



**Application for Corporate Membership  
CME Rule 106.H. Trading Member Firm  
Agreement for Membership**

1. Applicant \_\_\_\_\_
  
2. Indicate the Division of membership which will be used for the applicant's membership privileges.
  - CME Division
  - IMM Division
  - IOM Division  
(check one)

Membership will be:

  - Purchased (one required)
  - Leased (two required)  
(check one)
  
3. Indicate whether the above membership(s) will be held by the member firm or a principal or employee of the member firm.
  - Membership(s) will be held by the member firm
  - Membership(s) will be held by a principal or employee of the member firm  
(check one)

Completed applications along with all supporting documentation and the Application for Corporate Membership – Corporate Information should be submitted to:

CME Group Inc.  
Audit Department  
20 S. Wacker Drive  
Chicago, IL 60606



### **Attestation, Authorization and Agreement for Membership**

On behalf of my organization, I make this application for CME Rule 106.H. Trading Member Firm corporate membership on Chicago Mercantile Exchange Inc. ("CME").

I represent that my organization meets all of the requirements for CME Rule 106.H. Trading Member Firm corporate membership which is applied for.

I do hereby agree that, if my organization is accepted as a corporate member of CME, it will comply with and agrees to be bound by the Bylaws, Certificate of Incorporation, Rules and Regulations of CME and all amendments thereto.

I further acknowledge and agree to abide by the requirements for such corporate membership including the requirements regarding Member Firm Trading Activity of CME Rule 106.H. Trading Member Firms and to abide by CME's Fee Policy Bulletins located on CME Group Inc.'s website at [www.cmegroup.com](http://www.cmegroup.com) regarding Member Firm Trading Policies. I also agree to comply with all of the rules of CME. I further represent that all current and future member firm trading activity of my organization will conform to the requirements for such trading activity established by CME Group Inc.

I authorize CME Group Inc. to obtain information from sources that CME Group Inc. deems appropriate in order to adequately evaluate and process this application.

I attest that the information provided in this Application and the Application for Corporate Membership - Corporate Information is accurate and complete. I further acknowledge that confirming inaccurate and/or incomplete information may subject me to CME Group Inc. disciplinary action and/or penalties.

Signed and accepted by a duly authorized representative of \_\_\_\_\_.  
(Organization)

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

**Chicago Mercantile Exchange Inc.**  
**CME Rule 106.H. Trading Member Firm**  
**Member Firm Trading Attestation**

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(CME Rule 106.H. Trading Member)

The trades of a CME Rule 106.H. Trading Member Firm (“CME Rule 106.H.”) may receive preferential fee rates in the division of membership held – less than charged to non-member customers. Only the entity holding the CME Rule 106.H. membership is entitled to the preferential fees on its member firm trades. The reduced fee benefit does not flow downward to 100% owned subsidiaries or to affiliates of the CME Rule 106.H.

In order for CME Rule 106.H. members to receive preferential fees on CME trades, all member firm trading must be conducted in accordance with CME’s Fee Policy Bulletins on CME Group Inc.’s website at [www.cmegroup.com](http://www.cmegroup.com) for Member Firm Trading Policies.

**Requirements (Absolutes)**

A member firm trading account is evidenced through:

- The financial benefit and risk shall be solely of the member firm – only firm capital is at risk of loss.
- No non-owner traders may make any contributions or payments to the member firm or member firm trading account nor have any capital at risk in connection with their trading of the member firm account.
- All contributions by owners of the member firm are subject to risk of loss from any and all trading and business activities of the firm.
- All profits and losses of the member firm account are written off to the income of the member firm and are taxed to the member firm in accordance with IRS regulations.
- All trading must be done in member firm trading accounts held in the name of the CME Rule 106.H.

Further, CME Rule 106.H. trading activity must be conducted by traders including operators/administrators of Automated Trading Systems (“ATS”) that are:

- Bona-fide W-2 employees (or equivalent W-2 of a foreign jurisdiction) of the CME Rule 106.H.; or
- Independent contractors and other self-employed individuals whose total compensation (that is, all compensation) is reported on an IRS Form 1099-MISC (“1099-MISC”) (or equivalent document of a foreign jurisdiction) of the CME Rule 106.H.; or
- Bona-fide owners of the CME Rule 106.H.; or
- Individual equity members of CME trading within their division of membership; or
- Registered Commodity Trading Advisors (“CTAs”), exempt CTAs under CFTC Regulations 4.14(a)(4), 4.14(a)(5), 4.14(a)(8)(i)(D) or 4.14(a)(10), and Investment Managers authorized by the Financial Services Authority (“FSA”).

All CME Rule 106.H. traders must be assigned unique trader IDs, those IDs and the associated CME Rule 106.H. trader must be appropriately registered in CME’s Exchange Fee System and all Globex trades (orders) must be identified with the registered ID of the trader executing the trade.

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In addition, member firm trading must meet the following requirements:

- Traders cannot be responsible for losses beyond their share of profits earned and maintained in the account which have not yet been distributed to the trader.
- The firm must be allocated both a portion of the profits and losses of the member firm account.
- The profit split on agreements with any trader, including owners acting as traders, may not exceed 80/20 (i.e. 80% to the trader/20% to the firm).
  - For member firm trading conducted by a team of traders, the profit split to the team in total may not exceed 80/20 (i.e. 80% to the trader team/20% to the firm).
  - Further the 80% limit on profit splits to a trader or team of traders includes any individual who has a specific interest in its profitability including those involved in the training/supervision of the account(s) and/or trader(s).
- Non-owner traders cannot leave their share of profits in the firm for greater than one year without becoming an equity owner.
  - Non-owner trader's share of capital in an account may not exceed the trader's share of net profit/loss in the previous 12 month period.
  - If a trader leaves their share of any profits in the account for greater than one year, they must become an equity owner.
- The firm is prohibited from:
  - Setting minimum account balances for its traders.
  - Charging margin on positions to traders.
  - Charging fees on draws taken by traders.
  - Requiring or accepting security deposits from its traders.

### **Best Practices**

CME recognizes that certain business practices may be utilized when conducting customer business as well as member firm trading activities. The Best Practices were established to allow member firms to utilize certain business practices (most not allowed in the past) which are generally prohibited. In order to do so, the member firm must clearly demonstrate to CME their application of these non-compliant practices is not inconsistent with CME's goal of providing member fees only for member firm trading activity. Such practices will be reviewed individually and in the aggregate in relation to the firm's entire trading activities and operation.

Review of such non-compliant practices will reflect the following key principles of CME's member firm trading policies. First and foremost, the trading activity eligible for member fees must be conducted for the account and sole benefit of the member firm itself. The trading activity of individual customers/traders conducted in the name of the firm is not eligible for discounted member firm fees in order to prevent arcade type trading under the guise of member firm trading and to prevent the "selling" of member firm rates. Further, a member firm may only profit/benefit from the member firm trading activity through the performance of the trade and not from any other source such as a commission or charge for trade execution.

Non-compliance with the Best Practices below is generally prohibited as it is indicative of arcade type trading, the selling of rates, and/or profiting from sources other than the performance of the member firm trade. As such, while the Best Practices are not absolutes as the Requirements are, any non-compliance of the Best Practices will be carefully reviewed with

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the burden of responsibility on the CME Rule 106.H. to clearly support and demonstrate to CME's satisfaction that the trading is of the CME Rule 106.H. itself. Under limited circumstances in reviewing the totality of the CME Rule 106.H.'s trading operations and the violative practice(s), CME may deem the CME Rule 106.H.'s trading activities in accordance with our policies for CME Rule 106.H. trading activity that is eligible for CME Rule 106.H. fees. **Please check the box next to each practice which you do not comply with regarding your member firm trading:**

- The firm may not charge interest on debit balances to traders nor may it pay interest on credit balances to traders except where an options trading strategy is utilized in which interest on the premium is a key component of the overall profitability of the strategy.
- The firm may not pay interest on holdbacks where holdbacks are permitted.
- The firm may not pay interest on capital contributions.
- The firm may not allocate expenses to trades or traders in excess of actual direct and indirect expenses of the individual member firm trades or traders. Only actual expenses incurred may be allocated – a mark up on expenses is not permitted. Further, opportunity costs may not be allocated. CME Rule 106.H. members must maintain and provide adequate supporting calculations and documentation of such allocated expenses and their reasonableness.
- A firm may not charge a fee for capital usage to individual traders of the member firm's accounts.
- A firm may not charge a fee for the cost of capitalizing the firm (and thus the member firm's trading accounts) to individual traders.
- Individual owners and investing LLCs (as permitted) of a CME Rule 106.H. may not have a specific interest in the profitability of a CME Rule 106.H. account or group of accounts other than a CME Rule 106.H. account that the individual owners or owners of the investing LLC trade or provide direct supervision/training to.

I represent that all current and future member firm trading activity of my organization, a CME Rule 106.H. corporate member, receiving preferential clearing fee rates will conform to the requirements for such trading activity established by CME Group Inc.

I attest that the above information is true and correct. I further acknowledge that confirming incorrect information may subject me to CME Group Inc. disciplinary action and/or penalties.

Signed and accepted by a duly authorized representative of my organization.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date



A CME/Chicago Board of Trade/NYMEX Company

**MEMBER FIRM**

**DESIGNATED SPOKESPERSON AND AUTHORIZED SIGNOR ACKNOWLEDGEMENT**

CME and CBOT requires that member firms designate a representative who shall be authorized to deal with the Exchanges with respect to the membership owned or leased by the firm and who shall be authorized to represent the member firm before the Exchanges. Such authorized representative shall be responsible to the Exchanges as if such person was a member as defined by Rule 400.

Member Firm Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Country \_\_\_\_\_ Zip Code \_\_\_\_\_

Phone Number \_\_\_\_\_ Tax I.D. # \_\_\_\_\_

Email Address\* \_\_\_\_\_

**Name and Signature of Officers Authorized to act on behalf of the firm:**

Name (please print)	Signature	Designated Spokesperson	Authorized Signor
_____	_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	_____	<input type="checkbox"/>	<input type="checkbox"/>

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

\*General Correspondence will be sent electronically.