

CHICAGO MERCANTILE EXCHANGE

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Senior Vice President and
General Counsel
312/930-8510

April 1, 1997

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FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
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APR 3 10 30 AM '97

Federal Election Commission
Office of General Counsel
999 E Street, N.W.
Washington, D.C. 20463

AOR 1997-05

Dear Sir:

The Commodity Futures Political Fund ("CFPF") of the Chicago Mercantile Exchange ("CME") hereby requests an advisory opinion from the Commission on the question whether those CME members who have leased their seats are "members" for the purposes of the Federal Election Campaign Act (the "Act"). The Commission issued an advisory opinion on October 11, 1988, concluding that CME member-lessees are not members under the Act and therefore cannot receive political communications from the CME or CFPF or be solicited for contributions to CFPF. Advisory Opinion 1988-39; CCH Fed. Election Campaign Financing Guide & 5941. However, the decision of the United States Court of Appeals for the District of Columbia Circuit in Chamber of Commerce v. FEC, 69 F.3d 600, rehearing denied, 76 F.3d 1234 (D.C. Cir. 1995), provides substantially different criteria for defining "member" under the Act than previously used by the Commission. Under those new criteria, we submit that the CME member-lessees now qualify as "members" under the Act.

FACTS

The CME is a not-for-profit corporation organized under Illinois law that provides markets for the trading of futures contracts and options on futures contracts. It is organized on a non-stock, membership basis. CFPF is a separate segregated fund organized by the CME pursuant to the Act.

The CME has four divisions that provide markets in different products: the CME, the IMM Division, the IOM Division, and the GEM Division. The CME has 625 seats, the IMM has 813, and the IOM has 1,287. GEM, which was started last year through the offering of 50 full seats as well as fractional interests in 417 other seats, will ultimately reach a limit of 467 full seats. There are now 123 full GEM seats and 163 GEM members holding fractional interests in GEM seats. Thus, the CME currently has a total of 2,848 full seats and 163 members using fractional GEM seats.

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April 1, 1997

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Member-lessees are those members who do not own but instead lease their seats from the owners. The purpose of such leases is "[t]o allow unused seats to be used by individuals qualified for membership." Informational Manual, Rule 106: Transfers, Security Transactions, and Authorizations to Transfer or Sell (rev. March 1994), at p. 13. There are currently 1,173 member-lessees: 217 in the CME Division; 285 in the IMM; 628 in the IOM; and 43 in the GEM Division.

A lessee becomes a CME member through the same process as an owner of a seat. After an application is submitted with a \$1,500 non-refundable fee, the CME Membership Department prepares a report on the applicant's qualifications. (Rule 105A) Notice of the application is posted at the Exchange, and members may submit comments on the applicant's qualifications. The application must be approved by the Membership Committee (or by the Chairman of that Committee under certain circumstances). The Membership Committee usually interviews the applicant. The Membership Committee can unanimously approve an applicant. Applicants receiving less than unanimous approval can be approved by a majority vote at a meeting of five membership co-chairmen under Rule 108C.

A member-lessee must execute a lease of a seat either prior to election to membership or within 30 days thereafter. The election to membership is vacated if the member-lessee fails to do so within that time limit. (Rule 105A) The terms of the lease are negotiated between the lessor and the lessee. In recent weeks, CME seats have been leased for \$3,700-\$3,900 per month on a six-month basis, IMM seats for \$3,550-\$3,700 per month, IOM seats for \$2,375-2,500 per month, and the new GEM seats for \$200 per month.

All persons elected to membership agree to abide by all Exchange rules and agree to be responsible for any violations of those rules (Rule 101). All new members, including lessees, must take part in the Floor Orientation Program which includes a written examination for those members who wish to execute trades personally on the floor of the Exchange. Those new members planning to execute orders for others must complete a separate program for floor brokers. These programs consist of approximately 18 hours over five days of combined classroom and floor time. In addition, all members are required to attend supplemental educational programs at least once every three years.

The member-lessee must be qualified for trading by the lessor's clearing member or by a clearing member approved by the lessor. (Rule 106D(7)) If the clearing member has indemnified the lessor with respect to the lessee's trading, which is the normal arrangement, then the lessee must either post \$50,000 in cash or readily marketable securities with the clearing member or the clearing member will be assessed a \$50,000 capital charge by the Exchange. The requirement is \$25,000 for GEM member-lessees. Virtually all lessees post the cash or securities, which the clearing member retains for the entire period of the lessee's membership.

(Capital Charge for a Rule 106.D. Transferee (Lessee) and Trading Permit Holder, Special Executive Report S-2717, Oct. 11, 1993, revised Feb. 1994, Feb. 1996.)

The lessor retains title to the seat and may sell it at any time. The lessor may revoke the transfer upon written notice to the Membership Department. The lessor also has the right to have the lessee disqualified from trading at any time by giving notice to the lessee's clearing member. A lessee that terminates a lease prior to its expiration date remains obligated to make the agreed rental payments for the entire term. However, credit against those agreed payments will be given the lessee for any rental payments received by the lessor after leasing the seat to another person during the original term of the lease. The lessor is obligated to lease the seat to another person as soon as possible and for the highest possible rental. (Rule 106D(11))

In practice, leases run for substantial periods, often several years. Virtually all lessees remain members for at least a year. A lease may lead to the purchase of a seat by the member-lessee who has accumulated sufficient capital through his trading. The CME has a Member Retention Program to encourage lessees to continue trading and ultimately to buy their own seats.

A percentage of the lessee's clearing fees, not exceeding \$50,000 for any one year and continuing on a rolling five-year basis, are placed into an account that can be applied to the lessee's purchase of a seat. A lessee that fails to hold a membership at any time for more than a 60 day period is disqualified from this Program, and the accrued funds are reallocated to the Exchange.

The CME is managed through a committee structure (See Chapter 300 of the CME Rules.) Committees recommend policy and business initiatives to the Board of Directors and carry out policy and business decisions of the Board. Lessee are eligible to serve on the CME's committees and have the same voting rights as any other member on the committees on which they participate.

Lessees receive all mailings to members and may attend members' social functions. However, lessees may not vote in CME elections or referenda and may not be elected to the CME's Board of Directors. The lessor of the seat retains the rights to vote in Exchange elections and to run for election to the Board of Directors. The lessor is billed for dues and assessments with respect to the seat.

Lessees, like all other members, are required under Rule 601A to submit all disputes arising at the Exchange to binding arbitration.

A lessee is subject to all CME Rules and may be punished for violations. There are numerous trading rules that, if violated, carry penalties of expulsion, suspension, and/or a fine not exceeding \$250,000 plus the monetary value of any benefit received as a result of the

violation. Minor offenses are punishable by a fine not exceeding \$50,000 plus the monetary value of any benefit received through the violation, or suspension for not more than one year, or both.

**GROUND FOR CONCLUDING THAT CME MEMBER-LESSEES ARE
"MEMBERS" UNDER THE FEDERAL ELECTION CAMPAIGN ACT**

Lessees' Organizational and Financial Attachments to the CME

The Court of Appeals in Chamber of Commerce applied the Supreme Court's decision in FEC v. National Right to Work Comm., 459 U.S. 197, 203-204 (1982), as the governing authority on the meaning of "member" under the Act. The Supreme Court explained that "some relatively enduring and independently significant financial or organizational attachment is required...." The Court of Appeals held in Chamber of Commerce that the Commission had misapplied those criteria by requiring both financial and organizational attachments and by providing that the right to vote is essential to establish the necessary organizational attachment. 69 F.3d at 604-605. The Court of Appeals specifically held that voting rights in the organization are not required to establish membership. The Court of Appeals stressed that persons subject to the rules of the organization in question who can be sanctioned by the organization for violations, have perhaps the most significant organizational attachment. Id. at 605.

Like the doctors involved in the Chamber of Commerce decision, CME member-lessees have that all important organizational attachment. They may, by virtue of violating the CME's Rules, lose the right to pursue their occupation at the CME and be fined hundreds of thousands of dollars. This factor should be decisive in finding that the member-lessees are "members" under the Act even though they do not have the right to vote in CME elections.

The Court of Appeals also emphasized that the non-voting Chamber of Commerce members participated in policy-formulating committees, "which for such an organization is clearly an important function." Id. The same is true of CME member-lessees who are eligible to participate on the wide range of CME committees that have a critical role in the CME's operation as a "self-regulatory organization."¹ For example, the Business Conduct Committee may investigate and recommend emergency actions to the Board to maintain the integrity of the

¹ The CME as a self-regulatory organization is primarily responsible for policing its own markets, subject to review by the Commodity Futures Trading Commission.

CME's markets. There are committees responsible for oversight and strategy with respect to the various categories of CME products, such as the Financial Instruments Oversight Committee and the Agricultural Oversight Committee. The Market Data Services Committee establishes policies concerning the distribution and sale of Exchange market information which affect \$30 million in annual revenue. Lessees are as eligible to serve on the CME's committees as any other members, and their votes on committee matters have as much weight as any other participating members' votes.

Lessees have other significant organizational attachments. They must satisfy the same criteria as owner-members to achieve membership in the CME. They must complete the same educational programs to be allowed to participate in the CME's complex and specialized markets. Lessee memberships usually last several years. In addition, lessees give up the right to sue in court to resolve their disputes at the Exchange; they are required instead under CME Rule 601A to submit disputes to binding arbitration at the Exchange.

The financial attachments of the lessees to the Exchange are just as strong as their organizational attachments. A lessee cannot remain a member for more than 30 days unless he or she secures a lease from an owner. The lessee must agree to pay rent for the seat for a set period, and if the lessee terminates the lease prematurely he or she is still obligated to pay the rent unless the owner re-leases the seat and suffers no loss of rentals. Those rentals are substantial; lessees must pay thousands of dollars each month to lease a seat.² Each lessee must satisfy a \$50,000 collateral requirement with his or her clearing member to be able to trade. Each lessee may accrue up to \$250,000 toward the purchase of a seat under the Member Retention Program.

Perhaps the most fundamental reason why member-lessees should be able to participate in CFPF is that the Exchange is where they work and make their living. Decisions made by the federal government affecting the CME directly impact the lessees as well. They should be able to participate jointly with other CME members in the federal political process, as the Act permits and the First Amendment guarantees, to promote their common interests.

² Rentals for leases of seats in the fledgling GEM Division are significantly less as that market just begins to develop. But GEM lessees are required to post \$25,000 with their clearing members. Moreover, GEM lessees have all the other attachments to the CME of lessees in general, including being subject to the CME Rules and substantial penalties for violations.

The Inapplicability of the One Member Per Seat Restriction

Exchange seats and memberships were not at issue in the Chamber of Commerce case, and therefore the Court of Appeals did not deal with the other ground for the Commission's 1988 advisory opinion on the lessee issue: that there can be only one member per seat. There are two reasons why that conclusion should not be reached here.

First, the Commission has recently reconsidered the one member per seat restriction. In Advisory Opinion 1994-34, the Commission addressed questions arising from the merger of two exchanges, NYMEX and COMEX. The Commission's opinion explained that "in most instances" there can be only one member for each seat. CCH Fed. Election Campaign Financing Guide ¶6131 at pp. 12,022. Commissioner Potter explained in his concurring opinion that the FEC could conclude on specific facts that there is more than one member per seat:

This Opinion correctly concludes that persons holding COMEX seats meet the Commission's requirements for membership in COMEX. I write only to note an important change made by the Commission during the discussion of the Counsel's draft. The Commission added the phrase "in most circumstances" to the discussion of the Commission's precedents allowing only one vote per seat. This change resulted from the General Counsel's statement that the language restricting membership to one per seat stemmed at least in part from COMEX's own by-laws.

The General Counsel noted that the Commission could in other circumstances consider an argument for more than one member per seat (for instance, if the organization's by-laws provided for more than one individual to hold membership rights, and each such individual had an independent significant financial interest in the organization.) I believe it is significant that the Commission's language change and accompanying discussion leaves open the possibility that organizations may structure their membership in ways other than one member per seat. [*Id.* at 12,023-24.]

The CME's Rules do not limit the number of members to the number of seats. Each owner-member can lease his or her seat to another person who must also become a CME member and is subject to all CME Rules. The privileges associated with the leased seat are divided between the owner-member and the lessee-member. The owner retains the right to sell the seat, but while the lease is in effect it is the lessee that actually uses the seat. The owner has the right to vote in Exchange elections and serve on the Board of Directors, but the lessee is eligible to serve and vote on the CME's committees. Both the owner and the lessee may be severely sanctioned if they violate the CME's Rules. Accordingly, the one member per seat restriction should not apply here.

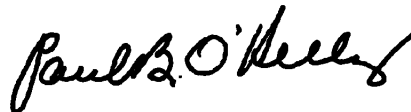
Second, the restriction of one member per seat is an arbitrary and irrational basis for restricting First Amendment rights. If a lessee has sufficient organizational and/or financial attachments to the Exchange, the fact that there is one rather than two seats involved does not in the least change those attachments. The one member per seat restriction is a mere formality that could be avoided by restructuring the organization without changing anything of substance. For example, the CME could change its Rules to provide that each person owning a seat actually owns a package of two seats: one that can be used for the owner's trading and one that can be leased to another person, although such a lease would preclude the owner from trading. In addition, the two seats could be sold only as a package. The organizational and financial attachments of the owner and the lessee to the CME would not be altered through such restructuring, but there would be a seat for the owner and a seat for the lessee.

Although this request for an advisory opinion is based on facts warranting an exception to the one member per seat restriction, that principle should be abandoned by the Commission since it is arbitrary and capricious, it does not further the objectives of the Act, and it unjustifiably prohibits the lessees' permissible First Amendment activities.

CONCLUSION.

For the above reasons, the CME and CFPF ask the Commission to issue an advisory opinion that the member-lessees are "members" of the CME under the Act. We enclose in support of this request the relevant portions of the CME Rules, the portion of a membership informational manual (revised as of March 1994) dealing with Rule 106D transfers, and an informational statement used by the CME's Membership Department.

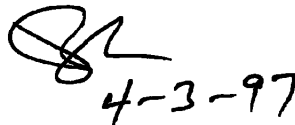
Respectfully submitted,



Paul B. O'Kelly
Senior Vice President and General Counsel

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OGC Note: Only the most relevant enclosures are circulated at this time. If other materials are determined relevant, they will be circulated later.



4-3-97

INFORMATIONAL MANUAL

**Rule 106: ^S Transfers, Security
Transactions, and Authorizations
to Transfer or Sell**

Guidelines for Membership

INFORMATIONAL MANUAL

Rule 106: Transfers, Security Transactions, and Authorizations to Transfer or Sell

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IV. Rule 106.D. Futures Industry Transfers (Exhibits 1, 2 & 3)

A. Purpose

- 1. To allow unused seats to be used by individuals qualified for membership.**

B. Features

- 1. Original member retains ownership.**
- 2. Membership may not be assigned for clearing purposes.**
- 3. Transferor may revoke transfer immediately and may be reinstated to membership before expiration of 20-day posting period provided the member obtains an indemnification agreement from a clearing member and approval of Membership Committee Chairman.**
- 4. Transferor must approve transferee's qualifying clearing firm or any change to the transferee's qualifying clearing firm or secondary clearing firm. (In extreme circumstances when lessor is not available and lessee clears through the same clearing firm as lessor, approval is not needed immediately, but must be obtained upon lessor's availability per Jerry Beyer 6/93.)**
- 5. A fee or other consideration for the lease is not prohibited.**
- 6. Applicants must meet membership and \$50,000 financial requirements and be elected to membership. This requirement is amended effective March 7, 1994 (SER 2771). The amendments will allow the firm to take a charge for the difference between excess equity and \$50,000.**

The Audit Department will assess a \$50,000 charge to a clearing member's adjusted net capital for each Rule 106.D. transferee (lessee) in respect of whom the clearing member has indemnified the transferor (lessor) unless:

A. The lessee has been unconditionally guaranteed by the equity member qualified by the same clearing member. The clearing member must obtain a properly executed guarantee agreement from the equity member. An equity member may only guarantee one lessee for each membership owned; or

B. The lessee has been guaranteed by a third party depositing at least \$50,000 in cash and/or U.S. treasury securities with the clearing member. The clearing member must obtain a properly executed guarantee agreement from the third party and may not use the deposit for any other purpose.

A clearing member may not avoid this charge by lending funds or guaranteeing a loan to the lessee to enable the lessee to meet the \$50,000 requirement unless such loan is secured by readily marketable collateral in accordance with CFTC Regulation 1.17.

This \$50,000 charge may be reduced by equity in excess of maintenance performance bond requirements in the lessee's account with the clearing member.

7. Unassigned memberships owned by a clearing member may be transferred pursuant to this rule.
8. Memberships owned by a former clearing member may be transferred pursuant to this rule provided all the conditions described in Rule 106.D. Exhibit 3 are met (BOG memo).
9. Rule 106.D.9 -- Any amounts paid by a transferee into the previously existing Member Purchase Program between November 1, 1988 through March 28, 1991 may be applied by the transferee toward the purchase of a membership in any division provided that the transferee has continuously held a membership pursuant to Rule 106.D. or 106.F. from April 1, 1991, up to the date of the purchase. If a transferee ceases to hold a membership pursuant to Rule 106.D. or 106.F. before purchasing a membership, the amounts paid into the Program shall be retained by the Exchange. The Leasing Committee may review interruptions and grant exemptions from the requirement in the preceding sentence upon request by a transferee and a showing of good cause.
10. Rule 106.D.10 -- A transferee elected to membership pursuant to Rule 106.D. after January 7, 1985, who was not a member as of January 7, 1985, may not execute trades for other than his own account for a period of twelve months beginning at the time the transferee is elected to membership unless exempted therefrom by the Membership Committee.

A. Ownership - Lessees who own in the same or higher division in which they are leasing are outside the scope of the rule.

B. Exemption Procedures - Upon application for membership, the transferee who requests an exemption from Section 10 must:

- (1) File a written statement outlining his prior trading experience;
- (2) Supply at least three references who can attest to his trading ability;
- (3) Appear before the Membership Committee to respond to questions about his trading experience. The Membership Committee will review the transferee's written statement describing his prior trading

experience and will have an opportunity to question the transferee about his trading skills and practices. Additionally, the Committee may interview or solicit information from the references supplied by said transferee.

In addition to the receipt of the above, the transferee shall be extended full trading privileges after having met the following requirements:

(4) Satisfactory completion of the regular CME member orientation program;

(5) The equivalent of one year of futures or options trading on the floor of a board of trade regulated by the CFTC, or on a securities exchange regulated by the Securities and Exchange Commission;

(6) Have a valid CFTC broker's license; and

(7) Satisfactory completion of the CME's floor broker orientation program.

(8) Any transferee who, following a request, is denied an exemption to CME Rule 106.D.10., shall be informed by the Committee of the reason why the exemption was not granted. The decision of the Membership Committee shall be final.

C. Transferees who trade joint accounts with the clearing firm or principal of the clearing firm and have an acceptable proprietary interest in the account are outside the scope of Section 10.

D. Policy on waivers of Rule 106.D.10 to trade proprietary accounts--
The following policy applies to applicants to membership who will be trading a proprietary account (owned by members or a clearing member)

(1) A request for a waiver of Rule 106.D.10 must be filed with the Membership Department. The request need only consist of one letter from the account owners, but must include the following:

(a) The applicant will trade for the proprietary account only. He is not allowed to trade for his own account.

(b) The applicant must have full discretion over the trading account, with supervision.

(c) The applicant must either have an acceptable proprietary interest in the account (i.e., 25-35% of the profits) or receive a salary plus bonus, which is based upon the performance of the account, not his personal performance.

(2) The account number must be submitted to the Compliance Department so the account can be monitored.

(3) Any member who has held a membership for one year or more, no matter which type of membership, has met the requirement stated in Rule 106.D.10. There is no need to request a waiver of the Rule because the terms have been met. For example, a member has been on a 106.F. membership for one year. The member then transfers to a 106.D. membership. The year of 106.F. membership meets the requirement of the Rule.

C. Privileges

1. Transferor will:

- a. Be billed for dues and assessments.
- b. Remain a member of the Gratuity Fund.
- c. Receive members' mailings.

2. Transferor may:

- a. Upon transfer back to him have Rule 110 claims filed against him arising during the transfer period and from either his or the transferee's trading, with claims against transferee receiving priority.
- b. Sell, transfer, bequeath, or give away the membership.
- c. Have transferee disqualified from trading at any time.
- d. Be a Board member or Nominating Committee member.
- e. Vote in elections and referenda.
- f. Be a Committee member (11/4/91 BOG meeting).
- g. Attend members' social functions.

3. Transferor may not:

- a. Trade at members' clearing fees.
- b. Assign the membership for clearing purposes.

4. Transferee may:
- a. Trade at lessee's clearing fees.
 - b. Receive members' mailings.
 - c. Attend members' social functions.
 - d. Be a Committee member.
 - e. Have the 20 day notice period waived on a subsequent transfer. This is the "short form" process. The application of a member who purchases or is transferred a membership may be approved by the Chairman of the Membership Committee before the expiration of the posting period, provided the member obtains an indemnification agreement in favor of the Exchange from a clearing member to cover Rule 110 claims up to the value of the membership at the time of purchase or transfer. Rule 105 is generally available to former members who get another membership within a 60-day period (effective 6/93 to coincide with NFA Floor Broker/Floor Trader requirements). The 60-day grace period begins the day the transfer is posted in the Special Executive Report. After the 60-day period, the Long Form application process must be used. The Chairman of the Membership Committee may extend the grace period for good cause.
 - f. May be a member of the Gratuity Fund under certain circumstances.
5. Transferee may not:
- a. Sell, transfer, bequeath, or give away the membership.
 - b. Assign membership for clearing purposes.
 - c. Own another membership in the same division unless reviewed first by the Membership Committee.
 - d. Join the Gratuity Fund except under certain circumstances.
 - e. Be a Board member, or Nominating Committee member.
 - f. Vote in elections or referenda. Transferee may sign a petition for referendum; however the signature will not count toward the number of signatures necessary for a valid petition.



CHICAGO MERCANTILE EXCHANGE

FUTURES INDUSTRY TRANSFEREES

Rule 106.D.

Please be reminded of the following rules affecting your membership at the Chicago Mercantile Exchange:

RULE 106.D. LESSEES RESTRICTED FROM EXECUTING CUSTOMER ORDERS FOR CUMULATIVE 12-MONTH PERIOD

RULE 106.D.10.

Any transferee elected to membership pursuant to this Rule 106.D.10. after January 7, 1985, who was not a member as of January 7, 1985, shall be eligible to execute trades only for his own account for a cumulative period of twelve (12) months following his or her election to membership unless exempted therefrom by the Membership Committee.

EXPLANATION

This amendment provides that an applicant who is elected to membership as a lessee on a Rule 106.D. transfer after January 7, 1985, will be prohibited from executing customer orders for an initial period of one year unless exempted therefrom by the Membership Committee. Existing members (including 106.D. transferees) as of January 7, 1985, will be grandfathered in and will not be subject to this restriction. Therefore, members as of that date who, thereafter, lease the same membership or lease another membership in the same division, or in another division, will not be subject to the customer brokerage restriction.

FLOOR BROKER PROGRAM

EFFECTIVE JANUARY 1, 1985 a Floor Broker Program will be required of all members who wish to fill customer orders. The Program will be offered the first week of every other month (i.e., six times a year). It was initially offered the week of February 4, 1985. The objective of this program is to educate floor brokers respecting Exchange rules and Commodity Exchange Act rules and regulations by emphasizing special rules and situations related to the filling of customer orders.

This program will take approximately ten hours of combined classroom and floor time. Those completing this program will be registered by the Exchange in the Membership Department.

4/91

FUTURES INDUSTRY TRANSFER

Rule 106.D.

DIVISION _____

The undersigned transferor and transferee have read and understand the provisions of Rule 106 regarding transfers in general and Rule 106.D. regarding the Futures Industry Transfer in particular and agree to abide by the provisions contained in these rules. Please note that for purposes of Rule 110, the lessee of the membership will be considered the owner, and any valid claim filed against the lessee will be considered filed against the membership.

Private agreements between the transferor and transferee shall not be recognized by the Exchange and shall not affect the rights of the Exchange or its members.

Effective January 7, 1985, the Board of Governors has approved the following amendment to Rule 106.D.

106.D.10. Any transferee elected to membership pursuant to this rule 106.D.10. after January 7, 1985, who was not a member as of January 7, 1985, shall be eligible to execute trades only for his own account for a cumulative period of twelve (12) months following his or her election to membership unless exempted therefrom by the Membership Committee.

TRANSFEROR: (Owner of Record)

Name (Please Print)

Signature

Address

Date

City State Zip Code

Telephone Number

Lease Term/Rate

.....
TRANSFEEE:

Name (Please Print)

Signature

Date

Transfer is effective immediately upon submission to the Membership Department.

TRADING AUTHORIZATION
FUTURES INDUSTRY TRANSFERS

Rule 106.D.

DIVISION _____

Pursuant to Rule 106.D.7., I _____
Transferor (Please Print)

hereby grant authorization to _____

to clear transactions on the books of _____
Clearing Firm

Transferor (Signature)

Date

Pursuant to Rule 106.D.7., the transferor must approve any change in the transferee's clearing firm in order to remain qualified to trade.



CHICAGO MERCANTILE EXCHANGE

FUTURES INDUSTRY TRANSFER

REINSTATEMENT

RULE 106.D.

DIVISION

The undersigned transferor and transferee have read and understand the terms and conditions of Rule 106.D., FUTURES INDUSTRY TRANSFER, and agree to abide by its provisions.

TRANSFEROR:

Name (Please Print)

Signature

* * * * *

TRANSFeree: (Owner of Record)

Name (Please Print)

Signature

Date

Form: 106DREIN

30 South Wacker Drive Chicago, Illinois 60606 312/930-1000

LONDON

NEW YORK

WASHINGTON, DC

TOKYO

MEMORANDUM

TO: Phil Glass

FROM: Jerry Beyer *JB*

RE: Board Presentation Respecting Ex-Clearing Members Leasing of Seats

DATE: November 3, 1992

RECEIVED
 NOV 11 AM 11:34
 EXCHANGE

Phil, this memo should serve as the basis for your presentation to the Board of Governors tomorrow:

1. There are five firms who will or have recently resigned from clearing, (Discount Corp., GNP, Packers, Richardson and Stern.)
2. These five firms own 25 memberships, collectively. Because our rules permit only members and clearing members to lease memberships, these firms would be required to sell their membership if they are to realize any benefit from owning these seats.
3. The Executive Committee recommends that we permit ex-clearing members to lease seats.
4. The following conditions would apply:
 - A. Only ex-clearing members would be permitted to transfer seats;
 - B. The only permissible transfer would be to lease memberships (Rule 106.D.);
 - C. The firm would agree to notify us of any change in its ownership;
 - D. The firm would agree not to hold itself out as having any affiliation with the Exchange; and
 - E. The firm would agree not to hold out any of its shareholders or employees, who may hold a membership, as members of the Exchange.

(Provisions D. and E. would not prohibit the firm from disclosing its ownership of membership in its financial statements or other similar documents. This would exclude marketing documents.)

Phil, call me if you have any questions on this.

cc: Girard Miller
 Jim Oliff
 Cathy Carter
 Mary Irwin

**INTERPRETATIONS & SPECIAL NOTICES
RELATING TO CHAPTER 9**

**CAPITAL CHARGE FOR A RULE 106.D. TRANSFEREE (LESSEE) AND
TRADING PERMIT HOLDER**

(Special Executive Report S-2717, October 11, 1993.
Revised February 1994, February 1996)

A capital charge in the following amounts will be assessed to a clearing member's adjusted net capital: i) \$50,000 for each CME, IMM, and IOM Rule 106.D. transferee (lessee) for whom the clearing member has indemnified the transferor (lessor); ii) \$25,000 capital charge for each GEM 106.D. lessee for whom the clearing member has indemnified the lessor; and iii) \$25,000 for each trading permit holder.

A clearing member may not avoid this charge by lending funds or guaranteeing a loan to the lessee or trading permit holder to enable the lessee or trading permit holder to meet the \$50,000 or \$25,000 requirement unless such loan is secured by readily marketable collateral in accordance with CFTC Regulation 1.17.

The capital charge for each lessee or trading permit holder trading the proprietary account of the clearing member may be reduced by the performance bond requirements of positions controlled by the lessee or trading permit holder reflected in the proprietary capital charge in accordance with CFTC Regulation 1.17(c)(5)(x).

The capital charge may be reduced by equity in excess of maintenance performance bond requirements in the respective lessee's or trading permit holder's account with the clearing member.

The capital charge will not apply with respect to a lessee or trading permit holder if either A. or B. below is satisfied:

- A. The lessee or trading permit holder has been unconditionally guaranteed by an equity member qualified by the same clearing member. The clearing member must obtain a properly executed guarantee agreement from the equity member. An equity member may only guarantee one lessee or trading permit holder for each membership owned. A GEM equity member may only guarantee a GEM lessee.

- B. The lessee or trading permit holder has been guaranteed by a third party depositing at least \$50,000 (for a CME, IMM, or IOM lessee) or \$25,000 (for a GEM lessee or any trading permit holder) in cash and/or U.S. treasury securities with the clearing member. The clearing member must obtain a properly executed guarantee agreement from the third party for each lessee or trading permit holder so guaranteed and may not use the deposit for any other purpose.**



CHICAGO MERCANTILE EXCHANGE

Individual Membership on the Chicago Mercantile Exchange Summary

Number of Memberships. There are 625 Chicago Mercantile Exchange ("CME") memberships, 813 International Monetary Market ("IMM") memberships, 1,287 Index and Option Market ("IOM") memberships, and 50 initial Growth and Emerging Markets ("GEM") memberships. [417 additional GEM memberships were distributed in fractional interests to existing Exchange members. However, these fractions need not be combined into full memberships for five years.]

Trading Permits. Several categories of Trading Permits, which allow limited trading activity, are available.

Qualifications for Membership. Any adult of good moral character, reputation and business integrity, with adequate financial resources to assume the responsibilities and privileges of membership, is eligible for election to membership in the Exchange. The process takes six to eight weeks. All applicants are interviewed by the Membership Committee and may be considered elected to membership immediately.

Acquisition of Membership. Memberships may be acquired via purchase, gift, lease, family transfer, or member firm transfer. Brief explanations of how to acquire memberships appear on pages 2 - 6.

Education. CME Rule 126 ("Membership Education Programs"), obligates new members to attend educational programs prior to trading. These programs include an initial ethics training course lasting a minimum of four hours. Existing members must attend a supplemental training session of at least one-hour duration once every three years.

Qualification to Trade. All members must be guaranteed or qualified to trade by a clearing member before they may personally execute a transaction involving a futures contract. Additionally, effective April 26, 1993, a member's registration as either a floor broker, floor trader, or a temporary license to act as such, must be granted by the National Futures Association ("NFA") before they can trade on the CME floor. This process takes approximately six to eight weeks to complete.

GLOBEX®. Qualified members may obtain a terminal to trade for their own accounts and participate in the P-M-T Partnership as Class A Limited Partners.

Questions and Answers Regarding Applications for Individual Membership

There are four categories of Exchange memberships. The full Chicago Mercantile Exchange (CME) membership (625) entitles the member to execute trades in any contract offered on the Exchange. The International Monetary Market (IMM) membership (813) entitles the member to execute trades in currencies, Treasury Bills, Eurodollars, indexes and all option contracts. The Index and Option Market (IOM) membership (1,287) entitles the member to execute in all index futures, Random Length Lumber futures and all options contracts. The Growth and Emerging Markets (GEM) membership (50 initial and 417 distributed in fractional interests) entitles the member to execute trades in currencies, stock indexes, and interest rates in emerging markets.

Following is a list of commonly asked questions and answers pertaining to the membership application procedure:

Question: What are the qualifications for membership in the Exchange?

Answer: Any adult of good moral character, reputation and business integrity, with adequate financial resources and credit to assume the responsibilities and privileges of membership, is eligible for election to membership in the Exchange.

Applications are available in the Membership Department located on the Upper Lobby Level. Completed applications are filed in the Membership Department where the approval process begins. Various other forms must be filed depending on how the membership is obtained and registered.

Question: How do I acquire membership?

Answer: A membership may be purchased and/or transferred according to Exchange rules:

- Rule 106.C. FAMILY TRANSFER
- Rule 106.D. FUTURES INDUSTRY TRANSFER
- Rule 106.E. GIFT OR BEQUEST
- Rule 106.F. EMPLOYEE (OF A CLEARING MEMBER) TRANSFER
- Rule 106.G. TRANSFER BY WHOLLY OWNED ENTITIES
- Rule 106.H. NON-MEMBER FIRMS EMPLOYEE TRANSFER
- Rule 106.I. RELATED PARTY EMPLOYEE TRANSFER
- Rule 106.J. INSTITUTIONAL ACCESS FIRM TRANSFER
- Rule 106.K. TRANSFER TO A TRUST
- Rule 106.L. TRANSFER OF MEMBERSHIP CREATED BY THE MEMBERSHIP RIGHTS PROGRAM
- Rule 106.M. TRANSFER TO JOINT TENANTS WITH RIGHT OF SURVIVORSHIP
- Rule 106.N. GEM INSTITUTIONAL ACCESS FIRM
- Rule 106.O. TRANSFER OF GEM FRACTIONAL INTERESTS
- Rule 106.P. FAMILY LIMITED PARTNERSHIPS

A brief explanation of each membership acquisition follows.

Purchase/Sale: Memberships are purchased and sold according to the auction market conducted through the Membership Department. The prospective purchaser signs and files with the Membership Department a Bid to Purchase form, which must be guaranteed by a Clearing Member or accompanied by a certified or cashier's check in the amount of the bid. Sellers file an Offer to Sell form. The Membership Department matches the highest bid to buy and lowest offer to sell through negotiation, and in the event of an agreement or sale, the purchaser is notified immediately. Memberships must be paid for within two business days of notification of the sale. Sellers receive the proceeds from the sale of their memberships after the expiration of a 20-day claim period described in Rule 110, unless that time period is extended to resolve claims or as a result of a disciplinary investigation. Rule 110 provides for the ranking of Exchange related claims upon the satisfaction of which the membership is then transferred from member to member. Once a member sells a membership, they may not seek membership in the same division in which they sold for a period of six months unless the member receives a waiver from the Membership Committee.

Rule 106.C. FAMILY TRANSFER: A member, who owns their membership, may transfer it to a member of their immediate family. Immediate family members include: mother, father, siblings, children, spouse, aunts, uncles and in-laws.

Rule 106.D. FUTURES INDUSTRY TRANSFER (commonly referred to as the "lease rule"): A member may temporarily transfer their membership to another person who shall be subject to all Exchange rules and regulations. Rule 106.D. is generally used as a lease from member to member. A member may trade only for their own account during their first year of membership.

Transfers under this section shall be subject to the following terms and conditions.

1. The transferor may revoke the transfer upon written notice filed with the Membership Department and shall be reinstated upon approval by the Board of Directors or by the Chairman of the Membership Committee.
2. The transferor shall have the right at any time to have the transferee disqualified from trading by giving notice to the transferee's qualifying clearing member.
3. The transfer shall be revoked and the membership shall revert to the transferor's estate or conservator upon official notice of the death or formally declared incompetence of the transferor.
4. Upon election to membership, the transferee shall be treated as a member for all purposes, except that the transferee shall have no authority to sell, transfer or assign the membership, to vote in an Exchange election or referendum, to have their signature count as a member's signature for petition purposes, to join the Gratuity Fund, or to become a member of the Board of Directors.
5. The transferor may sell the membership at any time in accordance with the provisions of Rule 103 or transfer the membership pursuant to Rule 106. The proceeds of the sale of the membership will be distributed to the transferor following the settlement of all claims pursuant to Rule 110.
6. The Membership Committee shall consider applications of a transferee under this section in the order in which their applications, including all necessary financial and background reports, have been filed. The processing of applications generated by transfer pursuant to this section shall in no way interfere with, hinder or delay the processing of other memberships applications.
7. The transferee must be qualified to trade only by the clearing member who qualifies the transferor or by a clearing member acceptable to the transferor.
8. A transferee shall place all trades on the books of their qualifying clearing member unless written authorization to the contrary from said clearing member and from the transferor has been filed with the Membership Department. Failure to adhere to the requirement of this rule shall exclude a clearing member from proceeds under Rule 110.
9. Any amounts paid by a transferee into the previously existing Member Purchase Program between November 1, 1988 through March 28, 1991, may be applied by the transferee toward the purchase of a membership in any division provided that the transferee has continuously held a membership pursuant to Rule 106.D. or 106.F. from April 1, 1991, up to the date of the purchase. If a transferee ceases to hold a membership pursuant to Rule 106.D. or 106.F. before purchasing a membership, the amounts paid into the Program shall be retained by the Exchange. The Leasing Committee may review interruptions and grant exemptions from the requirement in the prior sentence upon request by a transferee and a showing of good cause.

10. Any transferee elected to membership pursuant to this Rule 106.D. after January 1, 1985, who was not a member as of January 7, 1985, shall be eligible to execute trades only for their own account for a cumulative period of twelve (12) months following their election to membership unless exempted therefrom by the Membership Committee.

Explanation: Any new member elected to membership on a 106.D. transfer (lease), may not execute customer orders, including orders for their clearing member, and may only trade for their own account for the first year of membership.

11. A transferee who unilaterally terminates a lease remains obligated to make the agreed rental payments to the transferor until the end of the term of the lease; however, transferee's obligation to make such payments shall be reduced by the amount of rental payments received by transferor if transferor is able to lease out the membership to another person during the remaining terms of the original lease. Transferor hereby agrees to use their best efforts to lease out the membership to another person as soon as possible and at the highest possible rental obtainable based on similar leases, if any, then being made.

A transferor who unilaterally terminates agrees to pay to transferee any difference in rental over and above the rental payment agreed to in the lease that the transferee pays in order to lease another membership in the same division for the remaining term of the original lease. Transferee hereby warrants and agrees to use their best efforts to obtain another lease as soon as possible and at the lowest possible rental obtainable based on similar leases, if any, then being made.

The Membership Department maintains a list of current members who wish to lease their memberships.

Rule 106.E. GIFT OR BEQUEST: A member may make a bona fide gift or bequest of membership. This rule transfers ownership from the member to the recipient. A letter affirming the gift or an order from the Probate Court allowing the bequest will be required as a precondition for bequest.

Rule 106.F. EMPLOYEE (OF A CLEARING MEMBER) TRANSFER: A membership held in the name of an employee of a clearing member may be transferred to another employee of that clearing member provided that (1) the transfer is for the legitimate business purposes of the clearing member, (2) the employee to whom the membership is transferred executes an Authorization to Transfer or Sell in favor of either the employing clearing member, or a principal having a proprietary interest in the clearing member, depending on which was the purchaser of the membership, and (3) the clearing member provides documentation showing that the membership was purchased by either the clearing member or a principal having a proprietary interest in the clearing member.

Rule 106.G. TRANSFER BY WHOLLY OWNED ENTITIES: A member who chooses to show that their membership is owned by a wholly owned entity may execute an Authorization to Transfer or Sell in favor of the entity.

Rule 106.H. NON-MEMBER FIRM EMPLOYEE TRANSFER: The 106.H. purchaser must be a bona fide commercial entity in a business related to that of the Exchange. The primary purpose of the firm must be:

- A. Other than speculating in futures for itself or others; and
- B. Of a nature that would allow the firm to engage in bona fide hedging transactions pursuant to Commodity Futures Trading Commission ("CFTC") Regulation 1.3Z.

For example, the 106.H. purchaser may not be a CFTC registrant (such as a Futures Commission Merchant ("FCM"), introducing broker or associated person) or a foreign broker. It may be a broker dealer, government securities dealer, or a bank. Foreign banks will be reviewed to determine whether, if doing business in the United States, they must be registered as FCMs. The purchase requires the approval of the President (his delegatee), the Rates and Qualification of Clearing/GLOBEX® Institutional Access Committee and the Board of Directors.

The 106.H. transferee in whose name the membership was purchased must be a bona fide employee of the non-member firm and elected to membership.

Although the firm purchased the membership, the employee is the duly elected member of the Exchange. The purchasing firm may not represent that it is a member of the Exchange. The benefit of Rule 106.H membership is a reduced clearing fee on the futures and options transactions made for the proprietary account of the non-member firm. Non-member firms are charged the reduced clearing fee for transactions made in the division in which the membership was purchased.

Rule 106.H. non-member firms are not entitled to direct access to GLOBEX®. However, a Rule 106.H. firm may convert to a Rule 106.J. INSTITUTIONAL ACCESS FIRM upon approval from the Exchange.

Rule 106.I. RELATED PARTY EMPLOYEE TRANSFER:

- A. The Related Party transfer rule established a procedure through which a membership may be purchased in the name of an officer of an entity that owns, directly or indirectly, 100% of a clearing member or has 100% ownership direct or indirect in common with a clearing member. Once the officer is elected to membership, then all of the entities in the chain of related parties may receive members' clearing rates for their proprietary accounts. Exceptions may be granted to the 100% ownership requirement.
- B. A "related party" includes a firm that owns, directly or indirectly, 100% of a clearing member, or that has 100% ownership direct or indirect in common with a clearing member.
- C. All Rule 106.I. accounts must be identified to the Membership Department before receiving member rates. The officer of the purchasing firm must be elected to membership before the chain of related parties receives member rates.
- D. Proprietary positions must be carried in separate accounts (separate from non-customer house accounts) on the books of the clearing members.
- E. The purchase and subsequent transfers must be approved by the President (his delegatee), Rates and Qualification of Clearing/GLOBEX® Institutional Access Committee, Membership Committee and Board of Directors.

Rule 106.J. INSTITUTIONAL ACCESS FIRM TRANSFER: Previously, direct participation in GLOBEX® was limited to the Exchange's individual members and clearing member firms. Now, the CME's GLOBEX® Institutional Access Program will provide 50 non-clearing member firms direct access to the system through CME membership.

A 106.J. Institutional Access firm will be eligible for GLOBEX® terminals provided that the firm complies with the following conditions:

- A. The firm must own a membership in either the CME or IMM Division or three memberships in the IOM Division.
- B. The firm's GLOBEX® terminals must be used only for the firm's trading for its own account. A foreign broker may become a GLOBEX® Institutional Access firm provided that the firm agrees not to enter customer orders through the firm's GLOBEX® terminals.
- C. The firm must satisfy the following volume requirements for CME contracts traded on GLOBEX®; provided, however, that a GLOBEX® Institutional Access firm shall not be required in any month to trade more than 1% of the total volume of CME contracts traded on GLOBEX® during that month:

Year of GLOBEX® Operation

Contracts Per Month Either Side

First Year	4,000
Second Year	10,000
Third year and every year thereafter	15,000

- D. The Exchange shall approve the applications of no more than 50 GLOBEX® Institutional Access firms.

All GLOBEX® Institutional Access applications will be reviewed by the Rates and Qualification of Clearing/GLOBEX® Institutional Access Committee. A Rule 106.J. applicant should:

1. have a solid business reputation, domestically and internationally;
2. contribute to the broad geographical and temporal mix the Program seeks to attain;
3. have the ability to use GLOBEX® during its normal trading hours; and
4. be able to demonstrate the ability (financial and intellectual) and willingness to meet the volume requirement.

Rule 106.K. TRANSFER TO A TRUST: A member may transfer a membership into a trust that is created either during their lifetime or as a part of their will. The trustee of the trust will be required to qualify for membership. All beneficiaries of the trust must be members of the grantor's family who would be eligible for a family transfer from the grantor pursuant to Rule 106.C.

Rule 106.L. TRANSFER OF MEMBERSHIP CREATED BY THE MEMBERSHIP RIGHTS PROGRAM: A member may transfer a membership created by the Membership Rights Program between individuals who have continuously maintained at least one quarter interest in the membership from the date of the combination of the membership.

Rule 106.M. TRANSFER TO JOINT TENANTS WITH RIGHT OF SURVIVORSHIP: A member or a member's personal representative may transfer a membership to himself and a member of their family who would be eligible for a family transfer (Rule 106.C.) as joint tenants with right of survivorship.

Rule 106.N. GEM INSTITUTIONAL ACCESS FIRM: This new membership category allows a firm representative, in whose name the membership would be held, to solicit non-U.S. customer business in GEM products from the floor of the Exchange (utilizing the floor facilities of one of the Exchange's clearing members).

Rule 106.O. TRANSFER OF GEM FRACTIONAL INTEREST: This rule allows for a member to transfer GEM fractional interests (without a taxable sale) to another member for the purpose of converting the interests into a full GEM membership.

Rule 106.P. TRANSFER TO A FAMILY LIMITED PARTNERSHIP: This new membership category allows for a member to transfer a membership to a Family Limited Partnership, so long as all partners are members of the Exchange member's family who would qualify as such pursuant to Rule 106.C.

Question: How do I apply for membership?

Answer: Every applicant is required to submit a membership application which includes questions concerning the applicant's educational, employment, residential, and disciplinary history. The application form must be typewritten and filed with a \$1,500 non-refundable fee. Two (2) 2" x 2" passport-quality color photographs must be submitted with the application along with either a certified birth certificate or passport. Additionally, a copy of the National Futures Association ("NFA") application, completed fingerprint card, and a \$70 processing fee must be submitted. Fingerprinting facilities are available in the Department.

Each new applicant's name is included in a written notice that is sent to all CME members, and a photograph of each applicant is posted on the trading floor for 20 days. During the 20-day posting period, all members are encouraged to notify the Membership Department if they have any pertinent information concerning the applicant.

Additionally, registration as either a floor broker or a floor trader, or a temporary license to act as such, must be granted by the NFA before an individual can begin trading on the CME trading floor. The NFA registration process takes approximately six to eight weeks to complete. It is strongly suggested that if an applicant plans to trade on the Exchange trading floor, the registration process begins prior to submitting an application to the Exchange.

Question: Are there financial requirements?

Answer: There is no net worth requirement for applicants, including lessees; however, an applicant is required to complete the financial statement of assets, liabilities, and net worth contained within the application.

Each 106.D. lessee or transferee must deposit and maintain \$50,000 in cash or Treasury bills with their qualifying clearing member if the qualifying clearing member indemnifies the lessor or transferor. For GEM memberships, the capital requirement is \$25,000. The requirement may be met by an unconditional guarantee from an equity member who is qualified by the same firm or the firm may take a capital charge in that amount.

Question: What occurs once my application has been filed in the Membership Department?

Answer: The membership application process is complete between six and eight weeks after the application is filed. First, each transaction (or application received) is posted or noticed to the Membership for twenty (20) days in a membership circular entitled Special Executive Report - Membership Sales and Transfers published each Monday. The 20-day posting period serves two functions: (1) any member may comment on the qualifications of the applicant and (2) any claims against the seller (or transferor) of the membership must be filed.

Second, during the 20-day posting period, the Membership Department prepares a report on the qualifications of each applicant. Membership Department investigators and an independent investigation agency interview each applicant, verify the information provided in the application, and review the applicant's credit history. The Membership Department investigators check the NFA database for any disciplinary actions taken against the applicant by the CFTC, NFA, or any futures exchange. In addition, the independent investigation agency searches court records for possible civil or criminal actions involving the applicant and also searches CFTC, NFA, SEC, and NASD records for disciplinary actions taken against the applicant.

Each membership applicant is required to apply for registration as a floor broker or floor trader with the NFA. A copy of the NFA application must be provided to the CME, and will be reviewed as part of the investigative process. In addition, if an applicant is a past member of the CME, all previous applications are reviewed, and Compliance Department records are searched for prior rule violations or disciplinary actions. If an applicant is, or has been, a member of another exchange, applications from each such other exchange may be requested and reviewed.

All this information is collected by the Membership Department and summarized in a report that it provides to the Membership Committee. Applicants should be prepared to fully discuss their applications during this posting period.

Third, an applicant appears before the Membership Committee. This appearance is scheduled after the expiration of the posting period, about five or six weeks after the application is submitted to the Membership Department.

The Membership Committee must satisfy itself with respect to the reputation and financial responsibility of the applicant, including any financial arrangement made in connection with the purchase of the membership. After a review of the report made available to it, the Committee votes on whether the applicant meets the qualifications set forth in CME Rule 101 – i.e., whether the applicant possesses the "good moral character, reputation and business integrity, with adequate financial resources and credit to assume the responsibilities and privileges of membership."

An applicant will be considered elected to membership provided that all of the following conditions are met:

1. The applicant is approved unanimously by the Membership Committee.
2. The Membership Committee Chairman does not choose to have the application considered at a Board of Directors meeting.
3. No member of the Board of Directors exercises their right to have the application considered at a Board of Directors meeting.

If all of the above conditions are not met, the application will be considered by secret ballot of the Board of Directors at its next regularly scheduled meeting. At least 15 directors must vote on the application. If five or more negative votes are cast, then the applicant shall not be elected.

Provided the appropriate training requirements have been completed (they are described below) trading may begin the day following the applicant's election to membership.

Applicants will have 30 calendar days after their election to membership within which to acquire a membership by purchase or by transfer. If the applicant fails to obtain a membership within the 30-day period, the applicant's election will be vacated.

Question: What is necessary before I can begin trading?

Answer: QUALIFICATION TO TRADE: Before a member can execute a trade on the trading floor, he must be "qualified" to trade by a Class A clearing member. This means that the clearing member is responsible as principal to the Clearing House for all trades executed by that member.

An officer or partner of the clearing member must sign and file a written qualification with the Membership Department. With limited exception, traders and brokers must place all of their personal trades on the books of their qualifying clearing member.

A list of Class A Clearing Members is available in the Membership Department.

Additionally, effective April 26, 1993, registration as either a floor broker, floor trader, or a temporary license to act as such, must be granted by the NFA before a member can trade on the CME floor.

JACKET: All members wear a red jacket which is provided by the Exchange, or a jacket which is distinct in color or pattern and provided by the member or by the member's clearing firm. Members of the GEM division must wear a Seville Orange jacket which is provided by the Exchange.

BADGE: Members wear badges which show who they are and what they can trade. CME badges are gold, IMM badges are green, IOM badges are blue, and GEM badges are grey. Badges are attached to a trading jacket and display a unique set of alpha characters (trading symbol) which identifies the member. The trading symbol becomes the member's name on the trading floor. The trading symbol is ordered in the Membership Department. A member may choose up to four alpha characters of which the first three must be unique. The badge will not be received until the written qualification to trade is on file and evidence of having completed the mandatory Floor Orientation Programs is shown.

ACCESS CARD: Each member is given an "access card" which is a picture identification card. To access the trading floor, each member must use their access card to walk through security turnstiles located outside the trading floor entrance. GEM members must also use their access card to record the time they exit the trading floor. Access cards are made in the Trading Floor Processing Department located on the Seventh Floor, South Tower.

Question: Is there a mandatory educational program that I must attend to prepare for membership?

Answer: Yes, there is a mandatory Floor Orientation Program including a written examination for all members who wish to personally execute trades on the trading floor. In addition, those who desire to execute orders for others must also complete a separate program for floor brokers. (See requirements for floor brokers below.) These programs are approximately eighteen hours (five days) of combined classroom and floor time. In addition, as per CME Rule 126, all members are required to attend supplemental educational programs at least once every three years.

The Floor Orientation examination consists of true/false, multiple choice, matching and fill in the blank questions. The best preparation for the examination is an understanding of the written material presented during the Floor Orientation Program. Knowledge of the rules in Chapter 4 and 5 of the CME Rule Book is also necessary. Approximately 90% of the applicants pass the exam, and those who fail must retake an alternate version of the exam as soon as possible. Applicants who fail the exam a second time must attend the orientation program again.

A detailed knowledge of contract specifications is important, i.e., the size of individual contracts (trading units), minimum price fluctuations, value changes per tick, position limits, and daily price limits. This information will be provided in the Orientation Program.

Registration for Floor Orientation occurs at the time an application for membership is submitted. Other classes are offered through the CME Education Department at (312) 930-3330.

Question: Am I allowed floor access during the application process?

Answer: Yes, an applicant's trading badge and floor access card will be issued during the first orientation session. (The applicant must return these badges to the Trading Floor Department. Failure to do so will result in a \$250.00 fine.) At this time, the applicant will also be instructed to select a trading symbol that will be used on the permanent trading badge.

Question: What are the requirements to become a floor broker?

Answer: Members intending to trade for accounts other than their own personal account must be registered as Floor Brokers with the Commodity Futures Trading Commission (CFTC). The National Futures Association (NFA) administers this process for the CFTC. Registration forms (Form 8-R) and fingerprint cards are available at the Membership Department or at the NFA office, 200 W. Madison, 14th Floor, Chicago, Illinois 60606.

This procedure may take from six to eight weeks for approval, so it is prudent to apply immediately. A member may not execute trades for others until such time as the Floor Broker

program has been completed and a floor broker license has been granted. Additionally, a member may not trade for their own account as a floor trader, until registration or a temporary license to act as such, has been granted.

The Membership Department staff will assist applicants in answering NFA application questions, completing fingerprint cards, and forwarding all NFA related documents to the NFA.

Rule 510 (Requirements for Floor Brokers, Traders, Floor Employees of Members and Out-Trade Clerks) describes the requirements for floor brokers and floor traders

All members seeking approval to act as floor broker or floor trader, non-member employees and all representatives authorized to resolve outrades in accordance with Rules 535 and 809.I., shall complete such orientation programs required by the Exchange. Additionally, all members seeking approval to act as a floor broker or floor trader shall comply with the requirements of Rule 511 and all members seeking to act as a floor broker must be registered with the CFTC and such registration must not be suspended.

All members who are floor brokers and floor traders shall promptly file with the Membership Department a copy of any Form 3-R required to be filed under CFTC Regulation 3.31. In addition, all members who are floor brokers or floor traders shall review every three years registration information maintained on file with the NFA, make corrections to such information if necessary and promptly file a copy of any such corrections with the Membership Department.

Completion of a Floor Broker Program is required. The program will be offered once every month. Please contact the Education Department for the schedule. Their phone number is (312) 930-3198.

This program takes approximately 10 hours (four days) of combined classroom and floor time. The objective of this program is to educate floor brokers respecting Exchange rules and Commodity Exchange Act rules and regulations related to the filling of customer orders.

The Exchange requires that a floor broker who is a member of a broker association shall not execute a trade on behalf of a customer unless that association is registered as a Floor Broker Association with the Exchange. A broker association shall include the following association, groups, and entities:

- A. A Clearing Member and its salaried or commissioned floor brokers;
- B. A floor broker and their employee brokers;
- C. Two or more floor brokers who share and/or allocate brokerage fees, revenues, expenses, profits, or losses;
- D. Two or more floor brokers who regularly share a deck (customer orders, including arbitrage) and/or employee salary expenses;
- E. Any other group deemed by the Board of Directors to be a broker association.

It is the responsibility of the principal or spokesperson of each broker association to insure that the association is registered with the Exchange. The information on the registration form must be accurate and kept up-to-date by informing the Exchange within two business days of any change.

Trading limits and restrictions on trading between members of broker associations for personal trading and filling customer orders will be set by the Board of Directors.

Additionally, participation in ATOM™¹ (Automated Transfer of Money), the Exchange's automated on-line brokerage fee system, is mandatory. This system eliminates the use of checks by clearing firms when making brokerage payments. Once brokerage figures have been verified, debit instructions for monthly brokerage payments are transmitted to firms' banks. Credit instructions are then transmitted to brokers' banks. Payments are completed using the Automated Clearing House (ACH) transfer system.

If you have any further questions regarding floor broker registration, call the NFA office at (312) 781-1410. Questions about broker associations and floor broker registrations should be directed to Wendella Donegan, Membership Coordinator, Membership Department, at (312) 930-3482.

Question: Is there additional information regarding the GEM Division?

Answer: GEM members with floor access must commit to be primarily engaged in trading or soliciting orders for GEM Division products. A member must hold a full GEM seat or a sufficient number of GEM fractions to be able to trade in a particular GEM product group before they will be allowed floor access as a GEM member. The products currently assigned to the GEM Division are divided into three groups: GEM currency products (Mexican Peso, Brazilian Real), GEM equity and index products (Mexico-30 Stock Index, GSCI, MMI, Russell 2000), and GEM interest rate products (Brady Bond).

Holders of GEM fractions (less than ten-tenths) must designate a particular product group before they can obtain floor access. The members cannot change their product group designation for three months. The fractional requirements for those product groups are as follows: ten-tenths or a full GEM seat for access to GEM currency products; six-tenths for access to GEM equity and index products; and, four-tenths for access to GEM interest rate products. A member holding six-tenths may trade in GEM interest rate products along with the products in their designated product group.

Full GEM members can trade and fill orders in all products assigned to the GEM Division. A lessee of a full GEM seat may begin filling orders in GEM products immediately. Holders of GEM fractions (less than ten-tenths) can trade in those GEM products within their designated product group. If the holder owns such fractions, they may also fill orders in their designated product group. Lessees of GEM fractions are not allowed to fill orders.

While on the trading floor, GEM members may not enter orders for their own account, an account in which they have a direct or indirect financial interest, or an account which they control for non-GEM Division products except for bona fide spread transactions involving GEM products. Additionally, while on the trading floor, GEM members may not solicit business in non-GEM products except for bona fide spreads involving GEM products.

Question: What are a member's rights to GLOBEX®?

Answer: As an individual member of the Exchange, they are entitled to direct access to GLOBEX® for their personal trading account, provided that each terminal is located in their residence or office subject to the approval of the GLOBEX® Terminal Location Committee.

A member is limited to one terminal per location. They may enter customer orders only if they are registered as a floor broker or associated person and such orders are entered from a terminal located in the office or a branch office of a clearing member. If they are registered as an associated person or floor broker, but employed as a clerk in the office or branch office of a

¹ "ATOM" is a trademark of the Board of Trade Clearing Corporation. The Board of Trade Clearing Corporation assumes no liability in connection with the use of the ATOM system by any person or entity.

clearing member, then they may enter customer orders subject to the same restrictions that apply to a clerk, except that they may enter their own orders.

Cross-Exchange Trading Privileges

Individual members of the CME may obtain cross-exchange access, for proprietary trading only, to the contracts listed on GLOBEX® by other domestic exchanges participating in cross-exchange trading through GLOBEX®. Individual members may also obtain cross-exchange access to the contracts listed on GLOBEX® by MATIF. Such members must (1) be authorized by the other participating exchange to enter orders in that exchange's contracts through GLOBEX®, (2) make an arrangement with a clearing member of each such exchange, and (3) abide by the GLOBEX® trading rules of the participating exchange.

A GLOBEX® Screen right must be obtained from the participating domestic exchange for each terminal through which the member will enter orders for contracts of the participating exchange.

For additional information regarding GLOBEX® or cross-exchange trading privileges, contact Martha McPherson, Manager, GLOBEX® Services, at (312) 207-2524.

Question: Do Rule 106.I. related firms have any rights to GLOBEX®?

Answer: GLOBEX® terminals may be placed in the domestic and foreign offices of Rule 106.I. firms upon approval from the GLOBEX® Terminal Location Committee subject to the following conditions:

Terminals may be located in domestic offices for proprietary orders only, provided that the firm may not have GLOBEX® terminals in such offices if it is registered as an Introducing Broker, Commodity Pool Operator or Commodity Trading Advisor.

A Rule 106.I. firm that is registered as an FCM is eligible to have GLOBEX® terminals in its domestic offices for customer and proprietary orders provided that only one such Rule 106.I. firm per clearing member (which firm cannot be a subsidiary of the clearing member) is eligible. This restriction does not apply to firms that were affiliated with a clearing member as of March 8, 1989. The GLOBEX® Terminal Location Committee may waive this restriction upon a showing of good cause.

A Rule 106.I related party is eligible to have GLOBEX® terminals in its foreign offices for customer and proprietary orders. The requirement that the firm must have 100% ownership, directly or indirectly, in common with a clearing member may be waived by the GLOBEX® Terminal Location Committee for firms domiciled outside the U.S. in cases where foreign law prohibits such 100% common ownership, provided that the foreign firm has at least 50% ownership, directly or indirectly, in common with the clearing member.

All owners of Exchange memberships, including Rule 106.H., I. and J. firms, are entitled to join the P-M-T Limited Partnership ("Partnership") as Class A Limited Partners. The Partnership is the vehicle through which revenues will be collected, expenses paid and profits distributed resulting from the operation of GLOBEX®.

The CME is the general partner; CME members are Class A Limited Partners; and CME Clearing Members are Class B Limited Partners. Class A Limited Partners will receive 70% of the Partnership's profits, while Class B Limited Partners and the General Partner will receive 20% and 10%, respectively.

Once the officer is elected to CME membership the member is entitled to buy from the General Partner the Class A units that are linked to the membership that he purchased. Such units will be

offered to him at the value of the capital account amount attributable to those units as of the first day of the quarter. He will have 10 days in which to accept such offers.

CME owners are entitled to three Class A units, IMM owners are entitled to two Class A units, and IOM owners are entitled to one Class A unit.

When a member sells their membership, they must offer to sell the associated partnership units to the General Partner (CME) for the capital account value applicable to those units as of the first day of the quarter in which the sale takes place. Payment will be made within 30 days of the membership sale.

Question: If I have additional questions, who do I contact?

Answer: General questions regarding membership should be directed to any of the following Membership Department staff:

Nancy Wendt, Senior Director-Membership Department, (312) 930-3488

Paul Cericola, Director-Membership Department, (312) 930-3139

Seat price quotes (recorded message), (312) 930-8207

Membership Lease Information Line (recorded message), (312) 930-3414

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CHAPTER ONE MEMBERSHIP

(1) 100. GENERAL

Membership with full privileges in the Chicago Mercantile Exchange and its Divisions shall be limited to 625; membership with full privileges in the IMM Division to 813; membership with full privileges in the IOM Division to 1287; and membership with full privileges in the GEM Division to 467. Membership in the Exchange is a personal privilege subject to purchase, sale and transfer only as authorized and on the conditions prescribed herein. A member shall have no rights in or to the membership or the proceeds of the sale of such membership except as specifically granted herein. A person may register more than one membership each for the CME, IMM, IOM and GEM.

(2) 101. QUALIFICATIONS AND RESPONSIBILITIES

Any adult of good moral character, reputation and business integrity, with adequate financial resources and credit to assume the responsibilities and privileges of membership, is eligible for election to membership in the Exchange. A person elected to membership is presumed to know all the rules and regulations of the Exchange and agrees to abide by them while a member. Notwithstanding a sale or transfer of membership, a person elected to membership agrees to be responsible for any violations of Exchange rules and regulations committed by him, while a member and agrees to have any disputes, which arise while he is a member and which relate to or arise out of any transaction upon the Exchange or membership in the Exchange, resolved in accordance with Chapter 6.

(3) 102. PROOF OF MEMBERSHIP

The Member Services and Registration Department of the Exchange shall maintain an official register of all members and transfers of memberships. This official register shall consist of a list of members together with each member's signature and a current address supplied by the member where all notices may be served. This official register of memberships shall at all reasonable times be open to inspection by any member and shall be proof of membership upon which the Exchange shall conclusively rely.

(1) Revised March 1980; September 1981; March 1982; January 1983; July 1984; November 1985.

(2) Revised May 1980; July 1984; December 1984; October 1989; April 1990.

(3) Revised March 1980; May 1981; March 1982; July 1984.

SALE, PURCHASE AND TRANSFER**(1) 103. SALE OF MEMBERSHIP**

When a member or the legal representative of a deceased or incompetent member desires to sell a membership, he shall sign and file with the Member Services and Registration Department an Offer to Sell, which shall set forth the price at which he is offering his membership and contain an agreement to the conditions of sale set forth in these rules. If there is no legal Representative of a deceased or incompetent member, the Board may require the person signing an Offer to Sell to execute a bond in favor of the Exchange.

(2) Upon the sale of a membership, all privileges granted by Rule 121 shall terminate. Once a member sells his membership, he shall be ineligible for new membership in the same Division until six months have passed, subject to waiver of this provision by the Chairman of the Membership Committee. In addition, a member, who pursuant to Rule 106.D., is transferred a membership in a division in which he is a member, shall have his application reviewed by the Membership Committee for approval.

(3) 104. PURCHASE OF MEMBERSHIP AND MECHANICS OF MATCHING BIDS AND OFFERS**A. Purchase of Membership**

The prospective purchaser of a membership shall sign and file with the Member Services and Registration Department an Offer to Purchase which shall be guaranteed by a) a clearing member of the Exchange; or b) deposit of a certified or cashier's check; or c) deposit of a CME, IMM, IOM or GEM membership and/or a certified or cashier's check and which shall contain an agreement by the purchaser to take no recourse against the Exchange in the event his Application for Membership is rejected (except as provided in Section 8c of the Commodity Exchange Act). In the

(1) Revised March 1980; July 1984; December 1988; October 1992.

(2) Revised July 1995.

(3) Revised March 1980; July 1984; December 1988; October 1992; November 1995.

event the membership being purchased is financed, the prospective purchaser shall file with the Membership and Registration Department an executed Subordination Agreement and satisfactory proof that he has given a complete copy of Rules 109 and 110 to the financing party.

B. Matching Bids and Offers

The Member Services and Registration Department shall post on the bulletin board the lowest offer to sell and the highest bid to buy a membership. The Member Services and Registration Department shall match bids and offers and, in the event of an agreement, shall promptly notify the purchaser and the seller. Within two business days of such notification, the purchaser shall deposit with the Membership and Registration Department the following:

- a. A check, payable to the Exchange, for a transfer fee in an amount set by the Board; and
- b. (1) A certified or cashier's check, if not previously deposited, payable to the Exchange, in the amount of the purchase price or, (2) if the seller has filed a written consent, a CME, IMM, or IOM membership, if not previously deposited, owned free of any Rule 110 claims or any other liens, representing partial or complete satisfaction of the purchase price, and constituting a partial or complete exchange of memberships to that extent. Pursuant to such an exchange of memberships, the purchaser and seller each must file an indemnification agreement in favor of the Exchange from a clearing member by which the clearing member agrees to pay all valid Rule 110 claims against the purchaser or the seller, as the case may be, up to the value at the time of the exchange of the membership transferred by such purchaser or seller.

(1) **105. APPLICATION FOR MEMBERSHIP**

A. Application for Membership

(2) The applicant shall file an Application for Membership. Such Application shall: include an agreement by the applicant to take no recourse against the Exchange in the event his application is rejected (except as provided in Section 8c of the Commodity Exchange Act); set forth all financial arrangements made in connection with the proposed purchase of the membership; contain an agreement to abide by the rules and regulations of the Exchange and all amendments thereto; and contain an acceptance of the burdens and risks inherent in an application for membership which may be rejected.

(3) Upon completion of the foregoing, the Member Services and Registration Department shall notify the membership, by ordinary mail and by posting on the bulletin board for a period of 20 days, of the name of the applicant, the seller or transferor and the purchase price. The notice shall request the submission to the Member Services and Registration Department of claims against the seller or transferor arising out of Exchange futures transactions or any other relationship regulated by the Exchange. The application shall not be considered by the Board during the posting period; however, upon request, the Membership Committee may waive any part of the period.

During the posting period, the Member Services and Registration Department shall prepare a report on the qualifications of the applicant. Such report shall be submitted to the Membership Committee at the end of the posting period, unless that time is extended by the President.

Except as provided by Rule 103, the application of a member who purchases or is transferred a membership may be approved by the Chairman of the Membership Committee before the expiration of the posting period, provided the member obtains an indemnification agreement in favor of the Exchange from a clearing member to cover Rule 110 claims up to the value of the membership at the time of purchase or transfer.

(1) Revised March 1980; February 1981; March 1981; April 1981; July 1984; December 1988; December 1989; April 1990; October 1992.

(2) Revised January 1987.

(3) Revised January 1987; November 1991; July 1995.

- (1) An applicant who wishes to procure a membership by purchase, or by transfer, may do so either prior or subsequent to election to membership pursuant to Rule 108. An applicant who has acquired a membership prior to election to membership shall become a member upon such election. An applicant elected to membership prior to acquiring a membership shall become a member if within thirty calendar days after election to membership, he shall procure a membership; otherwise his election to membership shall be deemed vacated and the Exchange shall retain the membership application processing fee. Extensions of the 30-day period in which the applicant must acquire a membership may be granted by the Chairman of the Membership Committee.

**(2) B. Application for Floor Broker's or
Floor Trader's License**

Each membership applicant shall apply for registration as a floor broker or a floor trader with the National Futures Association and shall provide the Exchange with a copy of such application prior to consideration of his Exchange application by the Membership Committee. The Chairman of the Membership Committee may waive this requirement for applicants who are not required by CFTC Regulations to register as a floor broker or floor trader.

**(3) 106. TRANSFERS, SECURITY TRANSACTIONS, AND
AUTHORIZATIONS TO TRANSFER OR SELL**

Transfers of memberships may be made only in accordance with the following provisions. All of the applicable procedures and requirements for the sale and purchase of a membership, as set forth in Chapter 1, including the provisions of Rule 110, shall apply to transfers made under this rule. A transfer or revocation of a transfer shall not be completed until all valid Rule 110 claims against the membership are satisfied.

(1) Revised July 1995.

(2) Adopted April 1990. Revised June 1993; July 1995.

(3) Revised March 1990; July 1994.

A. Authorizations to Sell or to Transfer or Sell

(1) An authorization to Sell or an Authorization to Transfer or Sell is a grant of authority by a member or applicant for membership which may be used only for the purposes specified in this Rule 106. Such Authorization shall be effective only if executed on a form supplied by the Exchange and when filed with the Member Services and Registration Department. The Authorization shall be irrevocable without the written consent of the grantee.

A member or applicant who executes an Authorization relinquishes his power to direct the transfer or sale of his membership. The grantee shall have all powers of transfer or sale that otherwise would have been available to the grantor, and the Exchange shall act at the grantee's direction as if the grantee were the member.

Private agreements between the grantor and the grantee shall not be recognized by the Exchange and shall not affect the rights of the Exchange or its members. The grantee shall, however, be entitled, in addition to any other rights he may have under Rule 110, to the residual proceeds after all Rule 110 claims have been satisfied.

B. Security Transactions

A member or applicant for membership may execute an Authorization to Transfer or Sell in favor of the clearing member, or an Authorization to Sell in favor of the member, that financed the purchase of the membership in order to secure any outstanding debt connected with that financing.

A member may execute an Authorization to Transfer or Sell in favor of a clearing member to whom the member is indebted by reason of futures transactions upon the Exchange in order to secure that debt.

(1) Revised February 1979; July 1984.

(1) C. Family Transfers

A member may temporarily transfer his membership to a member of his immediate family who shall be subject to all Exchange rules and regulations.

Transfers under this section shall be subject to the following terms and conditions:

1. The transferor may revoke the transfer upon written notice filed with the Member Services and Registration Department and shall be reinstated to membership upon approval by the Board or by the Chairman of the Membership Committee pursuant to Rule 105.
2. The transferor shall have the right at any time to have the transferee disqualified from trading by giving notice to the transferee's qualifying clearing member.
3. The transfer shall be revoked and the membership shall revert to the transferor's estate or conservator upon official notice of the death or formally declared incompetence of the transferor.
4. Upon election to membership, the transferee shall be treated as a member for all purposes, except that the transferee shall have no authority to sell, transfer or assign the membership. The transferor shall be considered the member for purposes of imposing restrictions on the transferee pursuant to Rule 903, and an existing assignment for clearing purposes shall continue unless cancelled by the transferor.
- (2) 5. The transferor may sell the membership at any time in accordance with the provisions of Rule 103 or transfer the membership pursuant to Rule 106. The proceeds of the sale of the membership will be distributed to the transferor following the settlement of all claims pursuant to Rule 110.

(1) Revised April 1981; July 1984; September 1993.
(2) Adopted July 1984.

(1) D. Futures Industry Transfers

A member may temporarily transfer his membership to another person who shall be subject to all Exchange rules and regulations.

Transfers under this section shall be subject to the following terms and conditions:

1. The transferor may revoke the transfer upon written notice filed with the Member Services and Registration Department and shall be reinstated to membership upon approval by the Board or by the Chairman of the Membership Committee pursuant to Rule 105.
2. The transferor shall have the right at any time to have the transferee disqualified from trading by giving notice to the transferee's qualifying clearing member.
3. The transfer shall be revoked and the membership shall revert to the transferor's estate or conservator upon official notice of the death or formally declared incompetence of the transferor.
- (2) 4. Upon election to membership, the transferee shall be treated as a member for all purposes, except that the transferee shall not have the following rights: to sell, transfer or assign the membership, to vote in an Exchange election or referendum, to have his signature counted as a member's signature for petition purposes, to join the Gratuity Fund, or to become a member of the Board of Directors. The transferor is eligible to be elected to the Board of Directors. A transferor who is a member of the Board may have access to the trading floor in order to meet with other members, but may not trade while on the trading floor and may enter orders only by calling them in to a clearing member's customer order desk.
5. The transferor may sell the membership at any time in accordance with the provisions of Rule 103 or transfer the membership pursuant to Rule 106. The proceeds of the sale of the membership will be distributed to the transferor following the settlement of all claims pursuant to Rule 110.

(1) Revised February 1979; June 1980; April 1981; July 1984; September 1993. Please see "Interpretations & Special Notices Relating to Chapter 9" for a discussion of increased capital charges for Rule 106.D. transferees.

(2) Revised June 1987; March 1995.

6. The Membership Committee shall consider applications of transferees under this section in the order in which their applications, including all necessary financial and background reports, have been filed. The processing of applications generated by transfer pursuant to this section shall in no way interfere with, hinder or delay the processing of other membership applications.
7. The transferee must be qualified to trade only by the clearing member who qualifies the transferor or by a clearing member acceptable to the transferor.
8. A transferee shall place all trades on the books of his qualifying clearing member unless written authorization to the contrary from said clearing member and from the transferor has been filed with the Member Services and Registration Department. Failure to adhere to the requirements of this rule shall exclude a clearing member from proceeds under Rule 110.
- (1) 9. Any amounts paid by a transferee into the previously existing Member Purchase Program between November 1, 1988 through March 28, 1991 may be applied by the transferee toward the purchase of a membership in the CME, IMM or IOM division provided that the transferee has continuously held a membership pursuant to Rule 106.D. or 106.F. from April 1, 1991, up to the date of the purchase. If a transferee ceases to hold a membership pursuant to Rule 106.D. or 106.F. before purchasing a membership, the amounts paid into the Program shall be retained by the Exchange. The Leasing Committee may review interruptions and grant exemptions from the requirement in the preceding sentence upon request by a transferee and a showing of good cause.
- (2) 10. Except as provided in Rule 127, any transferee elected to membership pursuant to this rule 106.D. after January 7, 1985, who was not a member as of January 7, 1985, shall be eligible to execute trades only for his own account for a cumulative period of twelve (12) months following his or her election to membership unless exempted therefrom by the Membership Committee.

(1) Effective June 1984. Revised January 1987; September 1988; November 1989; April 1991; April 1996.

(2) Effective January 1985. Revised November 1995.

- (1) 11. A lease entered into on or after February 1, 1996, which may be terminated by a transferee prior to its expiration date, shall be controlled by the following early cancellation payment obligation:

A transferee who unilaterally terminates a lease remains obligated to make the agreed rental payments to transferor until the end of the term of the lease; however, transferee's obligation to make such rental payments shall be reduced by the amount of rental payments received by transferor if transferor is able to lease out the membership to another person during the remaining term of the original lease. Transferor hereby agrees to use his best efforts to lease out the membership to another person as soon as possible and at the highest possible rental obtainable based on similar leases, if any, then being made;

12. A transferor shall notify the Exchange (on the form prescribed by the Exchange) of the terms of the transfer within two (2) days of execution of the lease agreement, or an extension thereof, setting forth the terms governing the transfer.

This provision shall not apply to lease terminations resulting from a breach.

(2) **E. Unconditional Bequests and Bona Fide Gifts of Membership**

A member may make a bona fide gift or bequest of membership. The recipient or beneficiary shall qualify for membership and satisfy the requirements of Chapter 1 of these rules. Unless otherwise required by law, a letter affirming the gift or Letters of Office from the Probate Court and a letter from the decedent's personal representative allowing the transfer will be required as a precondition of transfer.

(1) Adopted February 1996.
(2) Revised July 1984; March 1990.

(1) F. Employee Transfers

A membership held in the name of an employee of a clearing member may be transferred to another employee of that clearing member provided that (1) the transfer is for the legitimate business purposes of the clearing member, (2) the employee to whom the membership is transferred executes an Authorization to Transfer or Sell in favor of either the employing clearing member, or a principal having a proprietary interest in the clearing member, depending on which was the purchaser of the membership, and (3) the clearing member provides documentation showing that the membership was purchased by either the clearing member or a principal having a proprietary interest in the clearing member.

Upon election to membership, the transferee shall be treated as a member for all purposes, except that the employing clearing member representative designated pursuant to Rule 902.A., or a principal having a proprietary interest in the clearing member, depending on whether the clearing firm or the principal was the purchaser of the membership, may elect to exercise the right to vote in an Exchange election or referendum or to have his signature counted as a member's signature for petition purposes.

Upon transfer of a membership, all privileges under Rule 121 shall terminate, except that the right of assignment for clearing privileges under Rule 121(d) shall continue until the new employee applicant has been approved by the Board.

(2) G. Transfer by Wholly-Owned Entities

A member may execute an Authorization to Transfer or Sell in favor of an entity which is wholly-owned by the member or the member's spouse, children, parents or siblings. Transfers pursuant to this authorization shall be limited to transfers pursuant to Rules 106.C., D. or E.

(1) Revised July 1984.

(2) Revised June 1982; July 1984; August 1996.

(1) H. Non-Member Firms Employee Transfers

A membership may be purchased in the name of an employee of a non-member firm and may be transferred among employees of that firm provided that: (1) the purchase and any transfer are approved by the President, Membership Committee and Board of Directors; (2) the purchaser or transferee is approved pursuant to the rules of the Exchange; (3) the transfer is for the legitimate business purposes of the firm; and (4) the member in whose name the membership is purchased or to whom the membership is transferred executes an Authorization to Transfer or Sell in favor of the firm. The firm shall have the right, at any time, to have the employee disqualified from trading, but must have him disqualified upon termination of his employment with the firm. Notice to have the employee disqualified from trading must be given to the employee's qualifying clearing member.

Membership held pursuant to this section may be assigned for clearing privileges but only on behalf of said firm and in accordance with the other rules of the Exchange.

- (2) A 106.H. firm may convert to a 106.J. Institutional Access firm upon approval from the Exchange as provided in Rule 106.J.

(3) I. Related Party Employee Transfers

A "related-party" shall be defined to include a firm that owns, directly or indirectly, 100% of a clearing member or that has 100% ownership, direct or indirect, in common with a clearing member.

(1) Revised July 1984.

(2) Adopted February 1989.

(3) See "Interpretations & Special Notices Relating to Chapter 8" for the clearing fee policy as it relates to Rule 106.I. Adopted February 1986.

A membership may be purchased in the name of an officer of a related party that directly or indirectly owns all other related parties within the organization of related parties and may be transferred among its officers provided that: (1) the purchase and any transfer are approved by the President, Membership Committee and the Board of Directors; (2) the purchaser or transferee is approved pursuant to the rules of the Exchange; (3) the transfer is for the legitimate business purposes of the firm; and (4) the officer in whose name the membership is purchased or to whom the membership is transferred executes an Authorization to Transfer or Sell in favor of the firm. The firm shall have the right, at any time, to have the officer disqualified from trading, but must have him disqualified upon termination of his affiliation with the firm. Notice to have the officer disqualified from trading must be given to the officer's qualifying clearing member. Membership held pursuant to this section may not be assigned for clearing privileges.

The Rates and Qualification of Clearing Committee may recommend that the Board grant exemptions from the requirements in this Rule.

(1) J. GLOBEX Institutional Access Firm

A membership may be purchased in the name of an employee of a non-member firm and may be transferred among employees of that firm provided that: 1) the purchase and any transfer are approved by the President, Membership Committee and Board of Directors; 2) the purchaser or transferee is approved pursuant to the rules of the Exchange; 3) the transfer is for the legitimate business purposes of the firm; and 4) the member in whose name the membership is purchased or to whom the membership is transferred executes an Authorization to Transfer or Sell in favor of the firm. The firm shall have the right, at any time, to have the employee disqualified from holding the membership in his name. Notice to have the employee disqualified from holding the membership in his name must be given to the employee's qualifying clearing member.

Membership held pursuant to this section may be assigned for clearing privileges but only on behalf of said firm and in accordance with the other rules of the Exchange.

(1) Adopted February 1989; Revised April 1990.

A GLOBEX Institutional Access Firm shall be eligible for GLOBEX terminals provided that the firm complies with the conditions established by the Board which shall include the following:

1. that the firm own a membership in either the CME or IMM Division or three memberships in the IOM Division;
2. that the firm's GLOBEX terminals be used only for the firm's trading for its own account (a foreign broker may become a GLOBEX Institutional Access firm provided that such firm agrees not to enter customer orders through the firm's GLOBEX terminals); and
- (1) 3. that the firm satisfy the following volume requirements for CME contracts traded on GLOBEX; provided, however, that a GLOBEX Institutional Access firm shall not be required in any month to trade more than 1% of the total volume of CME contracts traded on GLOBEX during that month:

<u>Time Period</u>	<u>Contract Per Month (Either Side)</u>
First Year of GLOBEX Operations	4,000
Second Year of GLOBEX Operations	10,000
Third Year of GLOBEX Operations and Thereafter	15,000

The GLOBEX Institutional Access Committee shall approve the applications of no more than 50 GLOBEX Institutional Access firms. The Committee shall have the discretion to approve or deny such applications based on an applicant's business reputation, financial resources and trading activity in relevant futures, options or related cash markets.

(1) Revised April 1990.

(1) K. Transfer to a Trust

A member or a member's personal representative may transfer his membership to a trust for which the member is grantor, and with respect to which all beneficiaries are members of the grantor's family who would be eligible for a family transfer from the grantor pursuant to Rule 106.C. The document(s) establishing the trust shall at all times include the restrictions as to permissible beneficiaries and state that (i) the trust takes the membership subject to all of the rules of the Exchange, as may be amended, including, but not limited to, Rule 110 and, if the membership is assigned to a clearing member for clearing qualification, Rule 903, (ii) the interests in the membership that inure to the beneficiaries of the trust shall be subject to all of the rules of the Exchange, as may be amended, (iii) the Exchange's rights with respect to the membership are superior to those of the beneficiaries, and (iv) the Exchange shall have no liability to the beneficiaries of the trust in the event of the mishandling of the trust assets by the trustee. The grantor (or the grantor's personal representative) and the trustee (and any successor) shall each provide in the form provided by the Exchange an acknowledgment that the trust takes the membership subject to all of the rules of the Exchange and that the trust is in compliance with the requirements of this Rule.

The trustee (and any successor) shall be required to qualify for membership and satisfy the requirements of Chapter 1 of these rules. If such a transfer is made by a bona fide gift or bequest, it shall also be subject to the requirements of Rule 106.E.

The grantor's liability to the Exchange under Rule 440 shall continue with respect to any claim arising out of an act or omission occurring prior to such transfer, and the membership will continue to be treated as the asset of the grantor for the purposes of Rule 440 and for otherwise meeting any obligations to the Exchange arising out of the grantor's use of the membership prior to the transfer to the trust, including fines imposed with respect to conduct occurring prior to the transfer.

- (2)** A membership held pursuant to a transfer under this section may be assigned for clearing privileges or reinstated to the transferor pursuant to this section.

(1) Adopted May 1991. Revised February 1994.

(2) Revised February 1994; July 1996.

The transfer shall be revoked and the membership shall revert to the transferor upon official notice to the Exchange that the trust has been revoked.

(1) L. Transfer of Membership Created by the Membership Rights Program

The Rates and Qualification of Clearing Committee is authorized to allow the transfer of the ownership of record of any membership created by the combination of four quarter memberships pursuant to the Membership Rights Program provided that the transferor and the transferee have each continuously maintained at least a quarter interest in the membership from the date of the combination of the membership.

(2) M. Transfer to Joint Tenants With Right of Survivorship

A member or a member's personal representative may transfer his membership to himself and a member of his family who would be eligible for a family transfer from him pursuant to Rule 106.C., as joint tenants with right of survivorship.

The joint tenants shall designate on a form provided by the Exchange which one of them shall be authorized to deal with the Exchange with respect to the membership transferred under this Section. The designee shall be required to qualify for membership and to satisfy the requirements of Chapter 1 of these rules, and shall be treated as a member for all purposes. The non-designee shall provide such information regarding his financial wherewithal and moral integrity as the Chairman of the Membership Committee deems appropriate and may be required at the discretion of the Chairman to appear before such Committee. In the designation form, the joint tenants shall acknowledge that the designee shall have the exclusive right to transfer the membership or to execute an Authorization to Sell or an Authorization to Transfer or Sell the membership and that the Exchange shall have no liability to the non-designee in the event of such transfer or execution or the mishandling of the

(1) Adopted August 1991.
(2) Adopted November 1992.

membership by the designee. The joint tenants may at any time change such designation in writing signed by both of them, and each such change shall be deemed a transfer for the purposes of these rules. Upon such change in designation, the new designee will be required to qualify for membership and to satisfy the requirements of Chapter 1 of these rules.

Whether or not the transferor is the designee, the transferor's liability to the Exchange under Rule 440 shall continue with respect to any claim arising out of an act or omission occurring prior to a transfer under this rule, and the membership will continue to be treated as an asset of the transferor for the purposes of Rule 440 and for otherwise meeting any obligations to the Exchange arising out of the transferor's use of the membership prior to such transfer, including fines imposed with respect to conduct occurring prior to the transfer.

Upon receipt of satisfactory proof of the death of a joint tenant, the Exchange will transfer the membership to the survivor.

Upon receipt by the Exchange of written notice signed by both joint tenants terminating joint ownership of the membership transferred under this section and instructing the Exchange to transfer the membership to one of the joint tenants as sole owner, the Exchange shall transfer such membership pursuant to such instructions.

A membership held pursuant to a transfer under this section may not be assigned for clearing privileges.

(1) N. GEM Institutional Access Firm

A GEM membership may be purchased in the name of an employee of a non-member firm and may be transferred among employees of that firm provided that: (1) the purchase and any transfer are approved by the President, Membership Committee and Board of Directors; (2) the purchaser or transferee is approved pursuant to the rules of the Exchange; (3) the transfer is for the legitimate business purposes of the firm; (4) the firm is not engaged in a futures customer business with U.S. customers; and (5) the member in whose name the membership is purchased

(1) Adopted November 1995.

or to whom the membership is transferred executes an Authorization to Transfer or Sell in favor of the firm. The firm shall have the right, at any time, to have the employee disqualified from holding the membership in his name. Notice to have the employee disqualified from holding the membership in his name must be given to the employee's qualifying clearing member.

GEM memberships held pursuant to this section may be assigned for clearing privileges, but only on behalf of said firm and in accordance with the other rules of the Exchange.

The holder of a GEM membership pursuant to this section may solicit foreign customers from the floor of the Exchange, but only in products within the GEM Division and bona fide spreads involving such products.

(1) O. Transfer of GEM Fractional Interests

Owners of fractional interests in a GEM membership may transfer their fractional interests to another member for the purpose of combining their fractional interests to form a full GEM membership. The full GEM membership must be formed immediately after the fractional interests are transferred. Once the full GEM membership is formed, the fractional interests that were combined shall be canceled, and the membership may not be broken down again into fractional interests. The member to whom the fractional interests were transferred will be shown in the Exchange's records as the sole owner of the membership, and the Exchange will treat such member as the sole owner of the membership for all purposes, including Rule 110.

Ownership of record of a membership that was formed by the combination of GEM fractional interests pursuant to this rule may be transferred to any of the members whose fractional interest were combined to form that membership. Both the transferor and the transferee must have continuously maintained at least a 10% ownership interest in the membership from the date it was formed. If the ownership interest of the member shown on the Exchange's records as the owner of record of the membership falls below 10% at any time, ownership of record of that membership must immediately be transferred to a member who has at least a 10% ownership interest in the membership.

(1) Adopted January 1996.

(1) P. Transfer to a Family Limited Partnership

A member may transfer his membership to a Family Limited Partnership ("FLP") with respect to which all partners are members of the member's family who would be eligible for a family transfer from the member pursuant to Rule 106.C. ("Eligible Family Members"). The limited partnership agreement or other document(s) governing the FLP shall at all times prohibit assignments of an interest in the FLP to any person who is not an Eligible Family Member and state that (i) the FLP's interest in the membership shall at all times be subject to all of the rules of the Exchange, as may be amended, including, but not limited to, Rule 110 and, if the membership is assigned to a clearing member for clearing qualification, Rule 903; (ii) management of the FLP shall be vested exclusively in a managing general partner, who shall be required to qualify for membership and shall at all times satisfy the requirements of Chapter 1 of these rules; and (iii) the Exchange shall have no liability to the partners for any loss, damage, or expense resulting from any acts or omissions by the managing general partner or any person acting by or through the authority of a general partner. The assigning member and the managing general partner (and any successor) shall each provide in the form provided by the Exchange a certification that the FLP acquires the membership subject to all of the rules of the Exchange and that the FLP is in compliance with the requirements of this Rule. The FLP also may transfer the membership back to the assigning member.

If the assignment of a membership to the FLP is made by a bona fide gift or bequest, it shall also be subject to the requirements of Rule 106.E. ("Unconditional Bequest or Bona Fide Gift of Membership").

Assignment of a membership pursuant to this rule shall not relieve the assigning member of any liability to the Exchange under Rule 440 with respect to any claim arising out of an act or omission occurring prior to such transfer, and the membership will continue to be treated as the asset of the assigning member for the purposes of Rule 440 and for otherwise meeting any obligations to the Exchange arising out of the member's use of the membership prior to the transfer to the FLP, including fines imposed with respect to conduct occurring prior to the transfer.

(1) Adopted September 1996.

A membership held pursuant to a transfer under this section may be assigned for clearing purposes.

(1) **107. PROCEDURE OF MEMBERSHIP COMMITTEE**

The Membership Committee shall review the Application for Membership, the report of the Member Services and Registration Department and any comments received from members, unless the application has been approved by the Chairman of the Membership Committee pursuant to Rule 105. Within 10 days after receipt of the report from the Member Services and Registration Department and the expiration of the 20-day posting period, the Membership Committee shall meet with the applicant. The Chairman of the Membership Committee may, at his or her discretion, waive any appearance requirement.

The Membership Committee shall inquire into and satisfy itself with respect to the reputation and financial responsibility of the applicant and the details of the financial arrangements made in connection with the purchase of the membership. After review of all the data made available to the Membership Committee, including the examination of the applicant and the sponsors, the Membership Committee shall vote on whether the applicant is qualified for membership.

It shall require an affirmative vote of a majority of all the members of the Membership Committee present and voting that the applicant is qualified for membership before an application is submitted to the Board for consideration.

(2) **108. BOARD APPROVAL OF APPLICANT**

A. Notice of Pending Applications

All Board members will be sent a list of pending membership applications at least three days before the meeting of the Membership Committee at which such applications will be considered. The list will set forth the pertinent facts relating to each applicant, including (1) any serious rule violations at the Exchange or at another self-regulatory organization, (2) any findings by a federal or state regulatory agency that the applicant violated applicable laws or regulations relating to commodities,

(1) Revised March 1980; February 1981; July 1984; January 1987; May 1993; July 1995.

(2) Revised April 1990; May 1993.

securities or other financial services, (3) any felony convictions or guilty pleas, and (4) any misdemeanor convictions or guilty pleas involving fraud, theft, embezzlement, forgery, perjury or conduct in connection with trading futures, options or securities.

Each Board member will have the opportunity, prior to each meeting of the Membership Committee, to advise the Member Services and Registration Department or a Co-Chairman of the Membership Committee that such Board member wishes to have one or more particular applicants considered at a meeting of the Board of Directors. Any such applicants who are then approved by the Membership Committee will be submitted to the Board in accordance with paragraph C. of this Rule.

B. Approval Without Objection

An applicant will be elected to membership by the Board without objection if, and only if, all of the following conditions are met:

1. the applicant is approved unanimously by the Membership Committee;
2. the Membership Committee Chairman does not choose to have the applicant considered at a Board meeting; and
3. no member of the Board exercised his or her right pursuant to paragraph A. above to have the applicant considered at a Board meeting.

All applicants for whom the above conditions are not met will be considered by the Board in accordance with paragraph C. below.

C. Election at Board Meeting

Election to membership shall be by secret ballot of the Board at a duly convened meeting, unless the member has been approved by the Chairman of the Membership Committee pursuant to Rule 105 or by the Board without objection pursuant to paragraph B. of this Rule. At least 15 directors must vote on the application. If five or more negative votes are cast, the applicant shall not be elected. If the applicant is elected, the membership purchased by the applicant shall be registered in his name in the official register of Exchange members.

(1) 109. REJECTION OF APPLICANT

If an applicant is rejected by the Membership Committee, or is not elected to membership, or if for any reason his application is withdrawn, the Exchange shall retain the processing fee and the applicant shall assume all risk of gain or loss from the resale of the membership purchased by him prior thereto. The membership shall be sold by the applicant within 30 days of notification of rejection of his application, nonelection to membership or withdrawal of his application unless otherwise specified within this rule.

An applicant rejected by the Membership Committee may, within 10 days of notification of rejection, appeal to the Membership Committee for a rehearing based upon new or additional information or evidence. The rehearing shall be conducted within 60 days of the filing of the appeal, unless the Chairman of the Committee determines that good cause for an extension has been shown. Rejection by the Membership Committee upon a rehearing shall be final.

An applicant rejected by the Board shall, upon filing a petition for reconsideration within 10 days of receipt of notice of rejection, be entitled to appear before the Board to present any grounds for reconsideration within 60 days of the filing of the petition, unless the Chairman of the Board determines that good cause for an extension has been shown. Upon appeal, the 30-day sale requirement shall be stayed until a decision on the appeal has been made and the applicant notified thereof.

If the applicant fails to effect a sale within said 30-day period, the President shall conduct an auction sale on the Exchange floor immediately after the close of futures trading on the fifth business day after he has posted notice of such sale on the bulletin board. The highest bid to purchase a membership in the division in which the applicant has applied for membership on file with the Membership and Registration Department shall be considered the initial bid at the auction. Thereafter, any person, whether a member or not, may attend and bid at the auction. The total amount realized from the auction sale of the membership shall be turned over to the unsuccessful applicant in full satisfaction of all obligations of the Exchange.

(1) Revised March 1980; June 1982; March 1988; April 1990; October 1992.

If the applicant executed and filed with the Membership and Registration Department an Authorization in connection with the financing of the purchase of the membership, then the proceeds shall be paid to the holder of the Authorization, up to the amount of the debt, including interest. Rule 110 shall not apply where an applicant has not been elected to membership.

(1) 110. CLAIMS AGAINST MEMBER, APPLICATION OF PROCEEDS

For the purposes of this rule, the term "sale" shall include a transfer made in accordance with the provisions of Rule 106, and the term "seller" shall include firms that have membership privileges pursuant to Rules 106.G., H., I., J. or N. When the President receives notification and confirmation of the sale of a membership, he shall promptly request the Compliance Department and the Membership Department to conduct an investigation of claims made pursuant to this rule against the membership of the seller by the Exchange, members, clearing members or the public, which arise out of Exchange futures transactions. This investigation shall be completed within 20 days of the date the President receives notification and confirmation of the sale of said membership.

All claims against the seller of the membership shall be submitted in writing to the Membership Department within 20 days of the posting of notice of the sale of said membership.

The proceeds of the sale of a membership shall be applied to the following purposes and in the following order of priority:

- a. Payment of all dues, fines, contributions, charges and other indebtedness due to the Exchange or the CME Gratuity Fund;
- b. Payment of any indebtedness to the clearing member who last qualified the selling member arising out of a pledge of such membership as collateral security on such indebtedness, or a deficit which the President determines to have arisen directly out of futures transactions on the Exchange;

(1) Revised March 1979; August 1984; January 1988; May 1990; September 1996.

- c. Payment of amounts due to members and other clearing members on claims filed which the President determines to have arisen directly out of futures transactions on the Exchange;
- d. Payment of amounts due to public customers of the seller, based on claims filed by such customers or based on reports of the Compliance Department, which claims are determined by the President to be based upon misappropriation of customer funds, improperly executed futures transactions, unpaid credit balances, or other similar matters, directly related to futures transactions on the Exchange;
- e. No other claims against the proceeds of the sale of a membership shall be recognized and administered by the Exchange, but the creditors of the seller of a membership not falling in the foregoing categories may pursue other legal means of securing payment of their obligations.

The President shall make a final determination of all claims filed in time or reported by the Compliance Department and the Membership Department against the proceeds of the sale of a membership.

(1)

Except as provided in Rule 913, the President shall make a distribution of such proceeds within 30 days after receiving notification and confirmation of the sale of the membership, unless claims to the proceeds are not resolved within that period. If, however, at such time an Exchange disciplinary proceeding is pending against the seller or, based upon a pending investigation, is highly probable, or if a legal proceeding, in respect to which the indemnification provisions of Rule 440 would operate, is pending, has been announced or is highly probable, then the President shall retain so much of the proceeds as he judges will be required to satisfy the seller's obligations until such time as the pending matter is concluded.

(1) Revised April 1983.

Distribution of proceeds shall be made by the payment of claims in the categories listed in this rule to the extent the proceeds from the sale are sufficient to meet those obligations. If the proceeds of the sale of a membership are insufficient to pay all amounts determined to be due under the categories listed in this rule, the proceeds shall be applied to pay the full amounts determined to be due under subparagraphs a, b, c and d in the priority named. If the proceeds are insufficient to pay the amounts determined to be due under any priority, the claims due under that priority shall be paid pro rata, and the remaining priorities shall be left unpaid. In determining the amount of any claim, the President shall first deduct the fair cash value of any collateral held by that claimant.

The surplus, if any, shall be paid to the person whose membership was sold or his legal representative upon the execution of a satisfactory release. The President's determination and allowance of claims hereunder shall be final. The death, incompetency, expulsion or suspension of a member shall not affect the rights of claimants under this rule.

(Next Rule 120)

PRIVILEGES AND RESPONSIBILITIES

(1) 120. MEMBERSHIP CATEGORIES

There shall be four categories of membership: CME, IMM, IOM and GEM. CME membership privileges shall extend to all commodities; IMM Division membership privileges shall be limited to commodities assigned to that Division, the IOM Division and the GEM Division by the Board; IOM Division membership privileges shall be limited to commodities assigned to that Division and the GEM Division by the Board, except as provided by Rule 184, and GEM Division membership privileges shall be limited to commodities assigned to that Division by the Board.

(1) Revised March 1981; July 1984; June 1986; June 1987; February 1989; November 1995.

A member of the IMM, IOM or GEM Division who personally executes trades on the floor in commodities other than those assigned to his respective Division shall be guilty of a major offense, except as provided by Rule 184. A member of the IMM, IOM or GEM Division who trades through GLOBEX in commodities other than those assigned to the respective Division shall not be entitled to member rates for such trades.

(1) **121. MEMBERSHIP PRIVILEGES**

Membership in the Exchange entitles the member to the following privileges:

- a. To appear upon the floor of the Exchange during business days, except that a member who has been disqualified shall forfeit this privilege until he has been requalified and such qualification is on file with the Membership Department;
- (2) b. To vote, either in person or by proxy, at all regular and special meetings of the Exchange, at all elections in accordance with Rule 244 and at all referenda, in each category in which he is a member, and to sign all petitions, except, however, that a transferor of a membership transferred pursuant to Rule 106.D. or the clearing member representative pursuant to Rule 902.A. or clearing member principal that is the owner of a membership transferred pursuant to Rule 106.F. retains these privileges and may not transfer them, except through operation or Rule 106.F.;
- c. To be qualified to act as a floor broker and/or floor trader within his membership category provided he complies with the requirements of Chapter 5;
- d. To assign the membership to a corporation or partnership, or cooperative association (as described in Section 5(e) of the Commodity Exchange Act) for the purposes of clearing in accordance with Rule 903, except as otherwise provided in Rule 106; and

(1) Revised March 1980; March 1984; July 1984; June 1987; February 1989; February 1995.

(2) Revised August 1996.

- e. To be eligible for a GLOBEX terminal, upon approval by the clearing member that will guarantee the transactions effected through such terminal, and to receive member rates for those contracts in his membership category. Whenever a member transfers his membership such that his floor trading privileges are transferred to another person, the member, as well as the person to whom the membership was transferred, shall be eligible for a GLOBEX terminal for order entry.

⁽¹⁾ **122. DUES AND ASSESSMENTS PAYABLE**

Dues and other amounts owed to the Exchange, including Gratuity Fund dues and assessments, and amounts owed to the CME Club are payable upon receipt of the invoice. Members in arrears 60 days after the invoice date shall automatically forfeit all Exchange privileges, including the privileges of the floor. The President shall notify the member in writing five business days before the action is to occur.

123. COMPLIANCE WITH THE COMMODITY EXCHANGE ACT

All members of the Exchange shall comply with the provisions of the Commodity Exchange Act, and the rules and regulations duly issued pursuant thereto by the CFTC, including the filing of reports, maintenance of books and records, and permitting inspection and visitation by duly authorized representatives of the CFTC, all in the form and manner prescribed.

124. VIOLATIONS OF COMMODITY EXCHANGE ACT

Within a reasonable time following the receipt of final notice under Section 6(b) of the Commodity Exchange Act from the CFTC that any person has been found guilty of violating the provisions of the Commodity Exchange Act, the President shall take the necessary action to effectuate the order of the CFTC, and shall report such action to the Board.

(1) (NOTE: Previous Rule 122.--ASSIGNMENT OF MEMBERS' RATES, eliminated March 1979-

125. GRATUITY FUND

Every person becoming a member of the Exchange on or after December 15, 1953 (the date of the organization of the Chicago Mercantile Exchange Gratuity Fund) and every person becoming a member of any Division of the Exchange, whether now or hereafter existing, on or after July 21, 1976, who at the time of his admission has not attained his 55th birthday, shall automatically become a member of the Chicago Mercantile Exchange Gratuity Fund and shall be required to pay the initial fee and all assessments imposed, in compliance with the by-laws of said Gratuity Fund and shall be bound by said by-laws and all amendments thereof and by such other rules and regulations as may be adopted by the Board of Directors of the Exchange or the Gratuity Fund in conformity with such by-laws. Every person who becomes a member of the Gratuity Fund shall be required to continue as a member thereof so long as he continues as a member of the Exchange or any of its Divisions.

(1) 126. MEMBERSHIP EDUCATION PROGRAMS

All members are required to attend an initial educational program respecting CFTC and Exchange trading rules, federal, Exchange, and administrative sanctions for violating rules, and their legal and ethical responsibilities concerning treatment of customer orders and handling of customer business.

Thereafter, all members are required to attend supplemental educational programs at least once every three years.

Failure to attend such programs may be a major rule violation.

The Professional Responsibility Committee may waive this requirement for members who are not required by CFTC Regulations to register as a floor broker or floor trader.

(1) Adopted April 1990; Revised October 1990; September 1993; March 1995.

(1) 127. MEMBER RETENTION PROGRAM**A. General**

During the term of the Program, the Exchange shall place into an Exchange account, a specified percentage (or, at the Board's discretion, different percentages for different products) of the differential clearing fees paid by Rule 106.D. and Rule 106.F. transferees for futures, options and EFP transactions, and, if applicable, lessee brokerage. The differential clearing fees shall be those fees payable by transferees, over and above the clearing fees paid by equity members. Commencing with the start of the Program and at the beginning of each calendar year thereafter, the Board will establish: (1) an average daily trading volume figure; (2) the percentage(s) of the total clearing fee differentials to be accrued on behalf of Rule 106.D. and Rule 106.F. transferees during each such year; and (3) the percentage of the Exchange's after-tax net income that cannot be exceeded for that year by accruing such funds on behalf of member-lessees. The Exchange will accrue the applicable percentage(s) of funds earned by each transferee during the year; provided that in no event will the Exchange accrue in excess of \$50,000 in any given year in respect to any individual transferee. If, at the end of such year, the average daily trading volume figure has been achieved and the aggregate funds accrued on behalf of member-lessees does not exceed the specified percentage of after-tax net income for that year, the accrued amount will be separately accounted for as belonging to each such transferee. If, at the end of such year, the average daily trading volume figure has been achieved but the aggregate funds accrued on behalf of member-lessees does exceed the specified percentage of after-tax net income for that year, the accrued amount will be adjusted proportionally, such that the aggregate accrued amount is equal to the percentage of after-tax net income set by the board for that year, and such funds will then be separately accounted for as belonging to each such transferee. If, however, the average daily trading volume figure set by the Board for that year has not been achieved, the accrued funds will be accounted for as Exchange funds and no funds will be accrued for such transferee. Subject to the requirements of this rule and the following limitations, each such transferee shall be entitled to withdraw his allocated share of the accrued funds in order to purchase a membership in the CME, IMM or IOM division:

(1) Adopted July 1995. Renumbered from 135 to 127 December 1995. Revised February 1996.

1. a clearing member that has transferred a membership pursuant to rule 106.F. may not purchase a membership using funds accrued under the Program on behalf of the clearing member's 106.F. transferee; and
2. a for-profit broker association that employs an individual member-lessee may not purchase a membership using funds accrued under the Program on behalf of such employee, and it may not exercise its Rule 106.A. rights with respect to any such membership.

B. Term of Program

The Program will commence on July 1, 1995. The Board may terminate the Program at any time thereafter. Upon termination of the Program, the Exchange shall not accrue any further funds on behalf of transferees; however, transferees shall remain entitled to withdraw funds under the Program as provided in this Rule. The Board shall review the existence of the Program and its terms and conditions on an annual basis, taking into consideration the Exchange's revenues, budget requirements, trading volume, and any other factors that it considers relevant.

C. Eligibility and Terms of Participation

All transferees shall participate in the Program until the Program is terminated by the Board. Commencing with the first full month of the Program, or, if elected to membership after commencement of the Program, the first full month of membership, each transferee shall be entitled to accrue funds under the Program up to a maximum period of five consecutive years. The Exchange shall place into an Exchange account the specified percentage(s) of differential clearing fees actually paid by each transferee during such five-year period; however, a transferee shall be entitled to withdraw his accumulated funds at any time in order to purchase a CME, IMM or IOM membership. If, by the end of the fifth year, the transferee has not purchased such a membership, and if the Program is still in existence, the transferee shall have one year to decide whether he will purchase a membership. If he elects to purchase a membership, he shall receive his allocated share of funds that the Exchange has accrued on his behalf during the prior five-year period. Any funds allocated to him during the one-year decision period shall be reallocated to the Exchange. If the transferee decides not to purchase a membership using his share of accrued funds, at the end of the one-year decision period, the

Exchange shall drop the first year of accrued funds for that transferee and begin accruing the differential clearing fees paid by such transferee in the sixth year of participation. Each subsequent year will be treated on the same basis and no transferee shall ever be entitled to accumulate more than five years of accrued funds. In the event that a membership purchased with accrued funds under the Program is sold within the first twelve months after purchase of the membership, the member will be required to forfeit the accrued funds to the Exchange unless the Leasing Committee, with the approval of the Board, grants an exception due to personal or financial hardship.

D. Termination of Transferee's Right of Participation

A transferee shall no longer be eligible to participate in the Program if, at any time during the term of the Program, he fails to hold a membership in his name for more than sixty consecutive days. In this event, the Exchange will cease accruing differential clearing fees on behalf of such transferee and any amounts accrued under the Program for such transferee shall be reallocated to the Exchange. If such transferee is thereafter re-elected to membership as a Rule 106.D. or Rule 106.F. transferee, and the Program is still in existence, he shall be eligible to start anew his participation in the Program.

E. Governing Body

The Program shall be under the jurisdiction of the Leasing Committee; however, the Board shall be authorized to make exceptions, for good cause shown, to the requirement that a transferee may not participate in the Program if he fails to have a membership in his name for more than sixty consecutive days.

(Next Rule 130)

INVOLUNTARY SALE**(1) 130. DECEASED OR INCOMPETENT MEMBER**

The legal representative of a deceased or incompetent member may retain such membership in the name of such deceased or incompetent member for a period of two years following the date of death or adjudication of incompetency of such member, provided all dues, charges and financial obligations are paid as they become due. Within 30 days after the passage of said two-year period, the legal representative must sell or transfer said membership; provided, however, that if the administration of a deceased member's estate is completed before the passage of said two-year period, the personal representative must sell or transfer the membership at that time. If the legal representative fails to sell or transfer the membership, the President, on the fifth business day following the 30-day period, shall sell said membership at an auction sale, conducted in accordance with the procedures prescribed in Rule 109.

(2) 131. EXPULSION FOR FRAUD OR DISHONESTY PRIOR TO ELECTION TO MEMBERSHIP

Any member of the Exchange who, after a hearing before the Board, is found to have been guilty of fraud or dishonest conduct prior to becoming a member and of failing to make full disclosure thereof in his application for membership, or is found guilty of having made a false statement of a material fact in or in connection with his application, may be expelled from membership in the Exchange upon the affirmative vote of a majority of the Board, and his membership may be sold in accordance with the auction procedures set forth in Rule 109, within 10 days after expulsion.

(1) Revised July 1984; March 1990.
(2) Revised July 1984.

(1) 132. SUSPENSION FOR FAILURE TO PERFORM

A member, who has received notice of a complaint by another member that he has failed or refused to perform a contract on the Exchange, or to pay an obligation arising from such contract, shall be required to respond to the notice within three business days. If the obligation is denied, the matter shall be arbitrated pursuant to the provisions of Chapter 6. If the obligation is admitted or is not denied or is established by arbitration, the defaulting member shall satisfy the obligation within three days thereof (except for such stay as may be provided for with respect to an appeal from an arbitration decision) or be automatically suspended until he has satisfied said obligation. Notice of such suspension shall be promptly posted on the bulletin board by the President.

Application to the Board for reinstatement to membership must be accompanied by a statement from the applicant and the complaining member that said obligation has been satisfied. Notice of such application for reinstatement shall be posted on the bulletin board for at least five days prior to the meeting of the Board at which the application for reinstatement is to be considered, so that the membership may comment on the application for reinstatement.

(2) 133. SALE OF MEMBERSHIP WHEN MEMBER DEFAULTS

If the Board determines that a member or a firm that has member privileges pursuant to Rules 106.G., H., I. or J., is in default upon any indebtedness or assessment due to the Exchange, the Chicago Mercantile Exchange Gratuity Fund or The CME Club, or any indebtedness due to another member or to a clearing member arising out of Exchange contracts, the Board may order the membership of the defaulting member or firm sold and the proceeds applied as provided in Rule 110. If, within 30 days of such Board order of sale, the defaulting member or firm satisfies the indebtedness due and provides proof of such satisfaction to the President, the ordered sale of the membership shall be cancelled. If full payment is not made within the 30-day period, then the membership involved shall be sold at public auction within 10 days after the expiration of the 30-day period and upon five days' notice to the defaulting member or firm, which notice shall also be posted on the bulletin board. The public auction sale shall be conducted by the President in accordance with the

(1) Revised July 1984; March 1990.

(2) Revised September 1982; July 1984; January 1986; May 1990

procedures set forth in Rule 109. If the proceeds from the sale are less than the indebtedness of the defaulting member or firm, such debtor shall remain liable to the Exchange or its members or clearing members for the deficit.

(Next Rule 135)

(1) 135. GEM DIVISION

A. Number of Memberships

The Exchange shall authorize up to 467 GEM memberships. Fifty GEM memberships shall be offered for sale by the Exchange at \$30,000 each. These 50 memberships will be offered for one year from the initial offer date or until all have been sold. On the initial offer date, the Exchange shall issue two-tenths of a GEM membership to the owner of each CME membership; two-tenths of a GEM membership to the owner of each IMM membership; and one-tenth of a GEM membership to the owner of each IOM membership. Within three months after the close of the initial offering, the Exchange shall offer seven one-tenth interests in a GEM membership, either as a unit or in one-tenth increments as shall be determined by the President. Such offer shall be by auction in accordance with the procedures set forth in Rule 109.

B. Eligibility to Purchase During Initial Offering

The 50 GEM memberships offered by the Exchange will be available to all members and the general public. In the event that the offering is oversubscribed by the acceptance date (a date to be selected by the Board approximately 60 days after the initial offer date), preference shall be afforded to applicants who are not related to existing Exchange members and who are deemed likely to contribute to the success of the GEM Division based upon the determination of the Board. If, at the time of the acceptance date, the number of such qualified non-member applicants is greater than the number of available memberships, the President shall conduct a lottery to determine who will be allowed to purchase. If, at the time of the acceptance date, the number of remaining applicants is greater than the number of available memberships (after making allowance for the qualified non-member applicants receiving preference), equity members of the Exchange shall be

(1) Adopted August 1995.

given next preference. If necessary, the President shall conduct a lottery to determine which equity members will be allowed to purchase. If there are still memberships available, they will be sold to the remaining applicants, and a lottery will be conducted if there are more applicants than memberships. Applicants who are not related to existing Exchange members may be permitted to purchase a GEM membership before the acceptance date if the Board determines that such applicants clearly possess characteristics that will contribute to the success of the GEM Division. After the acceptance date, all applicants will be afforded precedence based on the time they complete and file all necessary documents. The eligibility and procedural requirements for GEM applicants shall be identical with the requirements for other Exchange membership applicants.

(1) C. Conclusion of Initial Offering

The initial offering shall conclude one year from the initial offer date or when the 50 Exchange-offered memberships have been sold, whichever occurs first. GEM memberships purchased from the Exchange during the initial offering may not be resold or leased until one year from the initial offer date except in cases of financial emergency.

D. Trading Privileges of GEM Members

The holder of a GEM membership shall have access to trade and fill orders in all products assigned to the GEM Division. GEM members may not while on the floor of the Exchange enter orders for products of other Divisions except for bona fide spread transactions involving products within the GEM Division. GEM members may not solicit business from the floor of the Exchange except for business in products traded in the GEM Division and bona fide spreads involving such products. The time during which a GEM membership is held will not be counted as satisfaction of the holding period necessary to permit lessees to become order fillers in the CME, IMM, or IOM Divisions unless the holder can demonstrate that he was primarily engaged in active trading or order filling in the GEM Division during that holding period. Lessees of CME, IMM, IOM and full GEM memberships may fill orders in GEM Division products without regard to such holding period.

(1) Revised January 1996.

E. Fractional Interests in GEM Memberships

During the initial offering, fractional interests in GEM memberships may be sold or transferred to existing members and permit holders only. Fractional interests in GEM memberships may be leased at any time in accordance with Rule 106.D. A member who owns ten-tenths of a GEM membership may convert those interests into a full GEM membership by registering such interests with the Membership and Registration Department. Once a full GEM membership has been formed, it may not be broken down into fractional interests.

After the initial offering, fractional interests in GEM memberships may be sold or transferred in accordance with the rules. All fractional interests must be combined to form full GEM memberships within five years from the initial offer date. If any fractional interests have not been combined by that date, the Exchange, acting on behalf of the owners of outstanding fractional interests, shall combine them into full GEM memberships. The President, on behalf of such owners, shall sell such GEM memberships by auction in accordance with the procedures set forth in Rule 109, and the proceeds of such sale (net any expenses associated with the sale) shall be remitted to the owners of the fractional interests that were combined in proportion to their respective interests.

F. Trading Privileges of Fractional Holders

The products assigned to the GEM Division shall be divided into three groups: GEM currency products, GEM equity and index products, and GEM interest rate products. Holders of a fractional interest in a GEM membership shall have access to a GEM product group if they satisfy the requirements of this rule. For the first year after the initial offer date, the fractional requirements for the various product groups shall be as follows: the holder of a six-tenths fractional interest shall have access to GEM currency products; the holder of a six-tenths fractional interest shall have access to GEM equity and index products; and the holder of a four-tenths fractional interest shall have access to GEM interest rate products. After the first year, the Board may adjust the fractional interests required to secure access to the various GEM product groups.

Holders of a fractional interest in a GEM membership who desire to obtain access to a GEM product group must register their fractional interest with the Membership and Registration Department and designate a specific GEM product group. Once a product group designation has been made, it may not be changed until three months have passed. If the holder of a fractional interest in a GEM membership owns such fractional interest, he may trade and fill orders within the designated GEM product group. Lessees of fractional interests may trade within the designated GEM product group, but may not fill orders.

Holders of fractional interests in GEM memberships may not while on the floor of the Exchange enter orders for products of other Divisions except for bona fide spread transactions involving products to which they have access within the GEM Division. Holders of fractional interests in GEM memberships may not solicit business from the floor of the Exchange except for business in products traded in the GEM Division and bona fide spreads involving such products. The time during which a fractional GEM membership is held will not be counted as satisfaction of the holding period necessary to permit lessees to become order fillers in the CME, IMM, or IOM Divisions unless the holder can demonstrate that he was primarily engaged in active trading or order filling in the GEM Division during that holding period.

G. Other Membership Privileges of Fractional Holders

A holder of a fractional interest in a GEM membership may not be elected to the Board as a GEM director or to the GEM Nominating Committee unless he owns a full GEM membership. Such holder may serve on other committees, vote (except the weight of his vote shall be multiplied by the fractional interest he holds), and sign petitions (except the weight of his signature shall be multiplied by the fractional interest he holds).

(Next Rule 140)

(1) **140. AGRICULTURAL BUSINESS SOLICITATION PERMIT PROGRAM**

A. Number of Permits

The Exchange shall authorize and issue 50 Permits for Agricultural Solicitation (PASs). PASs that have been revoked, withdrawn, or abandoned may be reissued. If applicants for PASs exceed available PASs, the Agricultural Oversight Committee may allocate PASs among applicants based on an applicant's commitment to develop agricultural business at the Exchange.

B. Eligibility and Approval ⁽²⁾

An application for a PAS must meet all conditions for and be approved for membership on the Exchange. Upon approval for membership, the PAS holder shall be subject to the rules of the Exchange. An applicant for a PAS must be an Associated Person registered with the NFA and be an employee of a CME clearing member. The foregoing qualifications must be met at all times.

C. Term of Permits

PASs shall be valid for a period of three years, beginning with the date of issuance to the PAS holder. PASs may be renewed with the approval of the Board of Directors.

D. Cost of Permits

PASs will be offered at a price of \$250 per month with payments to be remitted quarterly. Accordingly, a PAS holder shall pay \$750 at the start of each quarter.

(1) Adopted February 1995.
(2) Revised August 1995.

E. PAS Privileges ⁽¹⁾

PAS holders shall have access to the trading floor to solicit customer business for agricultural products. While on the floor, PAS holders shall not solicit business for other products and shall not be compensated for processing any customer orders to trade other products. A PAS holder may continue to receive a salary from the CME clearing member that employs the PAS holder.

1. A PAS's customers shall be carried directly on the books of an Exchange clearing member.
2. A PAS holder shall be supervised by a member present on the floor.
3. PAS holders shall be required to make a continuing bona fide effort to solicit customer business.

F. Additional Limitations of PAS Holders

1. A PAS conveys no equity to the holder at expiration.
- (2) 2. A PAS does not entitle the holder to voting privileges or attendance at members' social functions.
3. A PAS holder shall have no minimum net capital requirement.
4. A PAS holder shall not be eligible to do floor brokerage or to trade any futures or options contracts on the Exchange for his own account.

(1) Revised August 1995.

(2) Revised June 1995.

G. Governing Body

PAS holders shall be under the jurisdiction of the Agricultural Oversight Committee. The Agricultural Oversight Committee shall have the greatest latitude in determining whether permit holders have complied with the rules of the program. In the event that the Agricultural Oversight Committee determines that a PAS holder has failed to comply with the rules of this program, it shall have the authority to suspend floor privileges and to revoke the permit. In no event, however, shall a permit holder be entitled to the return of any portion of the cost of the permit.

(Next Rule 145)

(1) 145. MEXICAN PESO/BRAZILIAN REAL PERMIT PROGRAM

A. Number of Trading Permits

The Exchange shall authorize and issue 25 Mexican Peso/Brazilian Real Trading Permits (TPs). Mexican Peso/Brazilian Real TPs that have been revoked, withdrawn or abandoned may be re-issued.

B. Eligibility

Mexican Peso/Brazilian Real TPs will be available to all members and the general public, subject to the approval of the Membership Committee and the Board of Directors. The eligibility and procedural requirements for Mexican Peso/Brazilian Real TP applicants shall be identical with the requirements for an Exchange membership application.

C. Term of Permits

Mexican Peso/Brazilian Real TPs shall be valid for a period extending through Friday, June 28, 1996.

D. Cost of Permits

Mexican Peso/Brazilian Real TPS will be offered at a price of \$3,000, payable on application, which includes the Exchange's non-refundable application fee.

(1) Adopted April 1995. Revised September 1995.

E. Specific Trading Privileges

Mexican Peso/Brazilian Real TP holders shall be entitled to exercise trading and brokerage privileges in Mexican Peso and Brazilian Real futures and options contracts. A Mexican Peso/Brazilian Real TP holder must trade a combined average of 500 Mexican Peso and/or Brazilian Real futures or options contracts per month. A Mexican Peso/Brazilian Real TP holder shall pay lessee clearing rates for Mexican Peso and Brazilian Real trades. A Mexican Peso/Brazilian Real TP holder may solicit customer business while on the trading floor in Mexican Peso and Brazilian Real futures and options contracts only.

F. Additional Limitations on Mexican Peso and Brazilian Real TP Holders

1. A Mexican Peso/Brazilian Real TP conveys no equity to the holder at expiration.
2. A Mexican Peso/Brazilian Real TP does not entitle the holder to voting privileges, or attendance at members' social functions.
3. Mexican Peso/Brazilian Real TP holders shall have a minimum net capital requirements of \$25,000.
4. A Mexican Peso/Brazilian Real TP holder may not trade or enter orders in Exchange contracts other than Mexican Peso or Brazilian Real futures and options contracts while on the trading floor.

G. Governing Body

Mexican Peso/Brazilian Real TP holders shall be under the jurisdiction of the Leasing Committee. The Leasing Committee shall have the greatest latitude in determining whether permit holders have complied with the rules of the program. In the event that the Leasing Committee determines that a Mexican Peso/Brazilian Real TP holder has failed to comply with the rules of this program, it shall have the authority to suspend floor and trading privileges and to revoke the permit. The Leasing Committee may allow the permit holder to withdraw from the program, upon petition, for good cause shown. In no event, however, shall a permit holder be entitled to the return of any portion of the cost of the permit.

H. Non-Compliance

1. Mexican Peso/Brazilian Real TP holders are subject to all rules and regulations of the Exchange that apply to members, except as described herein.
2. Disciplinary action taken against Mexican Peso/Brazilian Real TP holders for non-compliance with this program or for violations of any Exchange rules shall be in accordance with the applicable rules of the Exchange.

⁽¹⁾ 146. IPC LIMITED ACCESS LICENSE PROGRAM

A. Number of Licenses

The Exchange shall authorize and may issue 33 IPC Limited Access Licenses (Licenses).

B. Eligibility

Licenses will only be available to institutions that were Bolsa Mexicana de Valores (BMV) members as of January 1, 1996. Licenses may be registered in the name of the BMV member or in the name of its Mexican-domiciled bank affiliate or its non-U.S.-domiciled broker-dealer subsidiary (Licensee). Licensees must nominate an individual officer, director or employee to apply and qualify to hold a License pursuant to the Exchange's standard membership application process (License Holder). Licenses are non-transferable without prior written consent from the Exchange.

(1) Adopted April 1996.

C. Term of Licenses

Each License will remain in effect for so long as the IPC License Agreement between the BMV and the Exchange is in effect, provided that the Licensee remains in good standing with the Exchange. However, if any eligible BMV member ceases to be a member of the BMV, then the License granted to that BMV member, regardless of whether the License was registered in the name of the BMV member or in the name of its Mexican-domiciled bank affiliate or its non-U.S.-domiciled broker-dealer subsidiary, will terminate as of the date such BMV membership privileges cease.

D. Dues and Payment of Fees

Licensees must pay annual dues and membership application fees.

E. Specific Trading Privileges

Licensees may, through their License Holders, solicit, trade and execute orders in IPC futures and options as follows:

1. The License Holder may use trading floor telephones to solicit orders for IPC futures and options from: (a) proprietary traders of the Licensee; and (b) non-U.S. customers of the Licensee; provided that, with respect to (a) above, all such proprietary orders must originate from the principal Mexican office or a Mexican branch office of the Licensee and, with respect to (b) above, all such customers must be existing customers of the principal Mexican office or a Mexican branch office of the Licensee, prior to the first solicitation by the Licensee's License Holder. The License Holders may execute orders solicited in accordance with this paragraph.
2. The License Holder may trade with discretion and execute orders in IPC futures and options for the proprietary account of the Licensee, provided that any such orders must originate from the principal Mexican office or a Mexican branch office of the Licensee.

F. Trading and Other Limitations

1. The License Holder may not trade for his or her own account and may not facilitate the placement of orders in other contracts. The Licensee may employ one or more clerks to assist the License Holder in performing his or her responsibilities; however, the Licensee may not employ phone clerks or permit such employees to use telephones.
2. A License conveys no equity to the holder at expiration.
3. A License does not entitle the Licensee to License Holder to exercise voting privileges or attend member social functions.

G. Governing Body

The IPC Limited Access Program shall be under the jurisdiction of the Board of Directors or such other committee as the Board may direct from time to time.

H. Non-Compliance

Licensees and their License Holders and floor clerks, are subject to all rules of the Exchange that apply to members, as well as the Commodity Exchange Act and CFTC regulations.

(Next Rule 150)

(1) 150. CROSS-EXCHANGE TRADING PRIVILEGES

A. Applicants for Cross-Exchange Privileges

Individual members and clearing members that are eligible, pursuant to Rule 583, for cross-exchange trading privileges may submit an application to the Membership Department. Each such application will be submitted to the Membership Committee and shall require an affirmative vote of a majority of all the present and voting members of the Committee.

(1) Adopted June 1992.

An application rejected by the Membership Committee may, within 10 days of notification of rejection, request reconsideration based upon new or additional information or evidence. Any rejection after reconsideration shall be final. The Board shall be notified of the actions of the Membership Committee.

B. Termination of Cross-Exchange Privileges

Any applicant found by the Membership Committee to have failed to make full disclosure or to have made false statements in the application may be subject to termination of cross-exchange privileges upon an affirmative vote of a majority of the Membership Committee.

The cross-exchange trading privileges of an individual or firm shall automatically terminate if that individual or firm is no longer eligible for GLOBEX terminals pursuant to the rules of his or its participating exchange or if such individual or firm does not satisfy the requirements in Rule 583.

(1) 151. ELECTRONIC TRADING HOURS (ETH) PERMIT PROGRAM

A. Number of Trading Permits

The Exchange shall authorize and issue ETH Permits to eligible individuals and firms. The number issued shall be determined by the Board. ETH Permits that have been revoked, withdrawn, or abandoned may be reissued.

B. Eligibility ⁽²⁾

1. ETH Permits for individuals will be available to qualified applicants subject to the approval of the Membership Committee and the Board of Directors. The eligibility and procedural requirements for ETH applicants shall be identical with the requirements for an Exchange membership applicant.

(1) Adopted February 1995. Revised June 1995; July 1996.

(2) Revised April 1996; July 1996.

2. An ETH Permit may be acquired by a non-member firm provided that the acquisition is approved by the GLOBEX Terminal Location Committee and the Board of Directors. Until further notice, commodity trading advisors are the only firms that will be eligible to obtain an ETH Permit under this program.

C. Term of Permits ⁽¹⁾

ETH Permits are non-transferable and shall be valid for one year, subject to early termination if CME futures and options are no longer listed for trading through the GLOBEX Trading System. An ETH Permit may be renewed if the ETH Permit holder is in good standing.

D. Cost of ETH Permits ⁽²⁾

ETH Permits will be offered for a fee determined by the Board.

E. Specific Trading Privileges

ETH Permit holders shall be eligible for GLOBEX terminals for entry of orders in CME futures and options contracts for the account of the Permit holder. In addition, ETH Permit holders that are commodity trading advisors may enter orders on GLOBEX terminals for the accounts that they manage. ETH Permit holders shall not be entitled to exercise trading privileges on the trading floor.

F. Additional Limitations on ETH Permit Holders

1. An ETH Permit conveys no equity to the holder.
2. An ETH Permit does not entitle the holder to voting privileges or attendance at members' social functions.
3. An ETH Permit holder shall maintain a minimum net capital requirement of \$25,000.

(1) Revised April 1996; July 1996.

(2) Revised July 1996.

4. An ETH Permit holder must present a clearing member firm guarantee at the time of application and must lease a GLOBEX terminal from Reuters. An ETH Permit holder may withdraw from the program at any time. However, such withdrawal shall have no effect on any obligation with respect to the Reuters terminal lease.

G. Governing Body

ETH Permit holders shall be under the jurisdiction of the GLOBEX Oversight Committee. The Oversight Committee shall have the greatest latitude in determining whether ETH Permit holders have complied with the rules of the program. In the event that the Oversight Committee determines that an ETH Permit holder has failed to comply with the rules of this program, it shall have the authority to suspend GLOBEX trading privileges and to revoke the ETH Permit.

H. Noncompliance

1. ETH Permit holders are subject to all rules and regulations of the Exchange that apply to members, except as otherwise provided in this Rule 151.
2. Disciplinary action taken against ETH Permit holders for non-compliance with this program or for violations of any Exchange rules shall be in accordance with the applicable rules of the Exchange.
3. All employees of the ETH Permit holder who enter orders on GLOBEX terminals must be identified to the Exchange as GLOBEX terminals operators in accordance with Rule 576 and shall be subject to all rules of the Exchange that relate to GLOBEX trading.

(Next Rule 160)

**(1) MAJOR MARKET INDEX™
TRADING PERMIT PROGRAM**

160. NUMBER OF TRADING PERMITS

The Exchange shall authorize and issue 50 Major Market Index (MMI) Trading Permits (TPs). MMI TPs that have been revoked, withdrawn, or abandoned may be reissued.

161. ELIGIBILITY

MMI TPs will be available to all members and the general public, subject to the approval of the Membership Committee and the Board of Directors. The eligibility and procedural requirements for MMI TP applicants shall be identical with the requirements for an Exchange membership applicant, except that an applicant who is a CBOT member at the time of application shall not be subject to the membership application fee.

(1) 162. TERM OF PERMITS

MMI TPs shall be valid for a period extending through Monday, September 30, 1996.

163. COST OF PERMITS

MMI TPs are offered at a price of \$350 per month with payments to be remitted quarterly. Accordingly, a MMI TP holder will pay \$1,050 at the start of each quarter (in addition to any initial membership application fee). MMI TP holders are entitled to a rebate of \$.50 for each MMI futures or options contract traded for their own account, up to 700 contracts each month. Such rebate will be made in the form of a credit for the subsequent quarter, except that payment of any rebate due from the final quarter of the program shall be made in cash to the MMI TP holder following the termination of that quarter.

(1) Adopted July 1993.
(1) Revised February 1995; June 1995.

(1) **164. SPECIFIC TRADING PRIVILEGES**

MMI TP holders are entitled to exercise trading privileges in MMI, Russell 2000 and FT-SE 100 futures and options contracts subject to the following conditions. A MMI TP holder must trade 200 or more futures or options contracts per month in MMI, Russell 2000, or FT-SE 100, or any combination thereof. Such trading shall be reviewed on a monthly basis. Failure to comply with these requirements may result in termination of permit rights. A MMI TP holder will pay lessee clearing rates for MMI, Russell 2000 and FT-SE 100 trades. A MMI TP holder, while on the trading floor, may signal orders for his own account to be executed by members in any contracts in the Equity Index Quadrant of the Exchange and will pay lessee clearing fees for such transactions in these contracts. A MMI TP holder who was a broker in the MMI at the CBOT shall be eligible to do floor brokerage in the MMI contract.

165. ADDITIONAL LIMITATIONS ON MMI TP HOLDERS

- A. A MMI TP conveys no equity to the holder at expiration.
- (2) B. A MMI TP does not entitle the holder to voting privileges or attendance at members' social functions.
- C. A MMI TP holder shall have a minimum net capital requirement of \$25,000.

166. GOVERNING BODY

MMI TP holders shall be under the jurisdiction of the Leasing Committee. The Leasing Committee shall have the greatest latitude in determining whether MMI TP holders have complied with the rules of the program. In the event that the Leasing Committee determines that a MMI TP holder has failed to comply with the rules of this program, it shall have the authority to suspend floor and trading privileges and to revoke the permit. The Leasing Committee may allow the permit holder to withdraw from the program, upon petition, for good cause shown. In no event, however, shall a permit holder be entitled to the return of any portion of the cost of the permit.

(1) Revised February 1995.

(2) Revised June 1995.

167. NONCOMPLIANCE

- A. MMI TP holders are subject to all rules and regulations of the Exchange that apply to members, except as described herein.
- B. Disciplinary action taken against MMI TP holders for noncompliance with this program or for violations of any Exchange rules shall be in accordance with the applicable rules of the Exchange.

(Next Rule 170)

**(1) GOLDMAN SACHS COMMODITY INDEX
TRADING PERMIT PROGRAM****170. NUMBER OF TRADING PERMITS**

The Exchange shall authorize and issue 56 Goldman Sachs Commodity Index (GSCI) Trading Permits (TPs). GSCI TPs that have been revoked, withdrawn, or abandoned may be reissued.

171. ELIGIBILITY

GSCI TPs will be available to all members and the general public, subject to the approval of the Membership Committee and the Board of Directors. The eligibility and procedural requirements for GSCI TP applicants shall be identical with the requirements for an Exchange membership applicant.

(2) 172. TERM OF PERMITS

GSCI TPs shall be valid for a period extending through Wednesday, July 31, 1996.

(1) Adopted July 1992. Revised July 1993.

(2) Revised May 1993; August 1995.

(1) **173. COST OF PERMITS**

GSCI TPs will be offered at a price of \$350 per month with payments to be remitted quarterly. Accordingly, a GSCI TP holder shall pay \$1,050 at the start of each quarter (in addition to any initial membership application fee). Each GSCI TP holder (except General Trading permit holders with GSCI trading privileges) shall be entitled to a rebate of \$.50 for each GSCI futures or options contract executed for the first 700 such contracts per month. Such rebate shall be made in the form of a credit for the subsequent quarter, except that payment of any rebate due from the final quarter of the program shall be made to the GSCI TP holder following the termination of that quarter.

174. SPECIFIC TRADING PRIVILEGES

GSCI TP holders shall be entitled to exercise trading privileges in GSCI futures and options contracts subject to the following conditions. A GSCI TP holder must trade an average of 200 GSCI futures or options contracts per month, computed on a quarterly basis. Such trading shall be reviewed after 3 months. A GSCI TP holder shall pay lessee clearing rates for GSCI trades. A GSCI TP holder, while on the trading floor, may enter orders to be executed by members in any contracts in the Agricultural Quadrant of the Exchange and shall pay non-member clearing fees for such transactions in these contracts.

175. ADDITIONAL LIMITATIONS ON GSCI TP HOLDERS

- A. A GSCI TP conveys no equity to the holder at expiration.
- (2) B. A GSCI TP does not entitle the holder to voting privileges or attendance at members' social functions.
- C. A GSCI TP holder shall have a minimum net capital requirement of \$25,000.
- (3) D. A GSCI TP holder shall not be eligible to do floor brokerage except on behalf of the proprietary account of a clearing member with the prior permission of the Leasing Committee.

(1) Revised August 1993.

(2) Revised June 1995.

(3) Revised June 1994.

176. GOVERNING BODY

GSCI TP holders shall be under the jurisdiction of the Leasing Committee. The Leasing Committee shall have the greatest latitude in determining whether permit holders have complied with the rules of the program. In the event that the Leasing Committee determines that a GSCI TP holder has failed to comply with the rules of this program, it shall have the authority to suspend floor and trading privileges and to revoke the permit. The Leasing Committee may allow the permit holder to withdraw from the program, upon petition, for good cause shown. In no event, however, shall a permit holder be entitled to the return of any portion of the cost of the permit.

177. NONCOMPLIANCE

- A. GSCI TP holders are subject to all rules and regulations of the Exchange that apply to members, except as described herein.
- B. Disciplinary action taken against GSCI TP holders for non-compliance with this program or for violations of any Exchange rules shall be in accordance with the applicable rules of the Exchange.

(Next Rule 180)

(1) GENERAL TRADING PERMIT PROGRAM (2)**180. NUMBER OF TRADING PERMITS**

The Exchange shall authorize and issue 250 Trading Permits (TPs). TPs that have been revoked, withdrawn, or abandoned may not be reissued.

181. ELIGIBILITY

TPs will be available to all members and the general public, subject to the approval of the Membership Committee and the Board of Directors. The eligibility and procedural requirements for TP applicants shall be identical with the requirements for an Exchange membership applicant.

(1) Adopted June 11, 1987. Revised July 1992.

(2) Does not include trading in the Goldman Sachs Commodity Index or Major Market Index. See Rules 170-177 and 180-187.

182. TERM OF PERMITS

TPs are non-transferable and shall be valid for a period of one year from the first date on which the permit holder may exercise trading privileges. TPs may be renewed for an additional six months. Notice of renewal must be given at least thirty (30) days prior to expiration of the original one-year period. No individual may participate in this program more than once.

183. COST OF PERMITS

TPs will be offered at a price of \$6,000 per year, payable on application, of which \$1,000 shall represent a non-refundable application fee. A TP may be renewed for six months by an additional non-refundable payment of \$4,500. Proceeds from permit sales shall be paid to the Exchange.

(1) 184. SPECIFIC TRADING PRIVILEGES

TP holders shall be entitled to exercise trading privileges as specified below. The Board of Directors, at its discretion, may extend TP holders' trading privileges to any new or low volume markets.

- A. A TP holder must trade a minimum of 400 (one side) futures contracts per month in any combination of the markets listed below. Option trades cannot be applied toward the minimum monthly trading requirements. A TP holder, while on the trading floor, may enter written, time-stamped orders to be executed by members in any contracts on the Exchange and shall pay non-member clearing fees for such transactions in contracts other than those specified in this Rule.

(1) Revised April 1995.

- (1) B. TP holders may execute trades for their own account in the following contracts (if and when such contracts are listed for trading on the Exchange):

Futures

Australian Dollar
 Gold
 Random Length Lumber
 Standard & Poor's 100
 Stock Price Index
 Oriented Strand Board
 Canadian Dollar
 Mexican Peso (through
 June 28, 1996, only)
 Brazilian Real (through
 June 28, 1996, only)

Options

Australian Dollar
 Canadian Dollar
 Gold
 Random Length Lumber
 3-Month U.S. Treasury Bill
 Oriented Strand Board
 Mexican Peso (through
 June 28, 1996, only)
 Brazilian Real (through
 June 28, 1996, only)

185. ADDITIONAL LIMITATIONS ON TP HOLDERS

- A. A TP conveys no equity to the holder at expiration.
- (2) B. A TP does not entitle the holder to voting privileges or attendance at members' social functions.
- C. A TP holder shall have a minimum net capital requirement of \$25,000.
- (3) D. A TP holder may not act as a floor broker except on behalf of the proprietary account of a clearing member with the prior permission of the Leasing Committee.

(1) Revised April 1995; October 1995; November 1996.
 (2) Revised June 1995.
 (3) Revised June 1994; July 1995.

(1) **186. GOVERNING BODY**

TP holders shall be under the jurisdiction of the Leasing Committee. The Leasing Committee shall have the greatest latitude in determining whether or not permit holders have complied with the rules of the program. In the event that the Leasing Committee determines that a TP holder has failed to comply with the rules of this program, it shall have the authority to suspend floor and trading privileges and to revoke the permit. The Leasing Committee may allow the permit holder to withdraw from the program, upon petition, for good cause shown. In no event, however, shall a permit holder be entitled to the return of any portion of the cost of the permit.

187. NONCOMPLIANCE

- A. TP holders are subject to all rules and regulations of the Exchange that apply to members, except as provided in Rule 185.
- B. Disciplinary action taken against TP holders for non-compliance with this program or for violations of any Exchange rules shall be in accordance with the applicable rules of the Exchange.

(Next Rule 191)

(2) **191. FEDERAL FUNDS TRADING PERMIT PROGRAM**

A. Number of Trading Permits

The Exchange shall authorize and issue 10 Federal Funds ("FF") Trading Permits ("TPs"). FF TPs that have been revoked, withdrawn, or abandoned may be reissued.

B. Eligibility

FF TPs will be available to experienced short-term interest rate cash or derivative traders subject to the approval of the Membership Committee and the Board of Directors. The eligibility and procedural requirements for FF TP applicants shall be identical with the requirements for an Exchange membership applicant.

(1) Revised November 1991; July 1995.
(2) Adapted October 1995.

C. Term of Permits

FF TPs shall be valid for a six (6) month period.

D. Cost of Permits

FF TPs will be offered at a price of \$2,000, payable on application, which includes the Exchange's non-refundable application fee.

E. Specific Trading Privileges

FF TP holders shall be entitled to exercise trading privileges in CME One-Month Federal Funds futures. Also, solely for hedging purposes, an FF TP holder, while on the trading floor, may signal orders for his or her own account to be executed by a member in the One-Month LIBOR pit. An FF TP holder must trade an average of 500 Federal Funds contracts per month, either as outright positions or in combination with One-Month LIBOR contracts. FF TP holders shall pay lessee clearing fees for Federal Funds and One-Month LIBOR trades. FF TP holders shall only trade for their own account.

F. Additional Limitations on FF TP Holders

1. An FF TP conveys no equity to the holder at expiration.
2. An FF TP does not entitle the holder to voting privileges or attendance at members' social functions.
3. An FF TP holder shall have a minimum net capital requirement of \$25,000.

G. Governing Body

FF TP holders shall be under the jurisdiction of the Leasing Committee. The Leasing Committee shall have the greatest latitude in determining whether FF TP holders have complied with the rules of the program. In the event that the Leasing Committee determines that an FF TP holder has failed to comply with the rules of this program, it shall have the authority to suspend floor and trading privileges and to revoke the permit. The Leasing Committee may allow the permit holder to withdraw from the program, upon petition, for good cause shown. In no event, however, shall a permit holder be entitled to the return of any portion of the cost of the permit.

H. Non-Compliance

1. FF TP holders are subject to all rules and regulations of the Exchange that apply to members, except as described herein.
2. Disciplinary action taken against FF TP holders for noncompliance with this program or for violations of any Exchange rules shall be in accordance with the applicable rules of the Exchange.

(1) 192. DAIRY PRODUCTS TRADING PERMIT PROGRAM

A. Number of Trading Permits

The Exchange shall authorize and issue 25 Dairy Products Trading Permits (TPs). Dairy Products TPs that have been revoked, withdrawn, or abandoned may be reissued.

B. Eligibility

Dairy Products TPs will be available to all members and the general public, subject to the approval of the Membership Committee and the Board of Directors. The eligibility and procedural requirements for Dairy Products TP applicants shall be identical with the requirements for an Exchange membership applicant.

C. Term of Permits

Dairy Products TPs shall be valid for a period of two years beginning with the date of issuance to the Dairy Products TP holder.

(1) Adopted January 1996.

D. Cost of Permits

Dairy Products TPs will be offered at a price of \$350 per month with payments to be remitted quarterly. Accordingly, a Dairy Products TP holder shall pay \$1,050 at the start of each quarter (in addition to any initial membership application fee). Each Dairy Products TP holder shall be entitled to a rebate of \$.50 for each Dairy Products futures or options contract executed for the first 700 such contracts per month. Such rebate shall be made in the form of a credit for the subsequent quarter, except that payment of any rebate due from the final quarter of the program shall be made to the Dairy Products TP holder following the terminate of that quarter.

E. Specific Trading Privileges

Dairy Products TP holders shall be entitled to exercise trading privileges in Dairy Products futures and options contracts subject to the following conditions. A Dairy Products TP holder must trade an average of 200 or more Dairy Products futures or options contracts per month, computed on a quarterly basis. Such trading shall be reviewed after 3 months. A Dairy Products TP holder shall pay lessee clearing rates for Dairy Products trades.

F. Additional Limitations on Dairy Products TP Holders

1. A Dairy Products TP conveys no equity to the holder at expiration.
2. A Dairy Products TP does not entitle the holder to voting privileges or attendance at members' social functions.
3. A Dairy Products TP holder shall have a minimum net capital requirement of \$25,000.
4. A Dairy Products TP holder shall not be eligible to do floor brokerage except on behalf of the proprietary account of a clearing member with the prior permission of the Leasing Committee.
5. A Dairy Products TP holder may not solicit business from the floor of the Exchange except for business in Dairy Products and bona fide spreads involving such products.

6. The time during which a Dairy Products TP is held will not be counted as satisfaction of the holding period necessary to permit lessees to become order fillers in the CME, IMM or IOM Divisions unless the holder can demonstrate that he was primarily engaged in active trading in Dairy Products during that holding period.
- (1) 7. A Dairy Products TP holder may not trade or enter orders in Exchange contracts other than Dairy Products futures and options contracts while on the trading floor.

G. Governing Body

Dairy Products TP holders shall be under the jurisdiction of the Leasing Committee. The Leasing Committee shall have the greatest latitude in determining whether permit holders have complied with the rules of the program. In the event that the Leasing Committee determines that a Dairy Products TP holder has failed to comply with the rules of this program, it shall have the authority to suspend floor and trading privileges and to revoke the permit. The Leasing Committee may allow the permit holder to withdraw from the program, upon petition, for good cause shown. In no event, however, shall a permit holder be entitled to the return of any portion of the cost of the permit.

H. Non-Compliance

1. Dairy Products TP holders are subject to all rules and regulations of the Exchange that apply to members, except as described herein.
2. Disciplinary action taken against Dairy Products TP holders for non-compliance with this program or for violations of any Exchange rules shall be in accordance with the applicable rules of the Exchange.

(End Chapter 1 ⁽²⁾)

(1) Adopted January 1998.

(2) Rules: 190, 191, 192, 193 deleted effective February 1990--DIFF Permit Program rescinded.

**INTERPRETATIONS & SPECIAL NOTICES
RELATING TO CHAPTER 1**

**FOREIGN RULE 106.H. NON-MEMBER FIRMS ELECTING
TO ACT AS A FOREIGN BROKER GIVEN 12 MONTHS
TO APPLY FOR CLEARING MEMBERSHIP**

(Special Executive Report S-2085, March 6, 1989. Amended June, 1992)

In 1989, various foreign banks will be allowed to engage in futures business on behalf of customers. Those banks that own memberships pursuant to Rule 106.H. would be prohibited from maintaining those memberships if they elected to engage in customer business.

At its Regular Meeting on Wednesday, February 15, 1989, the Board of Directors determined to allow these foreign banks to maintain Rule 106.H. status for a period of one year after beginning to engage in futures trading on behalf of customers, provided they declare their intention to apply for clearing membership within that 12 month period and maintain compliance with the following conditions:

1. Only proprietary positions of the entity controlling the membership may receive member rates;
2. All customer orders for Exchange products must be executed by the foreign broker as agent (not principal), and all resulting positions must be carried and maintained on the books of a CME clearing member, in accordance with Exchange rules, including the gross performance bonding of such positions;
3. Proprietary and customer accounts are subject to CME audit; and
4. Violations of any of these conditions may result in major rule violations, which could include fines and/or a loss of the membership.

RULE 110

(Monthly Executive Report, May 1977)

The membership should be aware that Rule 110 precludes authorization for the Exchange to repay debts incurred between members. This is true even if payment was made to help the member meet obligations on our Exchange. It should therefore be noted that distribution of assets determined by the President shall be final and binding on all parties.

RULE 120

(Special Executive Report S-1815, June 5, 1987)

On June 3, 1987, the Board of Directors reaffirmed that all IOM members have a personal trading privilege in the gold futures contract. This personal (not broker) trading privilege was granted to IOM members as a result of a referendum held by our membership to decide this issue on November 17, 1982.

**INTERPRETATION OF RULES 135.D. AND 135.F.
REGARDING ALLOWABLE SPREADS FOR GEM MEMBERS**

(CME Update 96-7, March 25, 1996)

Rule 135.D. provides that GEM members may not while on the floor of the Exchange enter orders for products of other Divisions except for bona fide spread transactions involving products within the GEM Division and that GEM members may not solicit business from the floor of the Exchange except for business in products traded in the GEM Division and bona fide spread involving such products. Rule 135.F. contains similar restrictions for members holding fractional interests in GEM memberships.

The Emerging Markets Oversight Committee has determined that, until further notice, the only allowable spreads involving non-GEM products the GEM members may enter into or solicit while on the trading floor are those previously allowed to permit holders for products that have been assigned to the GEM Division. Specifically, the only spreads involving non-GEM products in which GEM members can engage are listed below:

GSCI	with	Live Cattle and Lean Hogs
MMI	with	S&P 500, S&P Mid-Cap
Russell 2000	with	S&P 500, S&P Mid-Cap
FT-SE	with	S&P 500, S&P Mid-Cap
S&P/Barra Growth and Value ⁽¹⁾	with	S&P 500, S&P Mid-Cap

When such spread are executed on a legged basis, the GEM leg of the spread must always precede the non-GEM leg. Please note that these restrictions do not apply to spreads in which all of the component parts are GEM products.

(1) S&P/Barra Growth & Value contracts are not assigned to the GEM Division, but GEM members are allowed to trade such contracts, for their own accounts only, until December 31, 2000.

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GOVERNMENT**

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**CHAPTER 2
GOVERNMENT**

MEMBERS' MEETINGS

(1) 200. REGULAR MEETINGS

Semi-annual meetings of the members of the Exchange will be held regularly not later than the last date of June and the last day of December. Written notice of each such meeting shall be mailed at least 10 days prior to said meeting to each member of the Exchange.

(2) 201. SPECIAL MEETINGS OF MEMBERS

Special meetings of members of the Exchange may be called by the Board of Directors or by the Chairman upon the written request of not less than 350 individuals who are members. Written notice of each special meeting, stating the place, day and hour of the meeting, and the purpose for which it has been called, shall be mailed at least five days prior to said meeting to each member of the Exchange.

202. RULES OF ORDER

Meetings of the members shall be conducted according to the established practice of parliamentary law, as set forth in *Robert's Rules of Order*.

(3) 203. QUORUM OF MEMBERS AND VOTING

At a members' meeting, a member may vote in person or by proxy, provided that the person serving as proxy shall be a member and shall have been duly appointed in writing. No proxy shall be valid unless the purpose and duration are stated. The proxy must provide specific voting instructions on stated issues.

(1) Revised October 1982.
(2) Revised September 1986.
(3) Revised November 1991.

250 members represented in person or by proxy shall constitute a quorum, but a lesser number may adjourn the meeting to a subsequent time. For the purpose of constituting a quorum, each individual shall be counted but once. The affirmative vote of a majority of the votes entitled to be cast by the members present or represented by proxy at a meeting at which a quorum is present shall be necessary for the adoption of any motion or resolution voted upon by the members, except where a greater majority is required by these rules or by the statutes of the State of Illinois. For the purpose of voting, each member shall be entitled to cast votes for each membership he owns. Each vote shall be weighted in accordance with the provisions of Rule 266. If a duly adopted motion or resolution is rejected by the Board at its regular meeting, the President shall immediately set the matter for referendum in accordance with the provisions of Rule 262.

(Next Rule 210)

BOARD OF DIRECTORS ORGANIZATION

(1) 210. BOARD MEMBERSHIP

The Board shall be composed of the following:

- a. Twelve CME members elected by CME members;
 - b. Eight IMM members elected by IMM members;
 - c. Four IOM members elected by IOM members;
 - d. Up to ten persons appointed by the Chairman and approved by the Board as provided for in Rule 247 (Appointed Directors);
 - e. The President, who shall serve as a non-voting member; and
- (2) f. One GEM member elected by GEM members, beginning with the election to be held in January 2000 or the next election after 400 full GEM memberships are outstanding, whichever occurs first.**

(1) Revised September 1979; August 1983; February 1986; September 1986; September 1987; April 1990; January 1991; July 1991; August 1993.
 (2) Adopted November 1995.

The Board shall have meaningful representation of a diversity of interests, including 1) floor brokers, 2) floor traders, 3) futures commission merchants, 4) producers, consumers, processors, distributors, and merchandisers of commodities traded on the Exchange, 5) participants in a variety of pits or principal groups of commodities traded on the Exchange, and 6) other market users or participants. To the extent that no elected director represents one of the interests listed above, a person representing such interest shall be appointed to the Board pursuant to Rule 247.

At least ten percent of the regular voting members of the Board shall be comprised where applicable of persons representing farmers, producers, merchants or exporters of principal commodities underlying contracts traded on the Exchange. In addition, at least twenty percent of the regular voting members of the Board shall be comprised of persons who are not 1) members of the Exchange, 2) currently salaried employees of the Exchange, 3) primarily performing services for the Exchange in a capacity other than as a member of the Board, or 4) officers, principals or employees of a firm which holds a membership at the Exchange either in its own name or through an employee on behalf of the firm.

⁽¹⁾ **211. REGULAR BOARD MEETINGS**

Regular meetings of the Board shall be held at least once monthly. The Board shall establish the day of the week and the interval between meetings for their regular meetings. Thereafter, and until such schedule shall be formally modified by the Chairman of the Board, regular meetings shall be so held without other or further notice. At such regular meetings, all matters that are the concern of the Exchange and its members may properly be considered.

⁽²⁾ **212. QUORUM OF BOARD**

Eleven elected members of the Board shall constitute a quorum, but a lesser number may adjourn the meeting to a subsequent time.

(1)
(2)

Revised July 1996.
Revised August 1983.

213. RULES OF ORDER

Board meetings shall be conducted according to established practice of parliamentary law, as set forth in *Robert's Rules of Order*.

(1) 214. OFFICERS OF THE BOARD

The directors, at their first regular or special meeting after the annual election, shall elect from their own number the following officers: Chairman of the Board (who must be an elected director throughout his term of office); Vice Chairman; Second Vice Chairman; Secretary; and Treasurer. The Chairman of the Board is to serve for two years and until his successor is elected and has been installed. Each of the other officers is to serve for one year and until his successor is elected and has been installed. A Chairman of the Board shall not succeed himself for a fourth consecutive term.

The President shall conduct the election in the following manner:

The election of the Chairman of the Board shall first be completed, then followed in order by election of the Vice Chairman, Second Vice Chairman, Secretary and Treasurer. Each election shall commence by nominations cast by secret ballot.

The nominees shall be announced and a secret ballot shall be conducted for their election. A candidate receiving a majority of the votes cast by the elected Board members present and voting shall be elected. If no candidate receives a majority of the votes cast, then the nominee receiving the lowest vote total shall be removed from the ballot. If two nominees are tied for the low total, both shall be removed, unless only one nominee would remain, in which case, neither shall be removed, and the next ballot shall include all three nominees.

(1)

Revised August 1983; February 1986; January 1991; January 1992.

(1) **215. SPECIAL BOARD MEETINGS**

Special meetings of the Board may be called by the Chairman and shall be called by the Chairman or the President upon the request of six elected directors. Notice of each special meeting shall be given by or under the supervision of the Secretary or the President to each director, who shall maintain on file with the President the address at which such notice may be given.

(2) **216. ABSENCE FROM BOARD MEETINGS**

If any elected director shall absent himself from four consecutive meetings without having communicated with the Chairman, explained the necessity of such absence and been excused, his office may be declared vacant by the Board.

(3) **217. EXECUTIVE COMMITTEE**

The Executive Committee shall consist of a minimum of twelve Board members and shall include the following members of the Board: The Chairman of the Board (who shall serve as the Chairman of the Executive Committee), the Vice Chairman, the Second Vice Chairman, the Secretary, the Treasurer, the immediate three past chairmen of the Board (all of whom must be presently serving an uninterrupted term on the Board), three IMM elected directors and one IOM elected director appointed by the Chairman, and the President (who shall be a non-voting member). In the event that any one of the three immediate past chairmen are officers of the Board, then the next past Board chairman or chairmen as is necessary (presently serving an uninterrupted term on the Board) shall become a member(s) of the Executive Committee. In the event that IMM or IOM directors have been elected as officers of the Board, the number to be appointed to the Executive Committee by the Chairman of the Board shall be reduced by the respective number elected as officers.

(1) Revised September 1979; February 1980; February 1982; June 1983; August 1983; February 1986.

(2) Revised February 1980; February 1982; June 1983; August 1983; February 1986.

(3) Revised February 1980; February 1982; June 1983; August 1983; February 1986; January 1991; January 1992; August 1993.

In the event that the foregoing process establishes an Executive Committee of less than the required minimum, the Chairman shall appoint such additional members of the Board as necessary. In making these appointments, the Chairman shall attempt to maintain representation of elected directors on the Executive Committee consistent with the divisional representation on the Board of Directors.

Whenever the Board is not in session, the Executive Committee shall have and exercise the authority of the Board in the management of the Exchange. A majority of the Executive Committee shall constitute a quorum necessary to transact business. All actions and decisions taken by the Executive Committee on matters of an emergency nature shall be final. All other actions of the Executive Committee shall be submitted to the Board at its next meeting for approval. The Board may modify or rescind any non-emergency action of the Executive Committee, but the rights of third persons shall not thereby be impaired.

Regarding Exchange employees, the Executive Committee shall review and approve the hiring, salaries, bonuses, bonds, titles and responsibilities of all employees of the Exchange at the level of Vice President and above and report such action to the Board.

⁽¹⁾ **218. CHAIRMAN OF THE BOARD**

The Chairman of the Board shall be the general executive officer of the Board. He shall appoint all committees, pursuant to these rules, and any special committee deemed necessary and the chairman thereof, subject to the approval of the Board. He shall be ex officio a member of all committees. He shall preside at all meetings of members, the Board and the Executive Committee. He shall execute all contracts as authorized by the Board. He shall have the books of the Exchange audited at least once a year by a certified public accountant.

(1)

Revised September 1986; August 1993.

(1) **219. SUCCESSION OF CHAIRMAN**

The Vice Chairman shall perform the duties of the Chairman of the Board in his absence or disability. The Second Vice Chairman shall perform such duties in the absence or disability of both the Chairman and the Vice Chairman. In the event of the inability of the Chairman to continue in office, he shall be succeeded by the next highest ranking officer of the Board. Any officer succeeding the Chairman shall serve only until the next Organization Meeting of the Board.

220. SECRETARY

The Secretary shall exercise such powers and perform such duties as generally appertain to that office. He shall also attend all meetings of the Board and keep official records thereof, and perform such other duties as the Board may from time to time direct.

(2) **221. TREASURER**

The Treasurer shall perform such duties as generally pertain to that office. He shall be ex officio an Assistant Secretary, and in the absence of the Secretary shall exercise the powers and perform the duties of that office. He shall give bond in an amount fixed by the Board. He shall cause to be reported once a quarter to the Board the previous quarter's income and expenses, and shall report at the mid-year semi-annual meeting of the Exchange the income and expenses for the previous fiscal year. He also shall chair the Finance, Budget and Planning Committee.

(Next Rule 230)

BOARD OF DIRECTORS — POWERS AND DUTIES

(3) **230. GENERAL**

The Board shall:

- a. Be the governing body of the Exchange;
- b. Have charge and control of all property of the Exchange;

(1) Revised August 1983; January 1992; March 1992.

(2) Revised May 1985; February 1986; March 1987; November 1991; March 1995.

(3) Revised February 1979; September 1985; September 1988; January 1991.

- c. Provide, acquire and maintain suitable Exchange quarters and facilities;
- d. Review and approve the appointment of a President upon recommendation of a special committee established for this purpose by the Board;
- e. Receive reports from the Executive Committee regarding the appointment, titles and responsibilities of all Exchange officers;
- f. Designate and authorize specific appointed officers to act on behalf of the Board to execute contracts within specified budgetary limits;
- g. Fix, determine and levy all membership dues, fees and assessments when necessary;
- h. Act in a judicial capacity in the conduct of hearings with respect to any charges preferred against members and, after such hearings, determine what disciplinary action, if any, should be taken by the Exchange with respect to those charges;
- (1) i. Determine the commodities traded, the Division in which they shall be traded, the delivery months, hours of trading, the days of the contract month on which delivery may be made, and performance bond requirements;
- j. Make and amend the Rules of the Exchange; and

(1)

Revised June 1992.

- (1) k. Have power to act in emergencies. In the event that the Board determines that an emergency situation exists in which the free and orderly market in a commodity is likely to be disrupted, or the financial integrity of the Exchange is threatened, or the normal functioning of the Exchange has been or is likely to be disrupted, it may, upon a two-thirds vote of the members present or upon a two-thirds vote of the members who respond to a poll, take such action as may in the Board's sole discretion appears necessary to prevent, correct or alleviate the emergency condition. Without limiting the foregoing, the Board may: (1) terminate trading, (2) limit trading to liquidation of contracts only, (3) order liquidation of all or a portion of a member's proprietary and/or customers' accounts, (4) order liquidation of positions of which the holder is unable or unwilling to make or take delivery, (5) confine trading to a specific price range, (6) modify the trading days or hours, (7) alter conditions of delivery, (8) fix the settlement price at which contracts are to be liquidated, and (9) require additional performance bonds to be deposited with the Clearing House. All Exchange contracts shall be subject to the Board's emergency powers and the specifications of each shall be deemed subject to this rule.
- (2) Any authority or discretion by these rules vested in the Chairman, President or other officer or delegated to any committee shall not be construed to deprive the Board of such authority or discretion and in the event of a conflict, the determination of the matter by the Board shall prevail.
- (3) **231. CONTRIBUTIONS**
- a. The Contributions Committee shall be authorized to make charitable contributions not to exceed \$1,000 to any single organization, up to the total amount budgeted by the Board, on behalf of the Exchange. Contributions in excess of such amount must be approved by the Board.

(1)
(2)
(3)

Revised January 1979; June 1992.
Revised September 1988; November 1991.
Revised December 1980; September 1986; March 1989

- (1) b. The President shall be authorized to make charitable, civic or business contributions not to exceed \$10,000 to any single organization, up to the total amount budgeted by the Board, on behalf of the Exchange. Contributions in excess of \$10,000 but no greater than \$25,000 must be approved by the Finance, Budget and Planning Committee. Contributions in excess of \$25,000 must be approved by the Board.

232. EXCHANGE HALL

The Board shall provide an Exchange hall which shall be open for trading each day at such hours as the Board shall determine, except Saturdays, Sundays and holidays declared by these rules or by the Board, or except during emergency situations as provided in Rule 401.

(2) 233. CONFLICT OF INTEREST — DISQUALIFICATION

Whenever the Board considers a matter in which a Board member is likely to have a significant and direct financial interest, the Board shall take all necessary steps to ensure that no participating Board member has a conflict of interest. A Board member shall be excused from the meeting during the Board's consideration of such matter if:

1. He directly or indirectly owns or controls an account that is likely to be directly and materially affected by the Board's decision;
2. He has substantial financial interest in a clearing member that may be directly and materially affected by the Board's decision; or
3. He has an interest in the outcome, which a majority of the Board, present and voting, deems to require his disqualification.

(1)
(2)

Revised January 1994.
Revised December 1980; September 1986 (prior to September 1986, this Conflict of Interest Procedure was set forth as an interpretation at the end of this chapter).

If there is no Board quorum, then the Executive Committee shall assume all of the powers and duties of the Board with respect to the action; if there is no Executive Committee quorum, the Chairman, or if the Chairman is disqualified, the next highest ranking officer, shall appoint an ad hoc committee of six eligible members to act for the Board in this matter.

(Next Rule 240)

ELECTIONS AND APPOINTMENTS

(1) 240. ANNUAL ELECTIONS

Pursuant to Rule 210, the Board shall be composed of the following number of elected directors: twelve CME, eight IMM, four IOM and one GEM. These directors shall serve staggered terms. Thus, at each annual election, six CME, four IMM and two IOM directors shall be elected from slates of twelve, eight and four respectively. The GEM director shall be elected every other annual election from a slate of two. Each electee shall hold office for two years or until his successor is elected and has been installed.

At each annual election the CME shall elect five members to a Nominating Committee from a slate of ten; the IMM shall elect five of its members to a separate Nominating Committee from a slate of ten; and the IOM shall elect five of its members to a third Nominating Committee from a slate of ten. The Board shall appoint three GEM members to serve as the Nominating Committee to select two candidates for the first election of a GEM member to the Board. Thereafter, the GEM shall elect three of its members to a separate Nominating Committee from a slate of six. The GEM Nominating Committee election shall be in the year prior to the GEM Board election. Each electee to one of the Nominating Committees shall hold office for one year or until his successor is elected and has been installed.

(1)

Revised August 1983; September 1986; September 1987; November 1995.

(1) 241. NOMINATIONS BY COMMITTEES

The Nominating Committees of the CME, IMM, IOM and GEM shall each present in writing to the President, prior to 12 o'clock noon on the ninth Thursday preceding the date of the annual election, a report relating to the election of its directors containing the names of twelve CME members, eight IMM members, four IOM members, and, in alternate years, two GEM members other than themselves proposed as candidates for the Board. No candidate shall be a nominee for more than one elected position. Each Nominating Committee shall include in its report the names of members, other than themselves, proposed as candidates for that Nominating Committee as follows:

CME Nominating Committee — 10 CME members
IMM Nominating Committee — 10 IMM members
IOM Nominating Committee — 10 IOM members
GEM Nominating Committee — 6 GEM members

This report shall be posted on the bulletin board on the next business day.

If, after a Nominating Committee has reported and prior to mailing of the ballot, any candidate dies, becomes incapacitated, withdraws or becomes disqualified to serve, then that Nominating Committee promptly shall meet and select a substitute candidate and immediately submit the name of such candidate to the President, who shall post the name on the bulletin board the next business day. Each substitute candidate shall be deemed duly nominated as a candidate for the designated office.

(1) **242. NOMINATIONS BY PETITION**

Additional nominations for the office of director or member of a Nominating Committee of a particular division may be made by petition signed by at least the following number of individuals who are members in good standing of that division: 100 CME members, 100 IMM members, 150 IOM members or 50 GEM members; provided, however, that signatures of members holding memberships pursuant to Rule 106.D. shall not be counted toward the minimum number of signatures required. Such members' nominating petition shall set forth the name or names of members in good standing who are proposed as candidates, the office for which they are proposed, whether director or member of the Nominating Committee, and a statement that the proposed candidate or candidates have agreed that if elected they would serve. The members' nominating petition must be filed with the President prior to the close of business on the eighth Wednesday preceding the election. If the petition complies with the requirement set forth herein, it shall be posted on the bulletin board on the next business day and the names of such proposed candidates included on the ballot.

(2) **243. TIME AND PLACE OF ELECTIONS**

Annual elections shall be held in the Exchange hall on the first Thursday after the second business Wednesday in January during such hours as the Board may determine.

(1) Revised April 1982; August 1983; September 1986; March 1995; November 1995.
(2) Revised April 1982; January 1983; September 1986; January 1995.

(1) 244. CONDUCT OF ELECTION. THOSE ENTITLED TO VOTE

The President shall have a separate ballot printed for the CME, IMM, IOM and GEM and place thereon the names of all properly nominated candidates. Those nominated by petition shall be so designated and shall follow on the ballot those nominated by the Committee. The order within each group shall be determined by lot. The ballot shall indicate the manner in which each candidate owns or holds a membership. The Chairman of the Board, with the approval of the Board, shall appoint two or more tellers from the CME and two from each Division, who shall supervise the election tally in conjunction with Exchange procedures. No member shall vote who is not in good standing and whose dues and assessments are not fully paid at the time of the election. All votes shall be cast by secret ballot and placed in a ballot box to be provided. The tellers shall keep a list of all members voting and, immediately upon the closing of the polls, the tellers shall count the ballots and certify the names of the elected candidates to the Chairman of the Board who shall announce the result of the election.

At the annual election, individuals entitled to vote may vote in person or by mail, in the manner and to the extent hereinafter provided. At least two weeks prior to the balloting, the President shall send to each voter:

1. a ballot;
2. a small envelope having printed thereon "for ballot only";
3. a form letter of transmittal, addressed to the President, with a line for the signature of the member;
4. a larger envelope addressed to the President; and
5. a statement of approximate equal length regarding each candidate for director, indicating his background, qualifications, manner in which he owns or holds a membership, and whether he is an incumbent, which statement shall be derived from material furnished by the candidate and shall be approved by him.

(1)

Revised August 1983; March 1995; November 1995; August 1996.

The voter shall mark the ballot and place the same in the smaller envelope and shall then seal the small envelope and enclose the same, together with his signed letter of transmittal, in the large envelope, which he shall deliver or mail to the President in time so that it is received by the President before the closing of the ballot box on the day of the election. On the day of the election, the President shall hand all such letters to the tellers in charge of balloting. Before the opening of the ballot box, the tellers shall open the outside envelope, check their list of voters to ascertain that the member whose name is signed to the letter of transmittal is in good standing with all dues and assessments fully paid, check the list indicating the voter has voted, and deposit the small sealed envelope in the ballot box.

No ballot shall be valid unless it is marked for exactly the number of candidates to be elected. Only candidates nominated pursuant to Rules 241 and 242 are eligible to receive votes.

(1)

The six candidates for CME director, four candidates for IMM director, two candidates for IOM director, and one candidate for GEM director receiving the highest number of votes shall be declared elected for a regular term of two years. The five candidates for CME Nominating Committee, the five candidates for IMM Nominating Committee, the five candidates for IOM Nominating Committee, and the three candidates for GEM Nominating Committee receiving the highest number of votes shall be declared elected for one year. The candidate on each Nominating Committee with the highest number of votes shall be elected as chairman of the Committee. In case of ties, the tellers shall decide by lot which of the candidates for director or Nominating Committee who have tied shall be declared elected. In the case of the Nominating Committee, the Committee shall decide who shall serve as chairman.

245. FILLING VACANCIES AFTER ELECTIONS

In case of a vacancy (or vacancies) on the Board or any Nominating Committee, the candidate receiving the next highest number of votes at the previous election and who ran in the same category as the vacant position shall be named director or Nominating Committee member (as the case may be) for the remainder of the unexpired term and until his successor is elected and has been installed.

(1)

Revised August 1983; September 1987; November 1995.

(1) 246. INSTALLATION OF DIRECTORS

The newly elected directors shall be installed not later than the third business Wednesday in January. Prior to the installation, each director shall take the following oath of office, to be administered by the President:

"I,, being duly elected as a director of the Chicago Mercantile Exchange by a vote of the membership, do solemnly swear that I will support the rules of the Chicago Mercantile Exchange and the state and federal laws applicable thereto, that I will faithfully discharge the duties of director of the Exchange to the best of my ability, bearing in mind at all times that I represent the entire membership and not any particular interest or group and that my decisions will be based solely upon considerations of what is in the best interest of the Chicago Mercantile Exchange as an institution."

(2) 247. APPOINTED DIRECTORS

With the approval of the Board, the Chairman shall appoint up to ten persons to serve as directors with all rights and responsibilities of such office. Such appointed directors shall be knowledgeable of futures trading or financial regulation or otherwise capable of contributing to Board deliberations. The appointed directors shall serve for a term of up to two years which shall expire concurrent with the terms of elected Board members. The appointed directors shall receive such compensation as the Board may from time to time determine.

(3) 248. [RESERVED]

(Next Rule 250)

(1) Revised April 1982; December 1985.
(2) Revised April 1990; July 1991; August 1993.
(3) Former Rule 248.--APPOINTED INDUSTRY GOVERNORS, deleted August 1993.

EXCHANGE OFFICERS AND EMPLOYEES**(1) 250. PRESIDENT**

A President shall be engaged by the Board and shall be in charge of the business of the Exchange, and all employees of the Exchange shall be under his supervision. He shall perform such duties relative to the Exchange as these rules provide and as the Board may additionally prescribe. He also shall serve as a non-voting member of the Board and Executive Committee.

251. EXECUTIVE VICE PRESIDENT

An Executive Vice President shall be engaged by the Executive Committee to assist the President in the performance of his duties and to coordinate the activities of all employees and personnel of the Exchange. It shall be his responsibility to coordinate and supervise all normal administrative functions of the Exchange, all procedures made necessary by Board action, recommendations by the Chairman and matters delegated by the President. The Executive Vice President shall act under the supervision of the President and, in the absence of the President, shall perform his duties and exercise his powers.

252. VICE PRESIDENTS

Vice Presidents shall be engaged by the Executive Committee, and shall be assigned such duties as shall be designated and defined by the President.

(2) 253. CORPORATE SECRETARY

A Corporate Secretary, who shall be an Exchange employee, shall be engaged by the President and shall perform such duties as the President, Secretary or the Board may require.

(3) 254. BONDS OF EMPLOYEES

The President shall ensure that all appropriate employees of the Exchange shall be covered by a fidelity bond.

(1) Revised August 1993.
(2) Revised September 1986; January 1992.
(3) Revised September 1986.

(1) 255. EMPLOYEE RESTRICTIONS**A. Restriction on Trading**

No Exchange employee shall trade directly or indirectly (1) any futures contract, commodity options or cash commodities traded on or cleared by any U.S. designated contract market or on any foreign market or (2) any securities option contracts which are closely related to the contracts traded on the Exchange; provided, however, that this rule shall not prohibit an employee from buying or selling shares of mutual funds or other investment vehicles which may buy or sell the foregoing types of contracts, but only so long as the employee has no control or discretion with respect to the purchase or sale of such contracts. An exemption to permit an employee to trade securities option contracts which are closely related to the contracts traded on the Exchange may be granted by the Executive Committee on a case-by-case basis.

B. Restriction on Receipt of Gifts

No Exchange employee shall accept directly or indirectly any gifts, compensation or any form of remuneration whatsoever valued at more than \$25.00 annually from any member of the Exchange, any vendor with whom the Exchange is doing business or any prospective Exchange vendor without prior approval from the Senior Vice President in charge or, in his absence, the Executive Vice President.

**C. Restriction on Disclosure of
Non-Public Information**

No Exchange employee shall disclose to any other person any material non-public information obtained as a result of his or her employment at the Exchange; provided, however, that this rule shall not prohibit disclosures made in the course of the employee's duties, or disclosures made to another self-regulatory organization, linked exchange, court of competent jurisdiction or a representative of any agency or department of the federal or state government acting in his or her official capacity.

(1)

Revised September 1986; June 1987; August 1991; January 1994.

D. Restriction on Ownership of Membership

No Exchange employee shall purchase or own a membership unless an exemption from this rule is granted by the Executive Committee.

E. Restriction on Outside Activities

No employee of the Exchange or its affiliates shall accept employment from another exchange, a competitive business, a member, a clearing member or an affiliate thereof, a purchaser from the Exchange, or a direct or indirect supplier to the Exchange, absent an exemption by the President. For purposes of this Rule 255.E., employment shall include acting as a director or consultant.

F. Violation of Restrictions

Employees who violate the restrictions of this rule shall be subject to immediate dismissal by the President. Members of the Exchange who cause employees of the Exchange to violate this rule or who are aware of violations of this rule and do not promptly report such violation to the President may be guilty of a major offense.

(1) 256. INDEMNIFICATION OF CERTAIN PERSONS

The Exchange shall indemnify its directors, officers, trustees of the pension fund, Gratuity Fund, and the Chicago Mercantile Exchange trust fund, members of the Employee Benefits Plan Committee, committee members, and employees against all damages, costs and expenses incurred in defense or settlement of any claim or lawsuit arising out of such official's position with the Exchange, or as an officer or director of GLBX Corporation, or out of any action taken or omitted in his official capacity, to the maximum extent allowed by Illinois law; provided, however, that the Exchange shall have no duty to indemnify as regards claims asserted by the Exchange as to which the official is finally adjudged to have been guilty of gross negligence, fraud or willful misconduct in the performance of his duties.

(1)

Revised October 1986; August 1993; February 1995.

The Exchange shall provide all reasonable defense costs and fees to persons indemnified by this Rule to the maximum extent allowed by Illinois law; provided, however, that in cases where there is an identity of interests among a group of indemnitees, the Exchange may satisfy its obligation to provide counsel by providing a single counsel for the group.

No amendment or repeal of this Rule or of any relevant provision of Illinois law shall adversely affect or deny to any person entitled to indemnification hereunder any rights to indemnification which such person may have, or change or release any obligations of the Exchange under this Rule, with respect to any damages, costs and expenses incurred in defense or settlement of any claim or lawsuit arising out of such official's position or out of any action taken or omitted in his official capacity, which takes place before or while this Rule is in effect. The provisions of this Rule shall apply to any claim or lawsuit, whenever commenced, including such claim or lawsuit commenced after any amendment or repeal of this Rule.

The foregoing right of indemnification shall inure to the benefit of the estate or legal representative of any person entitled to indemnification hereunder, and shall be in addition to any other rights of indemnification, pursuant to contract or law, to which such individual may be entitled.

(1) 257. EXCHANGE EMERGENCIES

(2) A. Physical Emergency

In the event that the functions of the Exchange are, or are threatened to be, severely and adversely affected by a physical emergency such as fire or other casualty, bomb threats, substantial inclement weather, power failures, communications breakdowns, computer system breakdowns, screen-based trading system breakdowns, malfunctions of plumbing, heating, ventilation, and air conditioning systems or transportation breakdowns, the President may take any action necessary to deal with the emergency, including but not limited to, a suspension of trading. In the event of the unavailability of the President, an Executive Vice President, the Senior Vice President - Operations,

(1) Revised March 1979; January 1981; September 1986; December 1989 (Formerly Rule 401); December 1990.

(2) Revised August 1992; October 1993.

the Senior Vice President or Vice President of the Clearing House, the Vice President - Chief Information Officer, the Vice President - Systems Development or the Vice President - Trading Floor Operations may act in his stead. In the absence of the aforementioned Exchange officers, any member of the Executive Committee may act instead of the President.

Upon a determination by the President that the physical emergency has sufficiently abated to permit the orderly functioning of the Exchange, he shall order restoration of trading or the removal of other restrictions imposed.

The Exchange shall notify the CFTC of the implementation, modification or termination of a physical emergency action as soon as possible after taking the action.

In no event shall a suspension of trading imposed pursuant to this Rule continue for more than 5 calendar days, unless the Exchange has submitted and the CFTC has granted a written request for an extension of time, for good cause shown.

Nothing in this rule shall in any way limit the authority of the Board of Directors to act in an emergency situation pursuant to Rule 230.k.

(1) B. Financial Emergency

If the President (or, in his absence, an Executive Vice President or the Senior Vice President of the Clearing House) determines that the financial condition of any clearing member is such that its continued operation would jeopardize the integrity of the Exchange, the President may proceed against said clearing member in accordance with Rules 828, 829 and 923.

(1) C. Trading Halt in Primary Stock Market.

The President is authorized to take action to suspend trading in a stock index futures or options contract when trading in the primary market for the underlying stocks has not opened or has been halted. If trading in a stock index futures or options contract begins and is subsequently suspended pursuant to this Rule, trading will still be allowed during the suspension, but subject to the following conditions: trading will not extend beyond the current trading session and it will only be at the price of the last transaction which occurred prior to the suspension of trading. In the event of the unavailability of the President, an Executive Vice President, the Senior Vice President - Operations or the Senior Vice President of the Clearing House may act in his stead. In the absence of the aforementioned Exchange officers, any member of the Executive Committee may act instead of the President.

(Next Rule 260)

RULES**(2) 260. BOARD'S POWER**

The power to alter, amend, repeal or adopt rules is vested in the Board (except as specifically reserved to the members by this chapter) and may be exercised at any regular or special meeting of the Board. Before adoption by the Board, any such revision or repeal may be referred to the appropriate committee for investigation, hearings and wording.

261. HEARINGS

Whenever a new rule, amendment or repeal is referred to a committee for hearings, the chairman of that committee shall notify the membership, either by posting on the bulletin board or by mailing to all members, of the time and place of hearings. Any member may attend and be heard. Following the hearings, the committee chairman shall file with the Secretary of the Board a written report summarizing the hearings and setting forth the majority recommendations of the committee.

(1) Adopted December 1990. Revised July 1992.
(2) Revised March 1994; September 1996; April 1990.

(1) 262. MEMBERS' RESERVED POWERS**A. New and Existing Rules**

New rules may be adopted and existing rules amended or repealed by the membership by way of referendum. Such referendum shall be initiated by presenting to the President a petition setting forth the proposed rule in accordance with the requirements of Section C. below.

Such petition must be submitted to the President within 60 days after it is first circulated or it shall become invalid. Upon receipt of such petition, the President shall submit the proposal to the Board at its next meeting.

If the Board approves the proposal, the rule change shall become effective, in accordance with Rule 263, without referendum. If the Board rejects the proposal, or if it is not acted upon within 15 days of the time the petition was received by the President, then the President shall cause a special ballot to be submitted to the membership for approval or disapproval of the proposal. The Board may, in its discretion, offer any proposition to the membership for referendum.

A proposal from the membership which, in the opinion of the Board, involves substantially the same subject matter as has been submitted to referendum, may not be resubmitted to referendum for a period of six months.

(1) Revised March 1984; September 1986; April 1990.

**(1) B. Rule Changes Adopted by the Board
Which are Not Yet Effective**

If, prior to the effective date of a proposed rule change, a petition, meeting the requirements of Section C. below, requesting a referendum on the proposed rule change is presented to the President, the effective date of such new rule, amendment or repeal shall be stayed. Upon receipt of such petition, the President shall arrange for a special ballot on said rule change. The membership shall be notified not later than the next business day that the effective date of the new rule, amendment or repeal has been stayed.

(2) C. Petition Requirements

A valid petition shall have a minimum of 350 signatures of eligible signatories. Each eligible signatory shall be entitled to sign such petition once for each membership registered in his name, except that signatures of members holding memberships pursuant to Rule 106.D. shall not be counted toward the minimum number of signatures required. Each signature on a petition must be dated, and any signature may be withdrawn prior to the presentation of the petition to the President.

(3) 263. NOTICE TO MEMBERS

Except in the case of an emergency action taken in accordance with Section 5a(a)(12)(A) of the Act, contract specifications or performance bond requirements, notice of all proposed rule changes shall be given to the members five days prior to submission to the Commission for approval. Where submission is not required, notice shall be given five days before the effective date of the rule.

264. [RESERVED]

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(3)

Revised March 1984; September 1986; April 1990 (Formerly Rule 264. REFERENDUM).
Adopted April 1990; August 1996.
Revised June 1992.

265. METHOD OF VOTING

When a members' referendum is required, the proposal shall be mailed to the membership no sooner than 15 days and not later than 30 days from the time a petition is received by the President. The ballot shall include a copy of the new proposal and any rule change; the designated day of voting (which must be no sooner than 10 and no later than 15 days following the mailing of the ballot); an explanation of discussion of the proposal (if desired) by both petitioners and Board, not to exceed 250 words each; a space for indicating approval or disapproval; and envelopes for return of a secret ballot. The President shall arrange tellers and conduct a count consistent with the requirements of Rule 244, the binding results of which are to be mailed to the membership within two business days of the designated day of voting.

(1) 266. WEIGHTING OF VOTES

In general, the votes of CME members, IMM members, IOM members, and GEM members shall be equal, except that each CME member's vote shall be multiplied by a factor of 6, each IMM member's vote shall be multiplied by a factor of 2, each IOM member's vote shall be multiplied by a factor of 1, and each GEM member's vote shall be multiplied by a factor of one-sixth for all issues pertaining to core rights of members. Such issues shall include matters relating to 1) voting, 2) representation on the Board of Directors and Executive Committee, 3) trading rights, 4) the right to share in Exchange assets on dissolution, and 5) any other issue where the Board of Directors determines that weighted voting is appropriate because the issue directly affects the governance rights of members or it has a direct and disproportionate impact on the value of memberships of a particular division.

(1) Revised August 1983; September 1992; November 1995.

(1) **267. VOTES REQUIRED**

A Board action stayed pursuant to Rule 262 shall be considered approved unless at least one-half of the total potential vote, as weighted in accordance with Rule 266, is validly cast, and at least a majority of such weighted vote disapproves the Board's action. A proposal initiated by petition of members shall be considered defeated unless at least one-half of the total potential weighted vote is validly cast, and at least a majority of the weighted vote approves the proposal. Whenever a referendum to reverse a Board action fails, or whenever a members' proposal is carried, the proposal in question shall become effective in accordance with Rule 268, or at such later date as is indicated in the referendum. Any proposal disapproved by the referendum shall be null and void.

268. EFFECTIVE DATE

All rules, regulations and resolutions shall become effective upon order of the Board in conformance with the rules of the Exchange and applicable state and federal laws.

(Next Rule 290)

EXCHANGE FUNDS

(2) **290. BANK ACCOUNTS**

The bank accounts of the Exchange shall be maintained and apportioned among at least three Chicago banks and shall consist of the following:

- a. **Security Deposit Account**, in which there shall be deposited only the funds provided for in Rule 816. There shall be drawn against this account only checks for the return of such deposits in accordance with Rule 816, or interest thereon.

(1) Revised November 1991.
(2) Revised March 1988.

- (1)
- b. Clearing House Account**, in which there shall be deposited the performance bonds and settlements required by these rules, the monies received from the Clearing House members as provided by Rule 820 and the monies received from other Participating Exchanges pursuant to the Mutual Offset System. There shall be drawn against this account only checks payable to Clearing House members or other Participating Exchanges as performance bond returns and settlement adjustments, or transfers between Clearing House accounts.
 - c. General Account**, in which there shall be deposited all other monies of the Exchange, and from which all salaries and other expenses shall be paid; provided, however, that the Board may authorize other accounts to be opened and maintained for the purpose of disbursing salaries and paying expenses; and the Board shall, by resolution, designate the purpose for which any such account is to be maintained, and the persons by whom checks may be drawn on the account.
 - d. Payroll Account**, in which there shall be deposited checks drawn from time to time upon the general account in such amounts as may be deemed necessary by the President or Executive Vice President. The salaries and wages of such employees of the Exchange, as the President may designate, shall be paid by checks drawn upon this account.
 - e. Delivery Account**, in which there shall be deposited all funds payable to the Clearing House pursuant to Rule 731 and from which funds may be withdrawn in accordance with Chapter 7.
- (2)
- The Exchange may also maintain additional bank accounts, within or outside of the United States, as may be deemed necessary by the Clearing House to facilitate deliveries and settlements.

(1)
(2)

Revised September 1984; June 1992.
Revised March 1988.

(1) **291. AUTHORIZED SIGNATURE**

Checks on the General Account, Security Deposit Account, Clearing House Account, Payroll Account and Delivery Account shall be signed and countersigned by any two of the following: President, Executive Vice President, Senior Vice President of Administration and Finance, and other persons designated by the above officers.

For purposes of this rule, the terms "signature," "signed" and "countersigned" shall be deemed to include an approved computer facsimile of the signature.

(2) **292. INVESTMENT OF FUNDS**

The Exchange may invest any funds in the Clearing House Account of the Exchange in bonds, notes and bills of the United States Government and any funds in the General Account of the Exchange in accordance with investment guidelines which the Board shall establish from time to time.

293. SAFEKEEPING ACCOUNTS

The Exchange shall maintain with one or more Chicago banks such safekeeping accounts as shall be required for the purpose of placing with depository the government securities acquired pursuant to the Rules of the Exchange.

(End Chapter 2)

(1) Revised July 1978; September 1986.
(2) Revised October 1994.