

Memorandum

SUBJECT: CME and CBOT Rulebook Harmonization

DATE: October 25, 2007

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Overview of Rulebook Harmonization

On July 12, 2007, Chicago Mercantile Exchange Holdings Inc. and CBOT Holdings Inc. completed their merger to form CME Group Inc. The integration plans are rapidly moving forward, and in the coming months, members and member firms will begin conducting business on a common electronic trading platform, Globex[®], and on consolidated trading floors in the CBOT Building.

As part of that integration, CME Group undertook a project to harmonize, to the extent possible, the rules of CME and CBOT. In the integrated environment, there are compelling efficiencies to harmonizing the rules in such a way that users of either exchange will have the benefit of largely consistent rulebook structures, rule numbers and rule language. In that context, it is important to understand that each subsidiary retains its independent registration status as a Designated Contract Market, and the exchanges remain separate self-regulatory organizations. However, there is now a single Market Regulation Department performing the regulatory functions for both CME and CBOT.

At the outset of the harmonization project, a decision was made to adopt the general structure of the CME Rulebook. While the harmonization project has resulted in a significant number of changes to CME rules, the CBOT Rulebook effectively has been rewritten to structurally conform to the CME Rulebook. The principal factors involved in the decision to adopt the CME Rulebook structure included CME's recent completion of a multi-year project to update and revise its rules, as well as the decision to largely adopt the existing CME disciplinary structure, for which appropriately drafted rules were already in place.

The revisions to the CME and CBOT Rulebooks were self-certified with the CFTC on October 25, 2007, and the first group of rule changes is scheduled to be implemented on Thursday, November 29. At that time, a common rulebook structure will be adopted and the largest group of rule changes will become effective. A second set of rule changes will be implemented concurrent with the migration of CBOT products to the Globex platform in

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January. Additional rule changes related to the harmonization of practices on the combined trading floors will be implemented as the exchanges move toward trading floor consolidation.

As noted above, the revised rules were self-certified on October 25 and the new rules, including information regarding the timing of their implementation, are available on the CME, CBOT and CME Group websites.

The revised CME Rulebook is available in a marked version and a clean version. The marked version shows the changes scheduled for implementation on November 29 as well as the changes that will be implemented in connection with Globex migration and trading floor consolidation. The clean version incorporates only those changes that will become effective on November 29.

The CBOT rules are also available in a marked version and a clean version. The marked version reflects how the CBOT rules will differ from the corresponding CME rules, with the exception of CBOT Chapters 7 and 7A (“Delivery Procedures and Delivery Facilities”), which are largely product specific. The CBOT marked version shows those rules scheduled for implementation on November 29 and includes notes identifying those changes to be implemented in subsequent stages. The clean version incorporates only those changes that will become effective on November 29.

The remainder of this memorandum provides a chapter-by-chapter overview of many of the significant changes and important issues with respect to both rulebooks, but is not intended to represent a comprehensive review of all of the changes.

Chapter 1 (“Membership”)

Rule 106 (“Transfers, Security Transactions, and Authorizations to Transfer or Sell”)

The Rule 106 member firm nomenclature has been harmonized as much as possible while retaining the separate membership and share requirements that qualify CME and CBOT member firms. A chart has been added to the CBOT Interpretations & Special Notices Section of CBOT Chapter 1 which provides trading right and Class A share requirements for the CBOT member firms set forth in CBOT Rule 106.

The CBOT modified its rules to allow a CBOT Equity FCM to qualify with an Associate Membership and 1,750 shares as an alternative to a Full Membership and 8,000 shares. As certain firms with an FCM registration may be engaged primarily in proprietary trading, the change makes the requirements consistent with those for CBOT Equity Corporate Members, thereby allowing the firm to obtain lower fees for its proprietary trades in Series B-2 (Associate) products.

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CBOT will not be adopting the provisions of CME Rule 106.D.10. which prohibits a new lessee from executing orders for a one-year period or CME Rule 106.D.11. which concerns a continuing payment obligation by a lessee who terminates a lease prior to its expiration date. These rules will remain in effect at CME.

Rule 110 (“Claims Against Membership, Application of Proceeds”)

Both CME and CBOT have made certain changes to the manner in which seat sale proceeds are applied to various claims which are filed. The changes achieve as closely harmonized a rule as possible. The principal change for CME is to elevate the claims of “non-qualifying” clearing firms over the claims of other individual members and member firms. The principal change for CBOT is to allow for the filing of claims by public customers. A provision has also been added to CBOT Rule 110 providing for membership proceeds to be applied pursuant to the order of priority set forth in former CBOT Rule 252.00 for debts incurred prior to November 29, 2007, provided such claims are filed by February 29, 2008.

Rule 127 (“Trading and Solicitation Privileges”)

Existing CME and CBOT intra-exchange member solicitation privileges will not be altered on the combined trading floor. However, a new policy has been established for cross-exchange solicitation privileges on the combined trading floor. The new policy and a corresponding FAQ are included in Special Executive Report S-4630, dated October 25, 2007, which is available on the CME, CBOT and CME Group websites.

Chapter 2 (“Government”)

The harmonization of the governance rules establishing the powers and duties of the Board of Directors, including conflict of interest and emergency action provisions, was completed following the close of the merger. The CBOT rules are currently in Chapter 1A but will be moved to Chapter 2 when the first changes are implemented in November.

This chapter also sets forth the rule change procedures, including those unique provisions that are contained in the CBOT Certificate of Incorporation. In general, the Board can make and amend CME rules, and it has also delegated that authority to the Chairman, Vice-Chairman and CEO (the Approving Officers), acting together. New or amended CBOT rules must be initially submitted to the CBOT Directors for review. If a majority of the CBOT Directors determine that a new or amended rule will materially impair the business of CBOT or the business opportunities of the holders of Class B memberships, then the CBOT Directors may submit the proposed rule to the Rule Change Committee. The Rule Change Committee is comprised of three CBOT Directors designated by the Vice Chairman and two CME Directors designated by the Chairman. Rules submitted to this Committee will be approved or rejected by majority vote, and approved rule changes would thereafter be submitted to the Approving Officers for final approval. Pursuant to the merger agreement, this process for CBOT rule changes will be in place until 2012.

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Chapter 3 (“Exchange Committees”)

Rule 300 (“Committees”) sets forth restrictions on the individuals who can serve on the Board or certain committees based on such individuals’ past disciplinary offenses. The definition of disciplinary offense for both CME and CBOT has been modified to exclude violations of rules that receive cumulative fines of \$5,000 or less within any twelve-month period, provided such violations do not involve fraud, deceit or conversion or result in an access denial, suspension or expulsion. The change will eliminate an automatic bar to committee service for individuals who have received de minimis fines.

Effective November 29, CBOT will eliminate its prohibition on members of the Board of Directors serving on charging or hearing committees. No such prohibition presently exists at CME.

Chapter 4 (“Enforcement of Rules”)

The harmonization of the CBOT and CME disciplinary rules will result in fundamental changes to the CBOT’s disciplinary structure and processes. An overview of the new committee structure is included as Exhibit A.

CBOT will adopt the regulatory committee structure of CME. CBOT will eliminate its Regulatory Compliance Committee and there will be a single Market Regulation Oversight Committee for the two SROs. Staff will assume the Regulatory Compliance Committee’s current responsibility for approving delivery facilities, while revocation of a firm’s status as a delivery facility will be addressed by the Business Conduct Committee.

Disciplinary Committee Structure

CBOT will establish a Probable Cause Committee (“PCC”) (pursuant to Rule 406) which will function in a capacity similar to the current CBOT Floor Governors and Business Conduct Committees with respect to the issuance of charges; however, the PCC will not establish preliminary penalties, consider settlement offers or conduct hearings. The CBOT Floor Governors Committee and Hearing Committee will be eliminated. CBOT will also establish a new Business Conduct Committee (“BCC”) (pursuant to Rule 402) which will consider settlement offers, conduct hearings, hear appeals from the Floor Conduct Committee and have the authority to take emergency actions.

At CME and CBOT, each committee will act via rotating panels comprised of a chairman, three members or employees of member firms and three nonmembers. There will be a single pool of nonmember panelists for the CME and CBOT PCC and BCC; however, member panelists will be unique to each exchange. Existing CBOT committees are presently comprised exclusively of members.

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CBOT will eliminate its Financial Compliance Committee and there will be a single Clearing House Risk Committee (“CHRC”) (pursuant to Rule 403) for both CME and CBOT that will be comprised of two co-chairmen, who are members of the Board, and seven additional members, five of whom are Clearing Member representatives and at least one who is a nonmember. The CHRC will issue charges and consider settlement offers and have the authority to take certain emergency actions. Hearings on charges issued by the CHRC will be conducted by the BCC. The addition of the nonmember to the CHRC and the transfer of the CHRC’s hearing authority to the BCC represent changes to current CME rules.

CBOT will eliminate its Appellate Committee. Appeals of BCC decisions will be heard by a hearing panel of the Board comprised of three directors appointed by the Chairman, one of whom will be a nonmember, pursuant to the provisions of Rule 411 (“Appeals to a Hearing Panel of the Board of Directors”).

Sanctioning Authority

Fines for CTR recordkeeping violations will be administered on a summary basis by the Market Regulation Department rather than by the Floor Governors or Business Conduct Committees as is presently the case at the CBOT.

With respect to disciplinary processes, the new CBOT BCC will have broader sanctioning authority, including the ability to impose fines of up to \$1,000,000 per violation plus the amount of any benefit received as a result of the violation. The CBOT BCC may also impose any length of suspension or expel a member, mirroring the existing authority of the CME BCC.

CME is eliminating the major/minor distinction with respect to characterizing rule violations, a distinction that does not exist at CBOT. Investigative reports, which are presently provided to respondents and BCC panels at CME, will be treated as privileged work product and will not be discoverable under the new rules, as is currently the practice at CBOT. Both the CME and CBOT BCC will be given the power to prescribe additional capital and other financial requirements which is currently a power of the CHRC. The addition is necessary because of the transfer of authority to conduct hearings from the CHRC to the BCC discussed above, as well as the BCC’s authority with respect to delivery facilities at the CBOT.

Appeal Process

Under current CBOT rules, any finding of a disciplinary committee may be appealed and the decision is stayed pending the appeal. The Appellate Committee or the Board may reverse or reduce any sanction only if it determines that the finding or sanction is “clearly erroneous.” Under the revised rules, and consistent with existing CME rules, BCC decisions may be appealed by a respondent only if the decision assesses a monetary sanction in excess of \$10,000 and/or an access denial or suspension greater than five days.

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Additionally, under the new rules, filing of a request for an appeal by a respondent will stay the decision unless the Market Regulation Department objects to the stay and the Chairman of the Board or the BCC Panel chairman specifically directs that the decision not be stayed pending appeal. The Board panel hearing the appeal may set aside or modify the appealed decision only if it determines that the decision was: a) arbitrary, capricious, or an abuse of the committee's discretion; b) in excess of the committee's authority or jurisdiction; or c) based on a clearly erroneous application or interpretation of Exchange rules. The last appellate standard is new for both exchanges.

Under the revised CBOT rules and consistent with current CME rules, the Chief Regulatory Officer may appeal to a Board panel any refusal by the PCC to issue those charges requested by the Market Regulation Department. The Chief Regulatory Officer may also appeal any decision of, or sanction imposed by, the BCC to a hearing panel of the Board. There is no provision in current CBOT rules for Market Regulation to appeal a committee's decision.

Floor Conduct Committees

The CBOT Floor Conduct Committee's sanctioning authority is limited to the imposition of fines of up to \$5,000 and access denials of up to five days. Under the revised rules for the CME and CBOT Floor Conduct Committees, the sanctioning authority will include the imposition of monetary penalties up to a maximum of \$20,000, but no authority to deny access. For CME, this will represent a change from the existing \$20,000 maximum per egregious violation for certain trading infractions. In contrast to current CBOT rules, Floor Conduct proceedings will be summary proceedings and respondents may not be represented by counsel. Appeals of fines greater than \$1,000 may be heard by the BCC.

CME is also eliminating the authority of a pit committee to conduct summary proceedings for trading infraction violations under CME Rule 514 and transferring the authority to the Floor Conduct Committee. At CME, the Pit Supervision Committee will be renamed the Floor Conduct Committee.

Consistent with CME rules, CBOT is adopting Rule 413 ("Summary Access Denial Actions") which empowers the Chief Regulatory Officer to summarily deny access to exchange markets or the trading floors in situations where such denial is necessary to protect the best interests of the Exchange. A member denied access may request a hearing before the BCC, but the request does not stay the access denial decision.

Chapter 5 ("Trading Qualifications and Practices")

Rule 501 ("Employees of Members")

No later than trading floor consolidation, the CBOT will eliminate the requirement that members must register if they are acting in a clerical capacity outside the scope of their membership privileges on the trading floor. CME will adopt the existing CBOT provision

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allowing for broker assistants, nonmember employees of members who are authorized to stand in a trading pit. A determination as to whether to allow broker assistants in CME pits will be made on a pit-by-pit basis based on member demand and space considerations.

Rule 505 (“Booth and Floor Privileges”)

No later than trading floor consolidation, the CME will adopt the more liberal CBOT policy with respect to obtaining booth space on the trading floor.

Rule 506 (“Headset Privileges on the Trading Floor”)

CME will adopt the more liberal CBOT rule concerning headset use on the trading floor nearer to floor consolidation. The change will eliminate the CME quadrant- and product-specific restrictions on headset use. CME will also adopt the CBOT requirement that all headset communications be voice recorded and that the recordings be maintained for ten business days.

Rule 508 (“Giving and Receiving of Gratuities”)

CBOT is adopting the CME gratuity limit of \$100 per year with respect to gifts by members and member firms to employees of other members and member firms. Previously, the CBOT allowed gratuities subject to the standard that any gratuity was “reasonable and proper under normal business practices as determined by the Business Conduct Committee” and was not “a vehicle to obtain Exchange related business in a non-competitive fashion.”

Rule 513 (“Conduct, Apparel and Badges”) and Rule 514 (“Trading Infractions”)

Food and refreshments will not be permitted on the Exchange floors, reversing the present practice whereby food is allowed on the CBOT Financial Floor. The CBOT and CME are adopting a common set of pit etiquette standards that will apply to all pits whereas each pit had adopted its own etiquette standards at CBOT, subject to the approval of the Floor Governors Committee.

Rule 515 (“Registration and Identification of Broker Associations”)

The CME and CBOT broker association rules are very dissimilar and each exchange will retain its existing rules.

The most significant difference between the rules is that CBOT does not allow a member who is uninvolved in the execution or pre-execution handling of orders to participate in revenues generated from filling orders. The CBOT rule also prohibits members of a broker association from sharing profits or losses associated with their personal trading. These provisions do not exist in the CME rule. Additionally, CBOT does not restrict intra-association trading among members of a broker association while CME enforces such restrictions in several products.

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Rule 521 (“Pit Trading”)

CME is adopting the CBOT provision allowing for an All-Or-None bid or offer to be accepted by more than one member provided that the entire quantity of the All-Or-None order is executed at a single price and that each counterparty to the order accepts a quantity at or in excess of the designated minimum counterparty threshold.

Rule 524 (“Funds in Trading Accounts Carried by Clearing Members”)

The rule allows a carrying clearing member to suspend the disposition of funds in a member’s trading account in the event the member trades in excess of written limits prescribed by his firm or if the member is alleged to have engaged in reckless and unbusinesslike dealing inconsistent with just and equitable principles of trade and such trades are profitable. The rule provides for the claim of the carrying clearing member to be submitted to arbitration pursuant to Chapter 6, and also allows the member to request a hearing before a Chairman of the Arbitration Committee to determine the amount of any profits that should remain subject to continued suspension pending the hearing on the full merits of the claim.

Rule 526 (“Block Trades”)

While the block trade rule language will be nearly identical for CME and CBOT, the CBOT rule will contain a provision requiring any staff recommendation to allow block trades in CBOT products (and the associated quantity thresholds) to be reviewed by the ten CBOT Directors pursuant to the CBOT rule change procedures prior to becoming effective. This change will eliminate the existing CBOT provision that permits block trades only in products initially listed after December 31, 1999. CBOT presently allows block trading in the CBOT Dow Jones – AIG Excess Return Commodity Index futures, CBOT Interest Rate Swap futures and CBOT Denatured Fuel Ethanol futures. CME permits block trades in a far wider variety of products.

Rule 527 (“Outtrades, Errors and Mishandling of Orders”)

The CME outtrade rule will be expanded to include requirements with respect to errors and mishandling of orders and streamlined with respect to the recordation requirements concerning trades wherein a broker assigns the opposite side of the transaction to his error account. CME will also adopting the CBOT provision which allows a member to assign unfilled orders or the unfilled portion of an underfilled order to his error account at the price to which the customer was entitled provided that the unfilled quantity is first executed in the market at a less favorable price than that to which the customer was entitled. This provision eliminates the need for brokers to issue adjustment checks for these types of errors and allows the broker to instead incur the cost of the error in his error account. CBOT will adopt the CME requirement that the member assigning a trade document in writing the circumstances surrounding the assignment. The modified rule will be adopted closer to floor consolidation.

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Rule 530 (“Priority of Customers’ Orders”)

The CME and CBOT rules concerning the priority of customers’ orders are being expanded to prohibit a member from making any trade for an account in which the member has a financial interest or discretionary trading authority when he is in possession of an executable order for another person, consistent with current Globex provisions. The current CME and CBOT open outcry rules are specific only to side-of-market and the CBOT rule is also restricted to the same commodity or related option. The change clarifies that a broker’s responsibility is to fill executable orders for others prior to making any trades for accounts in which the member has a financial interest or discretionary trading authority.

Rule 531 (“Trading Against Customers’ Orders Prohibited”)

CBOT is adopting the CME practice of allowing a floor broker to trade for his personal account opposite his customer order in circumstances where the customer has given the broker written consent to do so and provided the broker follows the provisions of the cross trade rule which requires that the trade be bid and offered three times in the pit prior to the cross and that the broker complete a cross trade form.

Rule 532 (“Disclosing Orders Prohibited”)

CME is adopting CBOT language prohibiting a person from inducing or soliciting another person to disclose nonpublic order information. Existing CBOT policy allows trading on order information that is considered in the “public domain” and CBOT is adopting the CME policy that information is considered in the public domain only when it has been bid or offered in the pit.

Rule 533 (“Simultaneous Buy and Sell Orders for Different Beneficial Owners”)

CME is adding language to the rule allowing for opposite orders for different beneficial owners to be entered into Globex by a party with discretion over both accounts provided that one order is exposed for a minimum of 5 seconds in the case of futures orders or a minimum of 15 seconds in the case of options orders. CBOT currently allows for the entry of such orders into e-cbot, however CBOT is reducing the waiting period requirement for futures-only spreads from 15 seconds to 5 seconds.

Rule 536 (“Recordkeeping Requirements for Pit, Globex (e-cbot), and Negotiated Trades”)

The CME recordkeeping requirements rule has been restructured to incorporate references to the use of approved electronic devices for order recordation to allow for the use of the CBOT Denali system. Orders for proprietary accounts of member firms will need to be in the form of a written or electronic record if the order is not executed by an employee of the proprietary firm. This change eliminates the existing CME practice which allows such orders to be transmitted from off-floor locations to any member for execution provided that the member receiving the order records the time of execution on his trading card. The rule also has a section on telephone recordings which will be new for CME and will require 1) firms recording floor conversations via Exchange telephone lines to retain the recordings for

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ten business days and 2) headset communications to be recorded in accordance with Rule 506. Additionally, CBOT will be adopting the use of video surveillance for regulatory purposes on the combined trading floors.

With respect to the CTR enforcement program, existing CBOT protocols will change in that staff will no longer validate the errors prior to fines being issued; the burden instead will be on members to identify any errors and submit evidence of such errors to Market Regulation in order to have the letter of warning or fine rescinded where warranted as is currently the practice at CME.

There are a number of changes to CBOT open outcry recordkeeping practices (e.g. “9999” designation for out of sequence trade, “E” designation in order type field for firm error account trades) that will be adopted to conform to current CME practices.

Rule 538 (“Exchange of Futures for Related Positions”)

The revised rule clarifies, consistent with current interpretations, that firms are responsible for exercising due diligence with respect to ensuring the bona fide nature of Exchange of Futures for Related Position transactions submitted on behalf of customers and generally provides greater detail than is presently in the CME rule. Additionally, the “EBF” (Exchange Basis Facility) terminology used by the CME will be eliminated.

Rule 539 (“Prearranged, Pre-Negotiated and Noncompetitive Trades Prohibited”)

Currently, CME and CBOT have directly opposing rules on pre-execution communications with respect to electronic trades – CME allows them in all products while CBOT prohibits them in all products. Each exchange will maintain its current rule for the present time. Any recommendation to change the rule will need to follow the rule change process described above.

Rule 541 (“Trading Restrictions Respecting the S&P 500 Stock Price Index Futures Contract and the Eurodollar Futures Back 36 Contract Months”), Rule 552 (“Dual Trading Restrictions”) and Rule 555 (“Top Step Trading Restrictions”)

CME will retain its existing dual trading and top step restrictions rules, but such rules will not be implemented by CBOT.

Rule 550 (“Post Close Session”)

Prior to floor consolidation, the post close session rules will be harmonized. At that time, CME will eliminate quadrant specific differences with respect to prices eligible to trade in the session. CBOT will begin to allow customer orders to be entered into the post close session in all products, adopt greater flexibility as to when the post close session will begin, and extend the duration of the post close session from two minutes to three minutes. CBOT currently employs a post close session in all agricultural options while CME does not employ a post close session in any options contracts. The harmonized rule will permit a post close session to be implemented in designated options contracts.

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Rule 559 (“Position Limits and Exemptions”), Rule 560 (“Position Accountability”), Rule 561 (“Reports of Large Positions”) and the Position Limit and Reportable Level Table

Former CME Rule 543 has been clarified and moved to Rule 559 and CME is adopting Rule 560 and a new Position Limit and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5. CBOT is also adopting these three rules and a new Position Limit and Reportable Level Table. The three rules concerning positions are now grouped together in the same location in both the CME and CBOT Rulebooks. The new Position Limit and Reportable Level Table provides a single point of reference for specific position-related information for each exchange’s products.

Globex Electronic Trading System Rules

The general Globex electronic trading system rules (CME Rules 573-588), including trading algorithms, the error trade policy and other similar system rules will be adopted by CBOT upon migration of e-cbot products to Globex. Until Globex migration is complete and CBOT metals are no longer trading on e-cbot, CBOT will retain e-cbot rules in new CBOT Chapter 5B.

Interpretations & Special Notices Relating to Chapter 5 - Quotation Change Procedures

CME and CBOT have agreed to adopt common quotation change procedures for implementation nearer to floor consolidation. Language has been added authorizing senior exchange officials to make changes outside of the parameters in the procedures where such changes are necessary to ensure the integrity or promote the orderly functioning of the market.

Chapter 6 (“Arbitration”)

Existing CME and CBOT practices with respect to arbitrations are very similar. The chapters have been substantially harmonized except that CBOT will not adopt CME arbitration provisions relating to electronic trading systems and services until Globex migration. An arbitration filed prior to the effective date of the rules will be governed by the rules that were in place at the time the arbitration was filed.

Chapter 7 (“Delivery Facilities and Delivery Procedures”) and CBOT Chapter 7A (“Delivery Facilities and Delivery Procedures”)

The only CME and CBOT rules that are closely related in Chapter 7 are the general rules in the first section of the chapter. The remaining rules in each exchange’s Chapter 7 are unique to the specific delivery requirements for each exchange’s products. The rules in current CBOT Chapters 10 (“Grains”), 10C (“Corn Futures”) and 10S (“Soybean Futures”) have been streamlined and updated to conform to existing CBOT delivery practices.

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Because of the significant differences among the CME and CBOT delivery rules, CBOT Chapter 7 and 7A are provided solely in a clean version.

CBOT Chapters 7 and 7A are distinct only because of changes to Wheat and Oat futures product specifications that affect contracts with expiration dates from July 2008 forward. CBOT Chapter 7 will be eliminated after the last delivery date for the May 2008 Wheat and Oat futures contracts and replaced with Chapter 7A; however Chapter 7A will then become Chapter 7.

Chapter 8 (“Clearing House and Performance Bonds”)

Rule 807 (“Open Long Positions During Delivery Month”)

CBOT allows the practice of freshening dates, whereby a party will liquidate and re-establish a position in a deliverable product so that such party will go to the back of the line for delivery purposes. CME prohibits freshening. Each exchange will maintain its existing practice in this regard.

CME Rule 850 (“Fees”)/CBOT Rule 850 (“Exchange Service Fees”)

Each exchange will retain its existing fee policies and rule language concerning fees.

Rule 854 (“Concurrent Long and Short Positions”)

The CME rule concerning concurrent long and short positions held by the same owner has been modified to allow concurrent long and short positions to be maintained at the request of a customer in accordance with the provisions of CFTC Regulation 1.46. Prior to the change, CME’s position was that concurrent long and short positions were prohibited in a single account or for accounts under common control or ownership. Based on discussions with the CFTC and other exchanges, the former CME prohibition was determined to be unnecessarily restrictive.

Additionally, the rule has been modified to allow concurrent long and short positions to be offset via transfer or netting in most circumstances provided that the quantity of the offset does not exceed more than one percent of the open interest in the affected futures contract month or put or call options strike. On or after the first day on which delivery notices can be tendered, such offsets are permitted only in the case of a bona fide error and if the quantity of the offset does not exceed more than one percent of the open interest in the affected futures contract month. These changes are a departure from the existing requirement at CME that all such positions be offset via transactions in the market. At CBOT current rules permit such transfers or netting outside of the delivery period and preclude them during the delivery period.

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Chapter 9 (“Clearing Members”)

Throughout CME Chapter 9, references to Special CME Clearing Members (which referred to CBOT Clearing Members) have been eliminated. As a result of the merger, these references are no longer necessary. Additionally, several CME rules have been eliminated and others have been relocated to new rule numbers within the chapter. The changes helped to increase the clarity of the rules and resulted in rules relating to financial requirements and financial emergencies being located in the same section.

Rule 900 (“Categories of Clearing Members”)

Rule 900 sets forth the allowable categories of clearing members at each exchange.

Rule 902 (“Clearing Membership Assignment Requirements”)

A chart has been added to CME and CBOT Rule 902 setting forth the Class A Share assignment requirements for CME clearing members and CBOT clearing members, respectively, and joint CME and CBOT clearing members.

Rule 956 (“Discretionary, Controlled and Managed Accounts”)

CME has adopted the existing CBOT prohibition on a member with discretion over a customer account from personally executing pit transactions on behalf of the accounts. Currently, CME members are authorized to personally trade the customer account provided they do not also trade for their own account. We have also modified the definition of family member in the rule to make it consistent with the definition in the comparable NFA rule.

Rule 976 (“Suspension of Clearing Members”) and Rule 979 (“Suspended or Expelled Clearing Members”)

CME has made a change to allow the CHRC, rather than the Board, to suspend a clearing member in the event the clearing member fails to meet capital requirements or otherwise is in a financial condition that its continued operation would jeopardize the integrity of the Exchange. Additionally, a change has been made to empower the CHRC to reinstate a suspended clearing member upon affirmative proof of the clearing member’s financial responsibility. The existing rule gives this power solely to the Board.

Product Chapters

Minor revisions have been made to the CME product chapters, primarily due to renumbering the position limit rule from Rule 543 to Rule 559. The change was made in order to place the position limit rule in proximity to related Rules 560 (“Position Accountability”) and 561 (“Reports of Large Positions”).

The CBOT product chapters have been rewritten to more closely conform to the CME product chapter structure and have been updated where appropriate. The content of the chapters has not been substantively modified with the exception that option trades executed

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at cabinet are now permitted to be initiating or offsetting positions, whereas current CBOT rules allow transactions executed at cabinet for liquidating purposes only. Additionally, execution of Flex options will be permitted in any listed futures contract month irrespective of whether the underlying futures contract has opened.

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EXHIBIT A

OVERVIEW OF COMMITTEE STRUCTURE

Market Regulation Oversight Committee

- Comprised solely of non-industry members of the Board of Directors
- Responsible for ensuring the exchanges' regulatory function operates independently
- Provides independent oversight of the policies and programs of the Audit Department and the Market Regulation Department to enable each of those Departments to administer effectively the self-regulatory responsibilities of the CME and CBOT

Probable Cause Committee

- Each panel comprised of a co-chairman, three member panelists (which includes nonmember employees of member firms) and three non-member panelists
 - Committee chairs may be members of the Board of Directors, members or non-members
 - Member panelist pool is exchange-specific
 - Non-member panelists drawn from a single pool for purposes of Probable Cause and Business Conduct panels
- Responsible for reviewing investigative reports and recommendations for charges prepared by the Market Regulation Department and determining whether there is a reasonable basis to charge a rule violation

Business Conduct Committee

- Each panel comprised of a co-chairman, three member panelists (which includes nonmember employees of member firms) and three non-member panelists
 - Single pool of committee chairs who may be members of the Board of Directors, members or non-members
 - Member panelist pool is exchange-specific
 - Non-member panelists drawn from a single pool for purposes of Probable Cause and Business Conduct panels
- Responsible for conducting hearings and approving settlements
- Responsible for hearings with respect to charges issued by the Clearing House Risk Committee
- May impose fines of up to \$1 million per violation plus the amount of any benefit received, impose a suspension of any length and expel a member
- Hears appeals from the Floor Conduct Committee for violations meeting specific appellate grounds where the fine imposed was in excess of \$1,000

Floor Conduct Committee

- Initially, separate CME and CBOT Floor Conduct Committees to be replaced by a single committee upon floor consolidation
- Responsible for conducting summary proceedings for violations of trading etiquette standards
- Panels comprised of a majority of members from the exchange with which the respondent is affiliated
- May impose summary fines up to an aggregate of \$20,000 but may not deny access
- Respondents may not be represented by counsel

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Clearing House Risk Committee

- Comprised of members, clearing firm representatives and representatives of banking institutions
- Responsible for oversight of CME's risk management procedures and the integrity of CME's financial safeguards package
- Review reports from the Audit Department regarding clearing members compliance with financial requirements
- Issue charges and consider settlements for violation of financial requirements

Arbitration Committee

- Single committee comprised of members of both exchanges
- Panels comprised of a majority of members from the exchange with which the parties are affiliated

Staff Authority

- Chief Regulatory Officer may summarily deny access when necessary to protect the best interests of the exchange, subject to appeal to the Business Conduct Committee for a hearing
- Fines for CTR recordkeeping violations administered on summary basis by Market Regulation