CME Europe Softs Participation Unit Programme
Frequently Asked Questions
2015

The CME Europe Softs Participation Unit (SPU) Programme offers market participants the opportunity to obtain financial benefits in exchange for their commitment to support specific Soft products listed by the Exchange.

Which contract(s) qualify for the SPU Programme?
Deliverable Cocoa futures will be the first product made available under the SPU programme.

How many SPUs will be made available for Deliverable Cocoa Futures?
Up to fifteen SPUs will be made available for the Cocoa futures contract.

Will other contracts qualify at a later date?
Should CME Europe launch other Softs products in the future that become eligible under the SPU programme, existing SPU holders may elect to participate as an SPU holder in those products as well, providing that they meet the eligibility criteria as designated for those products. Please note that companies wishing to participate in the Softs business as a whole will need to register for SPUs on a contract by contract basis.

How long will the SPU Programme operate?
The initial term of the SPU will run from the launch of the Cocoa contract for a period of two years. At the end of the initial term, CME Europe will review the conditions of the SPU and potentially renew it for additional two-year terms, for up to five terms in total.

Who is eligible to purchase an SPU?
The SPU is available to commercial market participants and specialist hedge funds whose business is involved in the underlying commodity. Please note the SPU will also be available to futures market makers, Futures Commission Merchants (FCMs) and clearers who regularly interact with the two aforementioned customer segments.

What are the obligations of SPU holders during the initial term?
Upon signing of the SPU, a one-time upfront payment of €50,000 euros is due. SPU holders must then contribute liquidity and volume on a reasonable efforts basis in order to support the CME Europe Cocoa market.

What are the benefits for SPU holders during the initial term?
The programme benefits for SPU holders are as follows:
• For proprietary business only:
  o Each SPU holder will receive a full trading fee rebate for a full twelve month period following the launch of Physically Delivered Cocoa and after an initial market wide fee holiday.
  o Each SPU holder will receive a 25% trading fee rebate for the remainder of the initial term.
• CME Europe will share trading revenue (where trading revenue is trading fee income net of incentive payments), provided that the designated quarterly market wide volume targets are met.
• The revenue share will be distributed equally amongst all SPU holders.
• CME Europe will establish a product advisory committee (PAC) to advise on matters relating to the contract’s physical delivery mechanism, including issues relating to quality parameters, storage and grading practices (CME Europe may include additional representatives in the PAC who are not SPU holders).

What are the obligations of SPU holders during subsequent two year terms?
To contribute liquidity and volume on a reasonable efforts basis in order to support the CME Europe cocoa market.

What are the benefits for SPU holders during subsequent two year terms?
• During all subsequent two year terms SPU holders will receive a 25% trading fee rebate for proprietary business only.
• During the second two year term, CME Europe will share 15% of its trading revenue (as described above) provided that designated quarterly market wide volume targets are met.
• During the 3rd, 4th and 5th terms, CME Europe will share 10% if its trading revenue provided that designated quarterly market wide volume targets are met.

Are SPU’s transferable?
Yes, SPU holders may be transferred at any time from the first day of launch. Transfers may only be effected to qualifying participants with the prior approval of CME Europe.

What happens if an SPU holder does not meet its obligations under the terms of the SPU contract?
If an SPU holder is not contributing liquidity and volume on a reasonable efforts basis, the Exchange reserves the right to terminate the contract. In this event, the SPU holder will have the right to transfer the SPU to another qualifying participant within 30 days from receipt of notification of termination. If the SPU holder does not transfer its rights within this time, ownership will revert to the Exchange.

For more information on Cocoa futures, visit cmegroup.com/cocoa.
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