



**International Incentive Program  
Questions & Answers  
December 2011**

**1. What is the International Incentive Program?**

The International Incentive Program (IIP) enables proprietary trading firms and trading arcades located outside of North America to receive discounted fees for qualified products. These incentives apply only to electronic proprietary trades that are done by qualified registered traders in accordance with CME Group policies. IIP participants will receive discounted fees through **December 31, 2012**, provided that they satisfy minimum quarterly volume requirements.

**2. What products can be traded under this program?**

All CME, CBOT, NYMEX and COMEX products available on CME Globex can be traded under the program.

**Fee Schedule**

**3. What is the CME Group fee schedule for IIP firms?**

Since **February 1, 2011**, the following fee schedule applies. Please refer to the most updated fee schedule at <http://www.cmegroup.com/company/fees> which provides more detail on fees for this program as well as fees for products not listed below.

Product Category	Electronic Trading All-In Fees [per side]
<b><u>CME Products</u></b>	
CME E-mini Equity Index Products	<b>Futures: \$0.49 Options: \$0.44</b>
CME Full Size Equity Index Products	<b>\$1.00</b>
CME Interest Rate Products	<b>\$0.44</b>
CME Foreign Exchange Products	<b>\$0.54</b>
CME Agricultural Products	<b>\$0.81</b>
<b><u>CBOT Products</u></b>	
CBOT mini Equity**	<b>\$0.49</b>
CBOT Full Size Equity	<b>\$0.81</b>
CBOT Interest Rates	<b>\$0.44</b>
CBOT Agricultural Products	<b>\$0.81</b>
<b><u>NYMEX Products</u></b>	
NYMEX Division - CME Globex (Physicals)	<b>\$0.75</b>
<b><u>COMEX Products</u></b>	
COMEX Division - CME Globex (Physicals) – Futures only	<b>\$0.75</b>

\*\*For CBOT Mini Dow product only

#### **4. Are give-up trades eligible?**

Yes, give-ups are eligible for the reduced all-in fee.

#### **5. Is the program restricted to specific trading hours?**

No. Firms in the program may take advantage of the discounted fees at anytime. For a complete list of CME, CBOT, NYMEX and COMEX products available on Globex and trading hours, please refer to [http://www.cmegroup.com/trading\\_hours](http://www.cmegroup.com/trading_hours)

#### **7. Is an IIP firm subject to fees charged per contract by the National Futures Association (NFA)?**

Yes, IIP firms are considered participants in an incentive program.

#### **Firm eligibility**

#### **8. What types of firms are eligible for the International Incentive Program? What types of firms are not eligible?**

**Eligible Firms:** Proprietary trading firms and trading arcades located outside of North America and traders located outside of North America are eligible for the IIP. They will receive discounted fees for all electronic trading for qualified products and accounts of the proprietary trading firm or trading arcade conducted in accordance with CME Group policies.

**Ineligible Firms:** Hedge Funds, Commodity Pools, Banks, FCMs, Brokers, Broker/Dealers, Commodity Trading Advisors, Introducing Brokers, Spread Betting Firms, Asset/Investment Managers, Pension Funds and other firms that hold and/or manage third party funds are not eligible for the IIP.

#### **9. What firms qualify as proprietary trading firms for IIP?**

As defined by CME Group, a proprietary trading firm is a legal entity that trades its own capital. Trading funds must be exclusively firm funds and all trading must be done in the firm's accounts. A proprietary trading firm is a legal entity in which:

- All trading must be done in proprietary trading accounts held in the name of the firm.
- All trading must be done electronically by owners, employees or contractors of the firm.
- Only the firm's capital can be at risk of loss; that is, no traders may make any trading capital contributions or payments to the firm nor have any capital at risk in connection with their trading of the firm's proprietary accounts.
- All trading must be solely for the benefit of the firm. No other individuals or entities can have any ownership interest in these accounts.
- All funds contributed to and traded under the firm are subject to loss from any and all trading activity of the firm.
- All profits and losses of the account are booked to income of the firm.
- Net profits of the account after the distribution of trader incentives and deduction of expenses are taxed to the firm.

Please refer to Fee Policy Bulletin #09-01 dated June 16, 2009, for complete details of fee policies.

#### **10. What firms qualify as trading arcades for IIP?**

As defined by CME Group, a trading arcade is a legal entity where individuals whom are owners, employees or contractors of an entity that provide a legal, risk management and physical structure and trading facilities to traders in return for sharing of trading profits. Transactions are executed in the name of accounts owned by the trading arcade and originate from the trading arcade facility or from a remote site connected to the trading arcade facility. The funds used for trading may be corporate pools of funds or commingled individual/corporate funds, of which the trading arcade must contribute at least 20% of the funds. Additionally:

- All trading must be done electronically by owners, employees or contractors of the firm.
- The trading arcade must participate in at least 20% of the profits/losses of the trading accounts.
- Individual traders may participate in no more than 80% of the profits/losses of the trading accounts.
- All trading is conducted in accounts of the trading arcade which are held in the name of the trading arcade.
- All funds contributed are at risk and subject to loss from any and all trading activity of the trading arcade. Thus, funds contributed by an individual trader are not only at risk and subject to loss from the individual's trading activity of the trading arcade account, but are at risk and subject to loss from any and all the trading activity of the trading arcade.

Please refer to Fee Policy Bulletin #09-01 dated June 16, 2009, for complete details of fee policies.

#### **11. Can an existing CME, CBOT, NYMEX or COMEX clearing member, NYMEX Rule 106.J. Member Firm, CME Rule 106.J. Equity Member Firm (formerly known as CME Corporate Equity Member), CME or CBOT Rule 106.H. trading member, CBOT Rule 106.J. equity member, CME or CBOT Rule 106.R. electronic corporate member outside of North America convert or step down to IIP?**

No. However, the firm can keep its current membership(s) and concurrently apply to participate in IIP and benefit from IIP rates for the products within IIP that are not covered under the firm's current membership(s). For example, a CME Rule 106.H. trading member firm in the IMM division could apply for IIP for the CME division, CBOT, NYMEX and COMEX products.

An exception is allowed for a CME Rule 106.R. electronic corporate member outside of North America which does not hold membership(s) (ECM-W).

#### **Who Can Trade?**

#### **12. Are there any restrictions on who may trade an IIP's trading accounts?**

Yes. To receive discounted transaction fees, trades must be done by registered traders. In general, trades done by any owner of, employee of, or contractor to the trading firm may receive discounted fees.

Please refer to Fee Policy Bulletin #09-01 dated June 16, 2009, for complete details of fee policies.

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

No. The program is specifically designed to provide discounts to proprietary trading firms and trading arcades.

## **Minimum Volume**

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

IIP participant firms that traded on average 50 contracts (sides) a day in the previous calendar quarter across qualified products are eligible for the program. Eligibility will be re-evaluated on a calendar quarter basis (March, June, September and December) for the previous three months of trading.

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

IIP firms that do not satisfy the minimum quarterly volume requirement will no longer be eligible for the IIP. Firms can reapply, however the standard non-refundable application fee will apply.

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

For each quarter, CME Group sums the qualified product sides traded through accounts held by the IIP 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 CME Globex is open are excluded from the business day count for the quarter.

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

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

### **17. For an IIP 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 IIP firm averages below 50 contracts (sides) a day for the first quarter of 2012, the IIP status will change effective April 15, 2012. For the period April 1 through April 14, the firm will receive IIP rates. On and after April 15, the firm will no longer be eligible for the program and will receive non-member/customer rates on all future trades.

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

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

## **Registration - Application/Approval Process**

### **19. How do firms apply for the International Incentive Program?**

Firms wishing to apply for IIP should contact the Audit Department at 312.930.3230. 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.

If you have questions, you may also contact the Product & Services team within our respective offices:

#### **Europe, Middle East & Africa (EMEA) and Asia:**

Darren Anthony [Darren.Anthony@cmegroup.com](mailto:Darren.Anthony@cmegroup.com)  
+44 20 7796 7100

#### **Latin America: (& other locations outside of EMEA/Asia)**

Charles Farra [Charles.Farra@cmegroup.com](mailto:Charles.Farra@cmegroup.com)  
(312) 930-2319

### **20. How long is the approval process?**

Once the application, all supporting documents and the application fee are received, the review process starts and generally takes 4-6 weeks. CME staff will consider the applicant's business reputation, financial resources and proprietary trading activity in approving the applicant and reserves the right to reject any applicant. The decision of CME staff is final.

### **21. Are there any application fees?**

Yes. A \$2,000 non-refundable application fee will be required prior to any entity being reviewed and approved to receive the discounted rates. This fee will be applied to any transfer fees associated with the future purchase or lease of a CME, CBOT, NYMEX or COMEX membership.

### **22. If my firm is approved as an IIP 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 and COMEX) clearing member firms. All IIP firms must maintain their own separate account on the books of a CME Group clearing member firm for their proprietary trades. IIP accounts may not be maintained in a non-disclosed omnibus account.

### **23. How will my clearing member firm be notified that my firm has been approved as an IIP 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 IIP discounted rates could be applicable at any clearing firm you utilize, you need to notify them so they can register your accounts and trader IDs within 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.

**24. 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 IIP firm changes or adds clearers, it is the responsibility of the IIP firm to inform their clearing member firm that the firm is approved for IIP. This is necessary so that the clearer can register trader and account details in EFS.

**Registration - Exchange Fee System Registration Process**

**25. How does a clearing firm register an IIP firm in order to receive the discounted fees?**

Both the workstation operator ID and the account must be registered within the exchange 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. The registration must reflect which exchange the IIP participation is for since operator ID registration is across exchanges. If these requirements are not met, non-member rates will apply.

The IIP firm'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 IIP participant.

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

- Workstation Operator ID (Tag 50)
- Trader Name
- Date of Birth (MM/DD/YYYY)
- Trading Location (Country of primary residence)
- Email address (optional)

**26. When does this program expire?**

The program will expire on December 31, 2012. Therefore, any firm that is approved and continues to meet the program requirements will receive discounted rates through December 31, 2012 as long as the IIP firm and its traders are properly registered within the Exchange Fee System.

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

Participants will be charged non-member customer fees according to CME Group's then-current fee schedule.

**28. Who can I contact if I have additional questions?**

For any fee related questions, please contact the Fee Hotline at (312) 648-5470. For any questions regarding owning or leasing memberships, please contact the Membership Department at (312) 435-3480. For general questions and how to apply for IIP, please contact the Audit Department at (312) 930-3230 or the CME Group contacts indicated in Q19.