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QUESTIONS OR COMMENTS: PLEASE EMAIL CLIENTSERVICES@ALTAVRA.COM OR CALL 1-800-998-7870.

Managed Futures / Managed Forex Database

To access the database:

1. Request a free access key at altavra.com.
   - The access key will be automatically generated and sent immediately to your email address.
2. After you receive the access key, you can access the database at login.altavra.com.

*PLEASE NOTE: There is no fee to access the database. This is not a trial access. The access key does not expire.

Portfolio Diversification: Stability and Transparency of the Global Futures Industry

Managed futures accounts, like all other accounts of customers doing business through a U.S. exchange, must be executed by and carried on the books of a "clearing member" (a brokerage firm or Futures Commission Merchant (FCM) that holds a membership in an exchange's clearing organization). Once a trade between two clearing members is matched by the exchange, the rights and obligations under the futures or options contract do not run between the original buyer and seller; instead, they are between the seller and the clearing organization.

An exchange's clearing organization guarantees performance on every contract to each of its clearing members.

Although each exchange's clearing function operates somewhat differently, at minimum they all ensure that there are sufficient resources to meet obligations by:

:: collecting performance bonds;

:: marking contracts to the market at least once daily; and

:: establishing capital requirements and maintaining minimum financial standards for clearing members.

Protecting the interests of all participants in the futures market is the responsibility of exchange and industry members as well as federal regulators. Working together, they ensure the financial and market integrity required by investors. A brief overview of CME Clearing will illustrate why the credit risk of exchange-traded products is minimal for futures investors.

Rules of the CME Group exchanges are designed to support competitive, efficient and liquid markets. These rules and regulations are reviewed continuously and are periodically amended to reflect the needs of market users. Making sure that trading practices and regulations are followed is the responsibility of the exchange's Market Regulation and Audit Departments, which work to prevent trading irregularities and investigate possible violations of exchange and industry regulations. The departments provide daily on-site surveillance of trading activity, continuous monitoring of member firms' trading practices with state-of-the-art technology and prompt, thorough investigations of any customer complaints.

Clearing operations are another mechanism used by exchanges to uphold the integrity of the futures markets. CME Clearing 1) acts as a guarantor to clearing member firms for trades it maintains; 2) reconciles all clearing member firm accounts each day to ensure that all gains have been credited and all losses have been collected; and 3) sets and adjusts clearing member firm margins for changing market conditions.

CME Clearing settles the account of each clearing member firm at the end of the trading day, balancing quantities of contracts bought with those sold. In clearing trades, the clearinghouse substitutes itself as the opposite party in each transaction, essentially eliminating counterparty credit risk. It interposes itself as the buyer to every seller and the seller to every buyer and becomes, in effect, a party to every clearing member transaction. Because of this substitution, it is no longer necessary for a buyer (or seller) to find the original seller (or buyer) when offsetting a position. A market participant merely executes an equal and opposite transaction, usually with an entirely different party, and ends up with a net zero position.

One of the most important financial safeguards in ensuring performance on futures contracts is the performance bond, which is a deposit clearing member firms must post and maintain against their open positions. These performance bonds, also referred to as margins, are set by CME Clearing based on each product. Your broker may require a larger deposit for your account than CME Group requires of its clearing members.

CME Clearing settles its accounts daily. As closing or settlement prices change the value of outstanding futures positions, the clearinghouse collects from those who have lost money as a result of price changes and credits those funds immediately to the accounts of those who have gained. Thus, before each trading day begins, all of the previous day's losses have been collected and all gains have been paid or credited. In this way, CME Clearing maintains very tight control over performance bonds as prices fluctuate, ensuring that sufficient money is on deposit at all times.