CME Group

Clerk for Member Program
Questions & Answers
December 2011

1. What is the Clerk for Member program?

In order to facilitate manual entry of orders into the Globex platform for individual floor members and market-makers, CBOT and CME have for a number of years permitted individual members [1] of the exchanges to employ clerks to enter orders at an individual member's direction allowing those orders to receive the individual member's rate. Specifically, this program allows for:

- **Member-Clerks ("Clerks"):** Clerks employed by individual members for the purposes of entering orders for that individual member's personal account.

Clerks may only enter orders at the explicit direction of an individual member, must always be supervised by an individual member and cannot engage in any discretionary trading in an individual member account.

2. What is the new harmonized policy for Clerks?

Individual members will be able to receive account based fees for up to two **(2)** Clerks acting in an order filling capacity. Clerks will be required to be properly registered in the Clerk for Member Program with CME Group Inc.'s ("CME Group") Membership Services Department.

For a trade to qualify for account based rates under the harmonized policy, the following requirements must be met:

The individual member must either **a)** actively trade on the floor or **b)** be a registered electronic market maker.

a) An individual member will be considered to be <u>actively trading on the floor</u> if, on a monthly basis, the member's self executed floor traded volume is a significant percentage of the member's total trading volume (including orders entered by the Clerk). Individual members executing at least 25% of self executed floor traded volume will be considered without question to have met the "significant percentage" requirement. Lower percentages will be subject to staff review and discretion. Floor traded volume consists of trades executed <u>by the individual member</u> while on the floor in a trading pit. Trades entered by another member are not included in the member's floor trading volume. Further, trades entered by the individual member into Globex while on the floor or in the pit through a handheld device are not included as floor traded volume.

b) An individual member will be considered a <u>registered electronic market maker</u> if he or she is registered in a defined electronic market maker program such as the Electronic Pack & Bundle Market Maker Program or the Electronic Options Market Maker Program.

- Clerks may only enter <u>manual orders</u>. The Clerk for Member Program does not apply to any Automated Trading System ("ATS").

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[1] For clarity, individual members refer to both CME/CBOT members and lessee members.

- Clerks must act in an order-filling capacity and cannot trade with discretion.
- CBOT Clerks may enter trades through a handheld. However, CME Clerks entering trades through a handheld or handheld terminal are required to be on a membership.
- Clerk(s) must be registered by the individual member's clearing firm within CME Group's Exchange Fee System with a unique operator ID (e.g.Tag50 ID) and that ID must be submitted with each trade entered by the Clerk. The operator ID registration within the fee system will be for both CME and CBOT Clerks and each registered Clerk must be associated with the appropriate Exchange designation. Also, the individual member's specific account number must be submitted on each order entry. This specific individual member's account will also need to be registered within the Exchange Fee System by the individual member's clearing firm to ensure that the appropriate fees are applied as well.
- Because Clerks must act in an order-filling capacity and are not allowed to trade with discretion, trades entered by an ATS operated or supervised by a Clerk are not eligible for account based rates.
- All CME and CBOT discount programs for electronic activity may apply if the participant is eligible based upon the fee policy requirements of the program.

Violations of the policy will result in all trades entered by the Clerk no longer being eligible for the account based rates.

3. For legacy CME Clerk participants, what are the key differences between the harmonized program and the previous CME Clerk for Member program?

- The harmonized program contains more specific eligibility requirements regarding an individual member's floor trading activity and/or making electronic markets.
- The harmonized program permits **2** Clerks per member. The harmonized program allows a Clerk to be shared with up to **5** individual members.

4. For legacy CBOT Clerk participants, what are the key differences between the harmonized program and the previous CBOT Clerk for Member program?

- The harmonized program contains more specific eligibility requirements regarding an individual member's floor trading activity and/or making electronic markets.
- The harmonized program allows a Clerk to be shared with up to **5** individual members.
- The harmonized program requires individual members to register Clerks with CME Group's Membership Services Department.

5. **What are the key differences for Clerks for CME and CBOT individual members?**
   - CME individual members maintaining a line of sight with their Clerk, the Clerk is required to be an individual member.
   - CBOT individual members maintaining a line of sight with their Clerk are NOT required to be an individual member.
   - Clerks for CBOT individual members may enter trades through a handheld or handheld terminal. However, Clerks for CME individual members entering trades through a handheld or handheld terminal are required to be an individual member.

6. **When did the harmonized policy go into effect?**
   The harmonized policy went into effect July 1, 2008.

7. **What fees will be paid for trades entered into GLOBEX by registered Clerks?**
   Under the harmonized policy, fees assessed by CME Group for trades entered by Clerks for an individual member will be based solely on the membership status of the individual member.

8. **How many Clerks can I register?**
   Each member can register up to two **(2)** Clerks to enter orders on behalf of the individual member.

9. **Can a Clerk be registered to more than one individual member?**
   Yes, a Clerk can be registered to more than one individual member. However, each individual member is responsible for supervising and directing the activities of his/her registered Clerk.

10. **Is there a limit on the number of individual members a Clerk can be registered to?**
    Yes. One Clerk can be registered to **<u>no more than 5 individual members</u>**.

11. **If I am an individual member of both exchanges, am I allowed to register 4 Clerks as Member-Clerks?**
    No, each individual member can only register up to two **(2)** Clerks.

12. **Will I need to get a lease for my Clerk?**
    Clerks will not be required to be on an individual membership except for **1)** CME individual member maintaining a line of sight to their Clerk or **2)** Clerks for CME individual members entering trades through a handheld device or handheld terminal.

13. **How do I register my Clerk?**
    To register a Clerk you must submit a completed Member-Clerk Authorization form to CME Group's Membership Services Department. Once the authorization form has been received and approved by the Membership Services Department, your clearing firm then will need to register the Clerk's Operator ID (e.g.Tag50 ID) and the individual member's account into CME Group's Exchange Fee Systems for CME and CBOT trading activity. **<u>Note:</u>** If the

Membership Services Department has not received or approved the completed form, then registration will not be able to occur in the fee systems.

The Member-Clerk Authorization Form is attached as the last page of this document. The Member-Clerk Authorization Form is also available in the Membership section of the CME Group website.

14. If I need to change Clerks, what do I need to do?
You will need to provide written notification to the Membership Services Department identifying the Clerk you are expiring. If you are adding a replacement or additional Clerk, you will need to complete the appropriate authorization form and submit it to the Membership Services Department.

15. After I submit the Member-Clerk Authorization Form, is there anything else I need to do?
The Clerk's Operator ID (e.g.Tag50 ID) and the individual member's account must be registered within CME Group's Exchange Fee System in order to be eligible for preferred rates. Fee registration may only occur after the respective authorization form has been approved by CME Group's Membership Services Department. Please notify the appropriate staff at the clearing firms you plan to clear your transactions with of your participation in this program. While we will do our best to notify the appropriate staff at clearing firms you have included in your application, the responsibility to inform your clearing firm(s) remains with you.

16. Will I be able to have line of sight to my Clerk?
If space is available, you will be able to have line of sight to your Clerk. Keep in mind that Clerks for CME individual members requesting line of sight will be required to be on an individual membership or lease a membership.

17. Must my Clerk be located on the trading floor?
No.

18. May Clerks in the program that are located on the trading floor trade for their own accounts?
Rule 501 prohibits non-member Clerks with floor access from trading their own accounts in CME and CBOT products.

19. If my Clerk is <u>not</u> on the trading floor, can he use any trading front-end?
Yes, Clerks located off the floor may use any trading front-end to enter the trades on behalf of the individual member as applicable. To receive account based rates, the Clerk's operator ID (e.g. Tag50 ID) must be submitted with each trade.

20. **When will the minimum floor volume or electronic market making requirements for the Clerk for Member program be evaluated?**
Eligibility for participation in the Clerk for Member program will be re-evaluated on a monthly basis. Clerks entering orders for members that do not satisfy the minimum floor volume or market maker requirements will receive rates based on the membership status of the individual member and Clerk.

21. **For an individual member not satisfying minimum floor volume or electronic market making requirements, when will the status and fee changes go into effect?**
On the 1st business date subsequent to the review month. For instance, if an individual member's floor volume is below 25% of the individual member's total trading volume for the month of July, the individual member will be notified by the Membership Services Department on August 15 and the Clerks will be expired effective September 1. For the period August 1 through August 31, the individual member will remain in the Clerk for Member program. On and after September 1, trades entered by the Clerk for the individual member will receive rates based on the membership status of the individual member and the Clerk.

22. **Will CME Group notify the member and/or the clearing firm of its failure to meet the program requirements?**
Yes. CME Group will notify an individual member not satisfying minimum floor volume or electronic market maker program requirements. Additionally, CME Group will do its best to notify the individual member's clearing member firms through direct communication (e.g. e-mail) that the individual member's Clerk has/have been expired. However, the individual member is responsible for communicating with its clearing member firms the change in its Member-Clerk status.

23. **Can a member who failed the member-Clerk requirements re-apply?**
Yes. If a member chooses to re-apply, the member must follow the application process and provide supporting documentation to justify meeting the program requirements. CME Group, at its sole discretion, will review and approve or deny the application.

24. **If I am a Clerk for an individual member that was withdrawn from the program, will I be eligible to Clerk for another individual member?**
Yes.

25. **If I am currently in a Clerk for Member program, do I need to comply with all new program requirements?**
Yes. There will be no exceptions.

26. **If I have additional questions, who should I contact?**
If you have any questions regarding the registration processes, please contact CME Group's Membership Services Department at (312) 930-3480. If you have questions about fee registration or any fee related questions, please call the Fee Hotline at (312) 648-5470.

Member/Clerk Authorization

Member's Name ____

Member's Globex®/e-cbot®User ID ____

Member's Symbol _______________ Member's Phone # ____________________

Member's Qualifying Firm ____

Qualifying Firm # _______________ Exchange: _______ CME ________ CBOT

Clerk's Name ____

Clerk's Employer ____

Clerk's Symbol (if a member) _________ Clerk's Qualifying Firm ____________________

Clerk's Globex/ECBOT User ID ____

Clerk's Location ____

I am requesting that my clerk be recognized by CME Group to enter orders for my account to receive equity or lessee/delegate rates as applicable. I understand that I need to inform the Membership Department if there are any changes in the member clerk relationship. I certify that the clerk will not trade and will only enter orders for my account specifically given by me. I certify that the clerk will not participate in the profit or loss from my trading. I certify that the trading will not be done through an Automated Trading System. <u>I also understand that the clerk is required to be supervised when acting in this capacity whether it occurs on or off the trading floor and that the clerk may participate in the member-clerk program as a clerk for another member.</u>

___________________________________ ________________________

Member Signature Date

I understand that as a clerk in the Clerk for Member Program, I am not allowed to trade with discretion or share in profits of the member's trading account. I agree to be bound by all CME/CBOT and CME Group rules. I also agree that I will notify all members for whom I participate in the Clerk for Member Program whenever I change who I may enter orders on behalf of as part of this program.

___________________________________ ________________________

Clerk Signature Date

cc: Trading Floor Operations and Market Regulation