



**Emerging Markets Incentive Program (EMIP)  
Questions & Answers  
February 2011**

**Program Description**

**1. What is the Emerging Markets Incentive Program (EMIP)?**

The Emerging Markets Incentive Program (EMIP) provides fee waivers for **new** traders associated with proprietary trading firms and trading arcades located in approved emerging markets. Qualified registered traders can obtain fee waivers for **electronic** proprietary trades of qualified products in accordance with CME Group policies. The EMIP is designed to encourage the development of new traders trading from countries not traditionally or actively involved in global futures markets and evolves from the previous CBOT Global Developing Markets (GDM) Program and CME Emerging Markets Partnership Program (EMPP).

**2. What are the benefits offered under the EMIP?**

Electronic volume transacted by eligible **new** traders can qualify for a fee waiver covering up to a maximum of 50,000 sides.

Qualified **electronic** trading activity will be accumulated as one product exchange when determining if threshold levels have been met in order to receive fee waivers. Exchange\* and Clearing fee waivers will apply to **each approved trading site and new trader** that is registered within the Exchange Fee System of up to a **maximum** of 50,000 sides per **new\*\*** trader through the duration of the program ending **December 31, 2011**.

*\*Exchange Fee is equivalent to the Globex Fee on the CME Fee Schedule*

*\*\* New Trader requirement—see Question 9*

**3. What products qualify?**

CME and CBOT future and option products traded on CME Globex have been eligible since inception of EMIP. Effective January 1, 2010, all NYMEX and COMEX futures products were also made available to trade by EMIP participants for electronic trading only.

**4. When does the EMIP go into effect?**

The program began February 1, 2009 and has been extended through **December 31, 2011**.

**5. What will happen when the program expires?**

All future sides executed by traders previously participating in the EMIP will be charged standard transaction fees consistent within the fee category of the account owner, trader and product based on the then current CME Group fee schedules.



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**6. Is the program restricted to specific trading hours?**

No. Trading on CME Globex is available virtually 24 hours a day, 6 days a week. EMIP firms may take advantage of the fee waivers at anytime during the day or night. For a complete list of CME Group products and trading hours, please see [www.cmegroup.com/trading\\_hours](http://www.cmegroup.com/trading_hours)

**7. What is the definition of an emerging market?**

For the purposes of EMIP, CME Group has defined an emerging market by exclusion. CME Group has sole authority to determine whether a location is, or is no longer, considered to be an approved emerging market location for EMIP. A list of excluded countries is attached in **Appendix A**. Each firm's participation in the EMIP will be evaluated based initially on the chosen location.

**EMIP Requirements**

**8. What are the requirements for traders who want to receive the fee waiver benefits of the EMIP?**

The purpose of the EMIP is to develop new traders located in non-traditional locations. Therefore, to benefit from the fee waiver individual participants must:

- Be **new** to derivatives trading and recruited locally.
- Be physically trading from the facilities of the EMIP firm and those facilities must be located in a country designated as a CME Group approved emerging market.
- Be undergoing or have undergone the respective training program that provides an overview of CME Group products.
- Be actively trading with discretion. **Traders who are operators of automated trading systems are not eligible for the fee waiver.**
- Not have relocated from non-eligible countries

**9. What are the obligations of a firm participating in the EMIP?**

EMIP firms and CME Group will work together to develop trading interest in CME Group markets in these emerging market countries. Specifically, an EMIP firm is obligated to make available to CME Group:

- Their management on at least a quarterly basis to meet with CME Group representatives, at CME Group's request, to review their participation in the program, overall trading activity and status of registered traders.
- Their traders for education on CME Group markets from a CME Group representative or designate.
- The opportunity to review their trader education programs.
- A list of all registered traders who are actively trading to be sent to CME Group on a monthly basis.
- All other necessary and reasonable information to determine the entity's eligibility to participate in the EMIP.
- An update to their clearing firm and CME Group regarding traders who are no longer with the firm so they can be de-registered from the program within CME Group's Exchange Fee System within two weeks of their departure from the firm.



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**Firm Eligibility**

**10. What status must my firm have to be able to apply for the EMIP?**

To apply for the EMIP, a firm must be either a proprietary trading firm or trading arcade which is located in a CME Group approved emerging market location and approved as either a member or incentive program participant within CME Group (CME, CBOT, NYMEX or COMEX).

CME Group shall have sole authority to determine whether an entity is, or is no longer, eligible for the EMIP.

**11. Are a single entity's multiple branches or offices (i.e. "sites") also eligible to be EMIP participants?**

Yes, an entity can have multiple branches or offices (i.e. "sites") that are eligible to be EMIP firms.

**Note:** A single EMIP firm is defined for all branches or offices of an entity that are located in a single city in a CME Group approved emerging market. Therefore, only one firm application is required per single city.

**12. What is the status of previously registered EMPP and/or GDM firms going forward into this EMIP?**

Firms previously registered in either legacy GDM or legacy EMPP or both, will be eligible to be grandfathered into the EMIP regardless of whether they hit a site cap or time duration by site, as long as they still qualify under the requirements of EMIP.

**Trader Eligibility**

**13. Are there any restrictions on who may trade an EMIP's trading accounts?**

Yes. To receive fee waivers, trades must be done by registered qualified new traders.

**14. If I am an individual trading my own proprietary account, can I qualify for the program?**

No. The program is specifically designed to provide fee waivers to proprietary trading groups and trading arcades.

**Minimum Volume**

**15. What are the minimum volume requirements to stay in the program?**

EMIP firms that traded on average 50 contracts (sides) a day in the previous calendar quarter across qualified products are eligible for the program. Eligibility for the program will be re-evaluated on a calendar quarter basis (March, June, September and December) for the previous 3-months of trading. The initial evaluation for EMIP will take place March 31, 2009 and review volume traded between the February and March timeframe.



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Please note that volume traded under membership (e.g. non-EMIP/incentive programs), will not qualify for the EMIP volume requirement. For example, if a CME Rule 106.H. trading member holds an IOM membership, the firm's trades for experienced traders under IOM and GEM will not be eligible towards the EMIP volume requirement.

EMIP firms that do not satisfy the minimum quarterly volume requirement will no longer be eligible for the EMIP. Firms can reapply.

**16. How is an EMIP firm's average daily volume calculated for the purposes of the minimum quarterly volume requirement?**

For each quarter, CME Group sums the qualified product (non-TRAKRs) sides traded through accounts held by the EMIP firm and registered in CME Group's Exchange Fee System as such. To be included in the sum the contract side must trade and clear on a day within the quarter. CME Group calculates the average daily volume by dividing that sum by the number of business days in the quarter. Exchange holidays where only Globex is open are excluded from the business day count for the quarter.

**17. How is an EMIP firm's average daily volume calculated if the EMIP firm was approved midway through the quarter?**

The average daily volume will be based on the sides traded while the firm was in the EMIP and the number of business days that the entity was in the EMIP during the quarter.

**18. For an EMIP firm failing the minimum quarterly volume requirement, when will the firm be dismissed from the program?**

On the 15th of the review month (or first business day thereafter).

For instance, if an EMIP firm averages below 50 contracts (sides) a day for the second quarter of 2009, the EMIP firm status will change effective July 15, 2009. For the period July 1 through July 14, the firm will receive EMIP program benefits. On and after July 15, the firm will no longer be eligible for the program and will be charged standard transaction fees consistent within the fee category of the account owner, trader and product based on the then current CME Group fee schedules.

**19. Will CME Group notify the EMIP firm or the clearing firm of its failure to meet the minimum quarterly volume requirement?**

Yes. CME Group will notify an EMIP firm failing the average minimum quarterly volume requirement. Additionally, CME Group will do its best to notify an EMIP firm's clearing member firms through direct communication (e.g. e-mail) that the EMIP firm has been dismissed from the program. However, the EMIP firm is responsible for communicating with its clearing member firms the change in its status.



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**Registration - Application/Approval Process**

**20. How do firms apply for the EMIP?**

Firms wishing to apply for the EMIP should contact a member of the CME Group Products & Services team listed below. The application form can be found on CME Group's Web site at [www.cmegroup.com/incentives](http://www.cmegroup.com/incentives). Firms should also contact their clearing firms as their support will be helpful during the application and review process.

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**21. If my firm is approved for the EMIP and I want to add additional 'sites' to the EMIP, what do I need to do?**

An EMIP application form will be required for each site to be reviewed and approved by CME Group.

**22. Are there any application fees?**

No.

**23. If my firm is approved as an EMIP firm does it still need a CME Group clearing member firm?**

Yes. All trades at CME Group are done through CME Group (CME, CBOT, NYMEX or COMEX) clearing member firms. All EMIP firms must maintain their own separate account on the books of a CME Group clearing member firm for their proprietary trades. EMIP firm accounts may not be maintained in a non-disclosed omnibus account.

**24. How will my clearing member firm be notified that my firm has been approved as an EMIP firm?**

While we will do our best to notify the appropriate staff at any clearing firms you have included in your application, the responsibility to inform your clearing firm(s) remains with you. Because the EMIP fee waivers could be applicable at any clearing firm you utilize, you need to notify them so they can register your accounts and trader IDs within the Exchange Fee System (EFS). We may not know about all of your clearing relationships. As a result, you must notify your clearing firms when you receive your approval notification.



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**25. If our firm uses multiple clearing firms or changes clearing firms once approved, do we need to submit an additional application?**

No, but if an approved EMIP firm changes or adds clearers, it is the responsibility of the EMIP firm to inform their clearing member firm that the firm is approved for the EMIP so the clearer can register trader and account details in EFS. In addition, they need to send a letter to their CME Group Products & Services account manager notifying the Exchange of the names of additional clearing firms.

**26. If our firm wants to add additional new traders to EMIP, what must we do?**

The Trader Application form (**Schedule B**) is attached to the EMIP application. The trader's information must be submitted to the CME Group Products & Services account manager and the clearing firm, so that the clearing firm can update the fee system with the trader information to ensure fee waivers are applied. Fee waivers will not occur until the EMIP firm site is approved and their clearing firm has registered the trader within the appropriate site properly within the Exchange Fee System.

**Registration - Exchange Fee System Registration Process**

**27. How does a clearing firm register an EMIP participant in order to receive the fee waivers?**

Both the workstation operator ID and the account must be registered within fee system in order to receive the reduced rates. Also, the assigned workstation operator ID must be included on each electronic transaction in order to receive the discounted fees. If these requirements are not met, fee waivers will not be applied.

The EMIP participant's clearing firm must ensure that a unique workstation operator ID is assigned to each trader. Then the clearing firm fee administrator must register both the account and the trader's workstation operator ID (also known as the Tag 50 ID) in CME Group's Exchange Fee System. Both the account and operator ID must be associated to the appropriate EMIP participant.

For the operator ID registration, the following information is required:

- Workstation Operator ID (Tag 50)---this must be one unique ID to cover both exchanges.
- Trader Name
- Date of Birth (MM/DD/YYYY)
- Trading Location (Country of primary residence)
- Email address (optional)

**28. Once approved, how does an EMIP firm and its participants receive EMIP fee waivers?**

Applicants will begin receiving EMIP fee waivers once approved by CME Group under the terms of the EMIP and when their eligible accounts and traders are properly registered by their clearing firm within CME Group's Exchange Fee System (EFS).



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Proper registration within EFS includes each individual trader's unique workstation Operator ID (e.g. Tag 50) to cover CME, CBOT, NYMEX and/or COMEX and account information for all CME, CBOT, NYMEX and/or COMEX activity.

EMIP participants will **not** receive retroactive EMIP fee waivers for trades executed prior to both approval and proper registration within the fee system. Therefore, CME Group strongly encourages EMIP firms to work closely with their clearing firms to ensure the necessary approvals are received and fee system registration occurs on a timely basis

In addition, if it is determined that a trader registered for EMIP is using more than one Operator ID (Tag 50), **the firm will be subject to the assessment of fees previously waived and the firm will no longer be able to participate in the program.**

Please refer to the Market Regulation advisories on [cmegroup.com](http://cmegroup.com) for requirements on operator ID registration.

**29. What do I need to do if a registered trader leaves a participating firm?**

It is the responsibility of the participating EMIP firm to request that its clearing firm(s) expire traders from the program within two weeks of leaving the firm and inform their CME Group Products and Services account manager that the trader is no longer in the program.

**Fees**

**30. What happens after a new trader at an EMIP registered firm hits the program volume cap of 50,000 sides?**

Once a new trader of an EMIP firm hits his/her total volume cap of 50,000 sides, all future sides executed by that trader will be charged standard transaction fees consistent within the fee category of the account owner, trader and product based on the then current CME Group fee schedules.

**31. If an eligible new trader gives-up their trades, will those trades be eligible for the fee waiver?**

No, give-up transactions are not eligible for EMIP.

**32. Can I transfer my positions to SGX via the Mutual Offset System (MOS)?**

No. Contracts traded under the EMIP must be held (and offset) in the CME Group Clearing House. Open positions cannot be transferred to SGX under the MOS arrangement and still receive fee waivers.



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**Appendix A**

**Countries Excluded from CME Group's EMIP**

Austria  
Australia  
Belgium  
Canada  
Caribbean Islands  
Denmark  
France  
Germany  
Gibraltar  
Hong Kong  
Ireland  
Italy  
Japan  
Luxembourg  
Monaco  
Netherlands  
New Zealand  
Norway  
Portugal  
Singapore  
Spain  
Sweden  
Switzerland  
UK  
USA