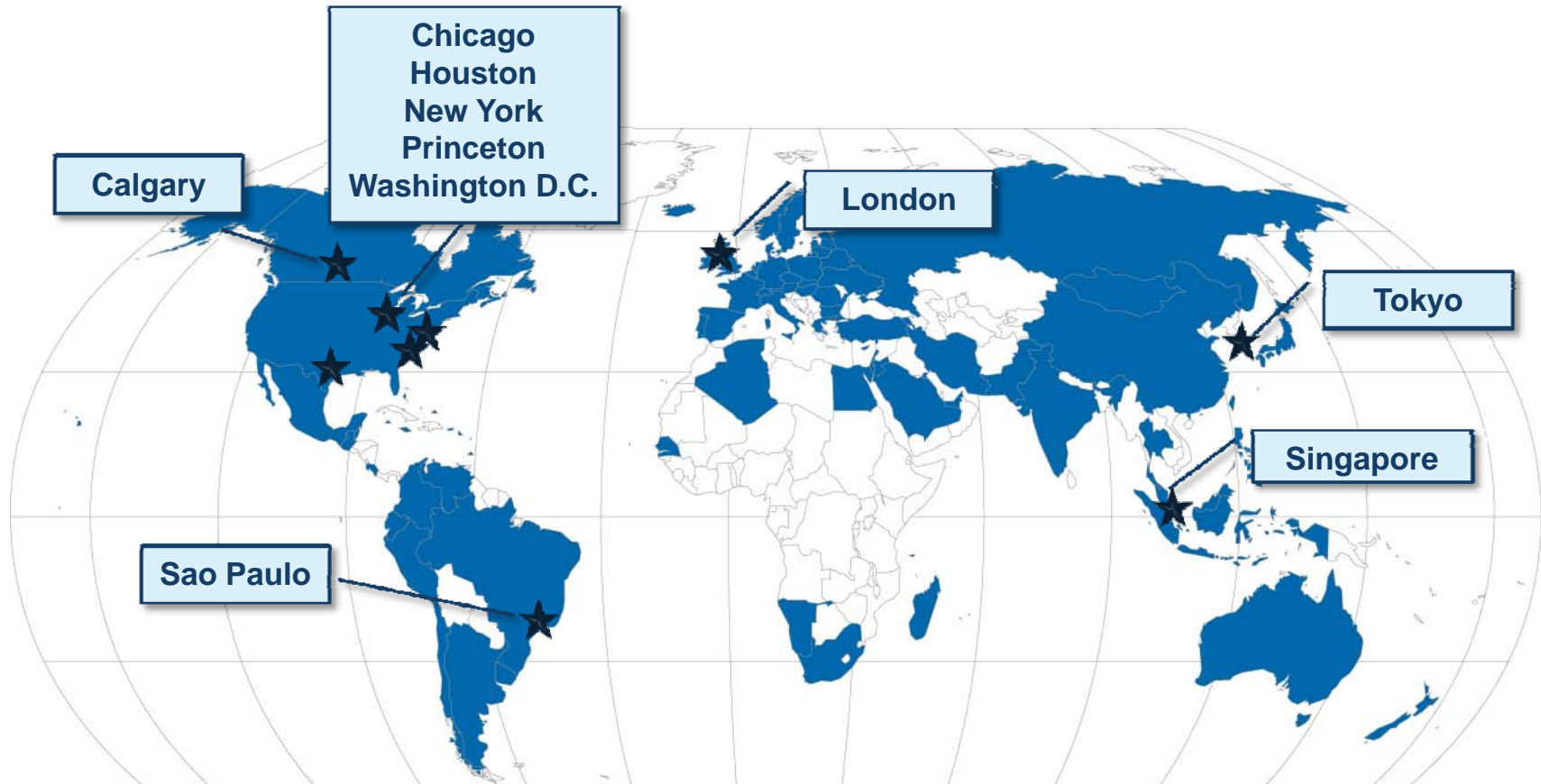
# Dow Jones Indexes

A CME Group Company

## Dow Jones Islamic Market Index

- Created in 1999 (the only Islamic index for more than 7 years)
- Introduced as the first indexes intended to measure the global universe of investable equities that pass rules-based screens for Shari'ah compliance
- The family include thousands of broad-market, blue-chip, fixed-income and strategy and thematic indexes
- In 2006 we also launched the Dow Jones Citigroup Index, the first Sukuk Index (fixed-income index)
- For more information: <http://www.djindexes.com/islamicmarket/>

# Globalizing Our Sales Force



**2,570 Employees globally**  
**Near 200 employees outside the U.S.**  
**Product Heads in FX and Metals recently added in London**



# Extending Global Distribution and Access Points



- Access in over 150 countries to over 120,000 active users
- 10 telecommunications hubs in Europe, Asia and Latin America
- Globex Front End Systems offer flexible technology infrastructure and ISV relationships to facilitate direct market access

# Forging Partnerships to Expand Distribution, Build 24-Hour Liquidity, and Add New Customers

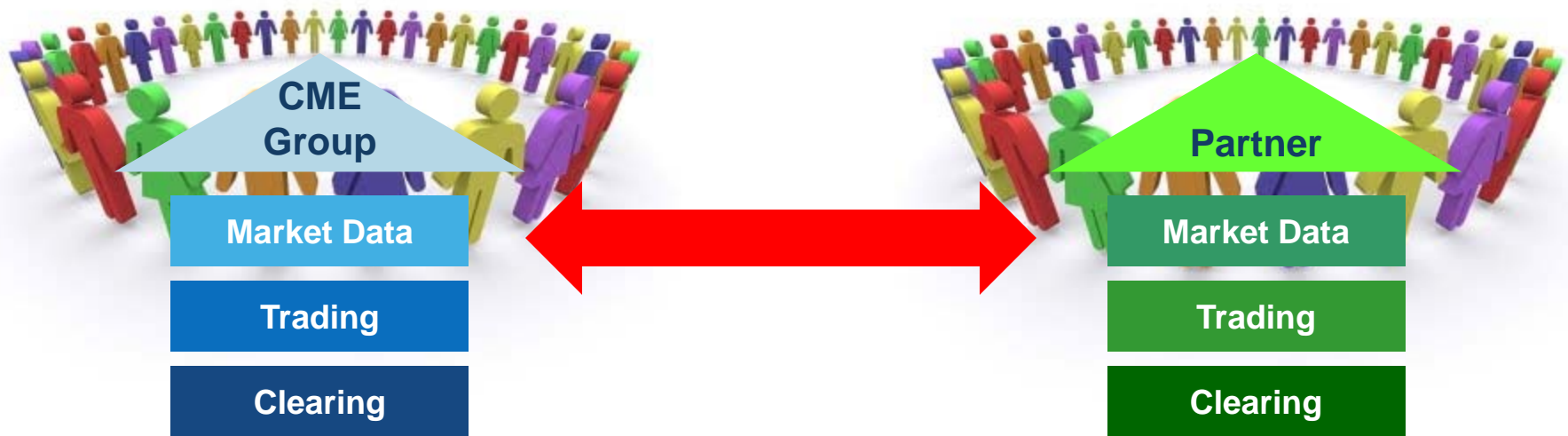


**CME Group / BM&FBOVESPA**  
Grown from order routing initially to joint development of multi asset class platform

- Equity Investments
- Trade Matching Services
- Joint Product Development
- Order Routing Linkages
- Product Licensing
- Joint Marketing
- European Clearing Services

# Basic Concepts of Market Linkage Alternatives

# Product Cross Licensing

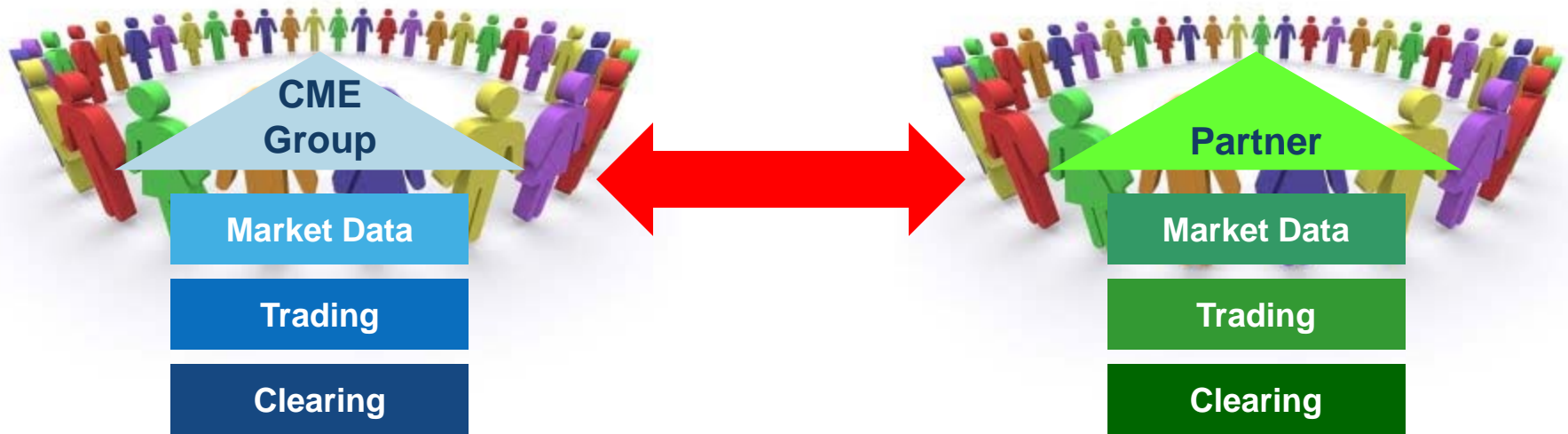


- **Partner exchange creates new, separate liquidity pool for licensed product**
  - Large/international firms can provide liquidity through market maker services
- **Existing customers get access to new products**
  - Includes joint product development and marketing & sales programs
  - Additional spread trading opportunities
- **Usually attractive only with partners in relatively closed markets (e.g. with significant FX controls, DMA limitations or other regulatory hurdles)**

• **Examples:**



# Order Routing / Linkage of Distribution Networks

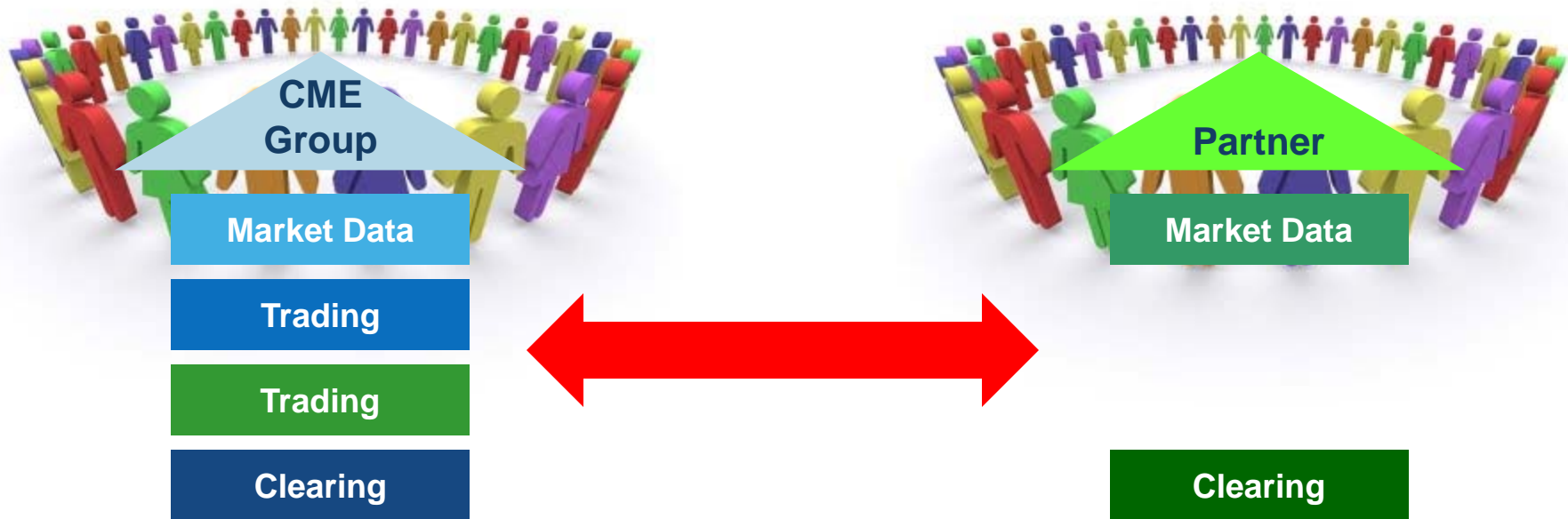


- **Leverages liquidity pool of each exchange**
  - Includes joint product development and marketing & sales programs
- **New foreign customers join local exchange & add new, incremental liquidity/revenue**
  - Customer introduction can be through order routing or co-location
- **Customers of each exchange do not need to add new exchange connections, new products will simply be added to the screen**
- **CME customers get access to products of partner exchange and vice versa**
  - May require regulatory/central bank approval for cross boarder transactions
  - Potential new rules for credit controls and direct market access
  - Foreign customer may have to establish local bank, broker & clearing relations

• **Examples:**



# Exchange Hosting

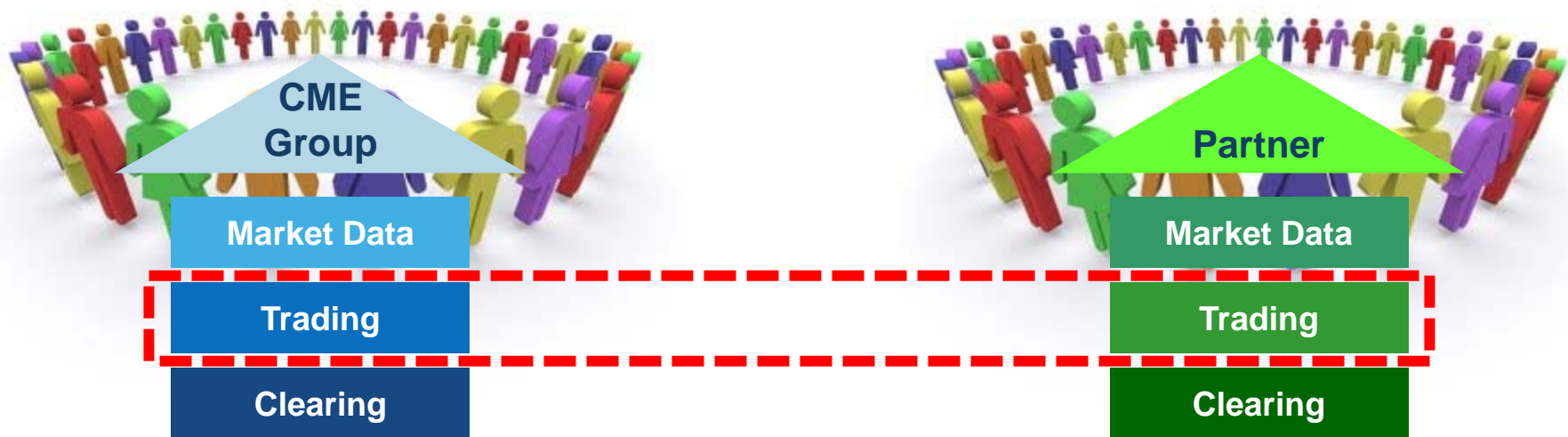


- **Allows partner to leverage Globex technology and CME's distribution network**
  - Includes joint product development and marketing & sales programs
- **Hosting under local exchange rules**
- **Additional trading opportunities**
  - Large/international firms can provide liquidity through market maker services
  - Allows partner exchange to benefit from CME co-location services

- **Examples**



# New Deployable Multi Asset Trading Platform



- Leverages liquidity pool of each exchange
- License allows partner exchange to use the same trading platform, CME Group and BM&FBOVESPA are using, which avoids system development costs
- Foreign customers, who are already trading on CME or BVMF, may also be interested to trade products of partner exchange
- In connection with a local hub, same benefits as described in Order Routing example can be offered

- Examples:  (Expected to start in Q4/2011)

# CME Partnership Approach



# Driving Global Growth Through Partnerships

## *Benefits for CME Group, Partners, Customers*

### Customers

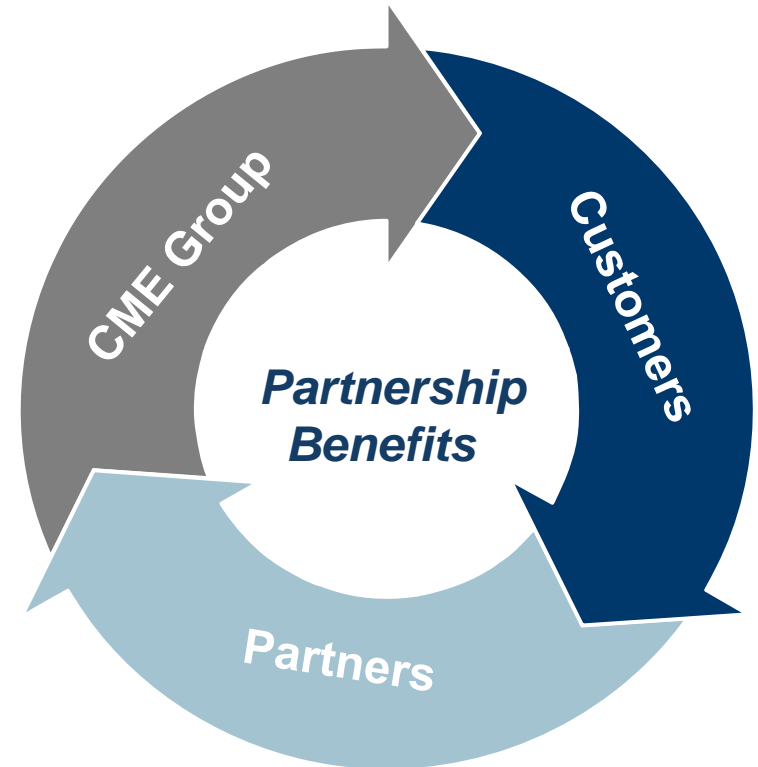
- Access growing array of products on CME Globex and / or safety of CME Clearing
- Introduce new customers to respective markets

### CME Group

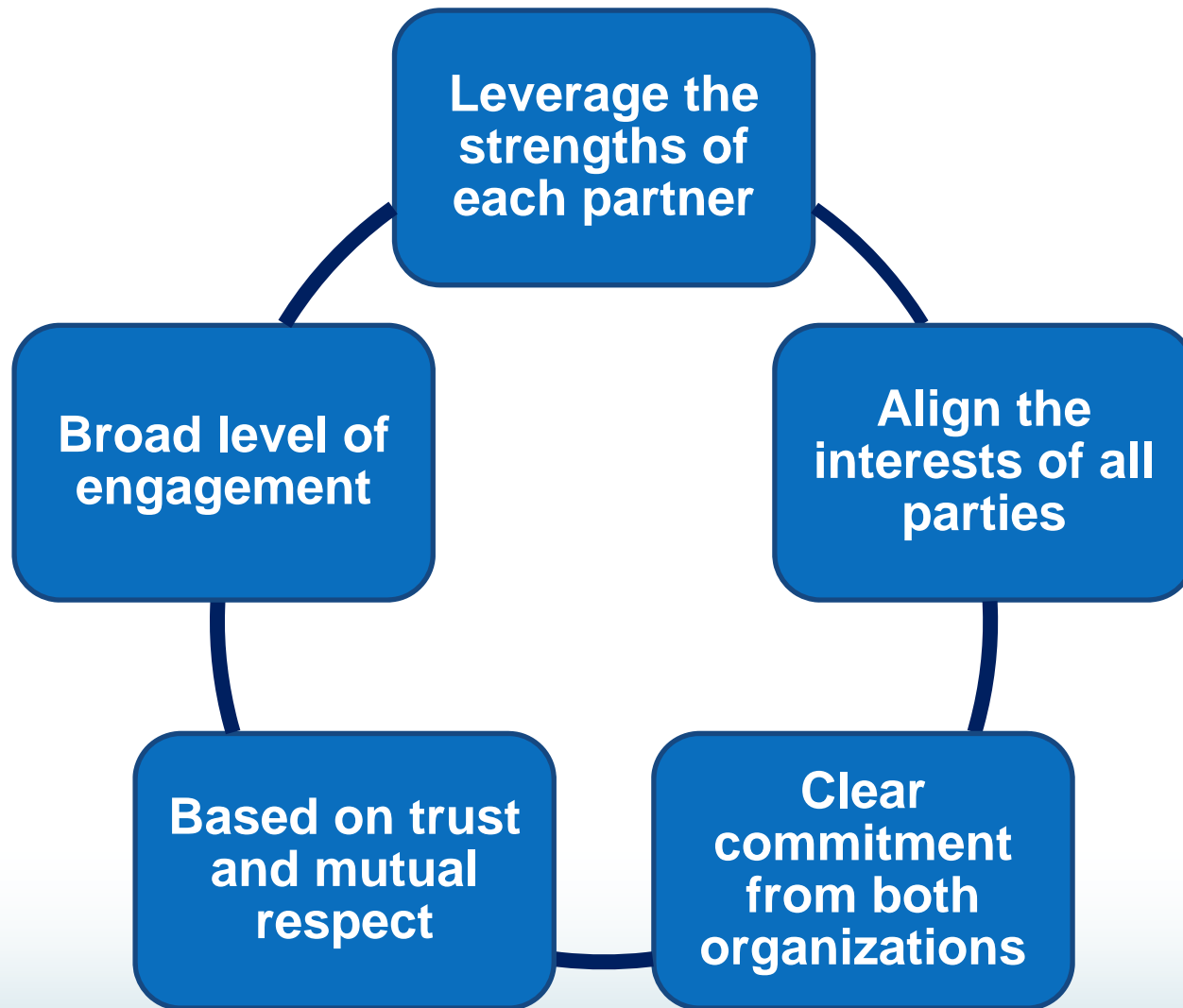
- Broaden customer access and increase trading volume of CME Group products
- Develop relationships with non-US brokers and regulators
- Leveraging technology infrastructure for scale lowers costs for all partners

### Partners

- Leverage CME Group global distribution, risk management expertise
- Gain speed to market advantage



# Disciplined Partnership Approach



# Example



## Background

- CME Group and Bursa Malaysia Berhad formed a strategic partnership aimed at contributing to the overall growth of the Malaysian capital markets by improving global access to the Malaysian derivatives market.
- This partnership includes the licensing of the settlement prices of the Crude Palm Oil Futures (FCPO) contract as well as facilitating global distribution of Bursa Malaysia Derivatives' (BMD) contracts through the CME Globex electronic trading platform.
- The partnership not only provides improved accessibility but elevates the presence of the benchmark Malaysian derivatives worldwide.

## Globex Hosting

- With BMD now utilizing CME Globex as its electronic trading platform for futures, including the global benchmark Crude Palm Oil futures (FCPO) contract, customers can more easily engage in spreading and arbitrage opportunities between the CME CPO and the BMD FCPO contracts.
- This arrangement offers unparalleled global distribution through CME Globex's multiple access points worldwide, one of which is located in Kuala Lumpur.
- All BMD derivatives are hosted on Globex since September 2010

## Crude Palm Oil Licensing

- USD-denominated and cash-settled to the physically-delivered BMD FCPO contract

### Further Information:

<http://www.cmegroup.com/international/partnership-resources/bursa-resources.html>



# Example



## Background

- The Dubai Mercantile Exchange (DME) is the Middle East's premier energy-focused commodities exchange.
- It was launched in 2007 as a joint venture with Tatweer (part of Dubai Holding) and the Oman Investment Fund and is regulated by the Dubai Financial Services Authority (DFSA)
- All trades executed on the exchange are cleared by CME Group which is regulated by the U.S. Commodity Futures Trading Commission (CFTC)
- The exchange:
  - Brought fair and transparent price discovery & efficient risk management to the East of Suez region
  - Played a critical role in bridging the time-zone trading gap between Europe & Asia
  - Is home to the benchmark DME Oman Crude Oil Futures Contract

## Partnership

- Based on CME Group's partner exchange program, in which DME trades are matched on CME Globex and cleared through CME ClearPort under an independent exchange
- The partnership is committed to the:
  - Extension of clearing services in Europe for non-US entities
  - Establishment of additional energy futures benchmarks for the region
  - Training of the region's next generation of derivatives traders

### Further Information:

<http://www.cmegroup.com/international/partnership-resources/dme-resources.html>

