



## Special Executive Report

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S-5350

August 2, 2010

### **NYMEX MODIFIES ITS CLEARING AND CORPORATE MEMBER FIRM RULES**

**Effective September 1, 2010**, amendments to NYMEX clearing and corporate member firm rules will be adopted and become effective. These rules will be adopted in conjunction with the continued harmonization of the rules of CME, CBOT and NYMEX. Generally, most of the changes to the Exchanges' Rules are for harmonization, clarification and language consistency purposes but a summary of the more significant changes to the NYMEX and COMEX member firm rules is presented below.

#### A. Independent Assignments of Memberships and/or Shares

NYMEX Rules will allow for 50% independent assignments of Exchange memberships for NYMEX and COMEX Rule 106.J. Member Firms and 50% independent assignments of CME Group shares for NYMEX Rule 106.J. Member Firms. This is consistent with the current independent assignment requirements of CME, CBOT, NYMEX and COMEX clearing members.

#### B. Rule 130. Required Notices by Member Firms and Suspension of Member Firm Privileges and Rule 974. Failure to Meet Minimum Financial Requirements

Current NYMEX Rules 130 and 974 provide that a corporate member firm may be suspended by Exchange staff if it has filed for bankruptcy or other conditions occur. The Rule change will provide that the member firm may be suspended if it has notified the Exchange or the Exchange becomes aware of a significant event as defined in Rule 442 which includes a bankruptcy filing.

Rule 130 will also require corporate member firms to notify the Audit Department in the event of a material change in key personnel who are responsible to act on behalf of the member firm.

If you have any questions regarding the changes to these rules, please contact Cathleen Downs, Audit Department, at 312.648.3802.

The amendments appear below with additions underlined

### **NYMEX Chapters 1, 4 and 9 Rule Changes (Strikeout Version)**

#### **106. TRANSFERS, SECURITY TRANSACTIONS, AND AUTHORIZATIONS TO TRANSFER OR SELL**

##### **106.C. Family Transfers**

A member or Non-Member Investor may temporarily transfer his membership to a member of his immediate family who shall be subject to all Exchange rules and regulations. For purposes of this rule, immediate family members shall be limited to parents, siblings, children, grandchildren, grandparents, fathers-in-law, mothers-in-law, sons-in law, daughters-in-law and spouses.

Rule 106.C transfers shall be subject to the following terms and conditions:

1. The transferor may revoke the transfer upon written notice filed with the Department.
2. The transferor shall have the right at any time to withdraw the authority of the transferee to trade on the membership by giving notice to the transferee's qualifying clearing member and such clearing member must subsequently notify the Exchange.
3. The transfer shall be revoked and the membership shall revert to the transferor's estate or conservator upon official notice of the death or formally declared incompetence of the transferor. However, the legal representative of a deceased member's estate may transfer his membership pursuant to this Rule 106.C. during the pendency of probate.
4. Upon a transferor's expulsion from the Exchange, the transfer shall be revoked and the membership shall revert to the transferor who must sell the membership within 30 days.
5. Upon approval for membership, the transferee shall be treated as a member for all purposes, except that the transferee shall have no authority to sell, transfer or assign the membership. The transferor shall be considered the member and an assignment of the membership for ~~clearing-membership~~ purposes pursuant to Rules 106.J. or 902 shall not be terminated by the transferee.
6. The transferor may sell the membership at any time in accordance with the provisions of Rule 104 or transfer the membership pursuant to Rule 106. The proceeds of the sale of the membership will be distributed to the transferor following the settlement of all claims pursuant to Rule 110.
7. The transferred membership may be sold in accordance with Rule 133, and the proceeds may be applied as provided in Rule 110, to satisfy financial obligations of the transferee to the Exchange, to another member or to a clearing member arising out of the transferee's use of the membership in the event that such financial obligations have not been otherwise satisfied.

#### **106.D. Futures Industry Transfers**

A member or Non-Member Investor may temporarily transfer his membership to another member who shall be subject to all Exchange rules and regulations.

Transfers under this section shall be subject to the following terms and conditions:

1. The transferor may revoke the transfer upon written notice filed with the Department.
2. The transferor shall have the right at any time to withdraw the authority of the transferee to trade on the membership by giving notice to the transferee's qualifying clearing member and such clearing member must subsequently notify the Exchange.
3. The transfer shall be revoked and the membership shall revert to the transferor's estate or conservator upon official notice of the death or formally declared incompetence of the transferor. However, the legal representative of a deceased member's estate may transfer his membership pursuant to this Rule 106.D. during the pendency of probate.
4. The transferor is eligible to be elected to the Board of Directors. A transferor who is a member of the Board may have access to the trading floor in order to meet with other members, but may not trade while on the trading floor.
5. The transferor may sell the membership at any time in accordance with the provisions of Rule 104 or transfer the membership pursuant to Rule 106. The proceeds of the sale of the membership will be distributed to the transferor following the settlement of all claims pursuant to Rule 110.
6. The transferee's guarantor(s) shall have no right of indemnification against the transferor for any and all claims against the transferee which have been satisfied in accordance with the terms of the guarantee. The transferor shall neither be liable for nor shall the transferred membership be used to satisfy any and all claims against the transferee which have not been satisfied by the transferee and/or the transferee's guarantor(s). Transferees shall have continuing personal liability for any claims which accrued during the term of the transfer which were not satisfied by the transferee's guarantor(s); for the payment of disciplinary fines assessed against the transferee which were not otherwise satisfied; and for any other financial obligations to the Exchange and/or its members that were not otherwise satisfied.
7. The transferor may not assign the membership for ~~clearing-membership~~ purposes pursuant to Rules 106.J. or 902.
8. A transferee shall place all trades on the books of his qualifying clearing member unless written authorization to the contrary from said clearing member has been filed with the Department. Failure to

adhere to the requirements of this rule and Rule 903.F. shall exclude a clearing member not qualifying the transferee from receiving proceeds under Rule 110. 9. Upon a transferor's expulsion from the Exchange, the transfer shall be revoked and the membership shall revert to the transferor who must sell the membership within 30 days.

10.-11. [Reserved]

12. A lessor shall notify the Exchange, in a manner designated by the Exchange, of the terms of a new lease agreement or any renewal of a lease agreement within two (2) business days of the negotiation of the lease agreement, or renewal thereof. A lessor's failure to comply with this Rule 106.D.12 may result in the issuance of a warning letter to the lessor. A lessor may then be subject to an automatic fine of \$500 and \$1000 respectively for a second and third violation of this rule within a rolling 12-month period from the issuance of the warning letter. Repeated violations of this rule may be referred to a disciplinary committee.
13. Unless otherwise previously agreed to by the transferor and the transferee, notice must be provided by the parties of their intention to continue a leasing arrangement at least ten (10) days prior to the expiration of the current lease term. If either party fails to provide such notice, it is assumed that the lease will not be renewed upon its expiration. Terms of the renewal, if any, will be subject to negotiation between the parties.
14. No Option Membership may be transferred pursuant to this Rule 106.D.

#### 106.G. Transfer to Wholly-Owned Entities

A membership may be transferred to an entity which is wholly-owned by the member or his immediate family members as that term is used in Rule 106.C. Transfers pursuant to this authorization shall be limited to transfers pursuant to Rules 106.C., D. or E.

A 106.G. transferee may assign the membership for ~~clearing-membership~~ purposes in accordance with Rules 106.J. and 902 except in circumstances where the transfer has been made pursuant to Rule 106.D.

#### 106.J. Member Firm

A firm may qualify as a:

- NYMEX Rule 106.J. member firm if two NYMEX Division memberships and 8,000 CME Group Class A Shares are assigned for the firm's membership privileges.
- COMEX Rule 106.J. member firm if two COMEX Division memberships are assigned for the firm's membership privileges.
- COMEX Rule 106.J. member firm (Options only) if two COMEX Option Division memberships are assigned for the firm's membership privileges.

~~-non-clearing Member Firm if two Exchange memberships in each Division in which it desires member firm privileges are owned by the firm or are assigned to it by principals or employees of the member firm or persons, including a parent company, with an acceptable proprietary interest in the member firm.~~

A NYMEX Rule 106.J. member firm shall at all times have assigned to it at least 12,000 CME Group Class A Shares if it is also either: (a) a CME clearing member or CME Rule 106.J. equity member firm or (b) a CBOT clearing member or a CBOT member firm that has an 8,000 share requirement (including a CBOT clearing member or CBOT member firm with a grandfathered share requirement of 4,725). If the CBOT member firm has a 1,750 share requirement, the combined share requirement will be 9,750.

A NYMEX Rule 106.J. member firm shall at all times have assigned to it at least 16,000 CME Group Class A Shares if it is also both: (a) a CME clearing member or CME Rule 106.J. equity member firm and (b) a CBOT clearing member or a CBOT member firm that has an 8,000 share requirement (including a CBOT clearing member or CBOT member firm with a grandfathered share requirement of 4,725). If the CBOT member firm has a 1,750 share requirement, the combined share requirement will be 13,750.

For NYMEX Rule 106.J. member firms, at least one membership and 50% of the CME Group Class A Shares required for membership pursuant to this Rule must be owned by the member firm, principals or employees of the member firm or persons, including a parent company, with an acceptable proprietary interest in the member firm, or if the member firm is a pool or fund, the investment manager of the pool or fund. One membership and 50% of the CME Group Class A Shares required for membership may be independently assigned.

For COMEX Rule 106.J. member firms and COMEX Rule 106.J. member firms (Options only), at least one membership in each Division required for membership pursuant to this Rule must be owned by the member firm, principals or employees of the member firm or persons, including a parent company, with an acceptable proprietary interest in the member firm, or if the member firm is a pool or fund, the investment manager of the pool or fund. One membership in each Division required for membership may be independently assigned.

COMEX Option Memberships may be assigned solely for the purpose of trading those contracts which a COMEX Option Member is permitted to trade.

~~Each NYMEX Division member firm must also own or have assigned to it by principals, employees, or persons with an acceptable proprietary interest in the member firm, at least 8,000 CME Group Class A Shares.~~—The memberships may be held in the name of the member firm, principals or employees of the member, or persons with an acceptable proprietary interest in the member firm. The owner of the membership firm may transfer the firm-owned memberships among such persons provided that: (1) the transfer is approved by Exchange staff; (2) the transferee is approved pursuant to the rules of the Exchange; and (3) the transfer is for the legitimate business purposes of the firm. The firm shall have the right, at any time, to withdraw the authority of the transferee to trade on the a firm-owned membership, but must withdraw such authority upon termination of his employment or other association with the firm. Notice of the withdrawal of the authority of the transferee to trade on the a firm-owned membership must be given to his qualifying clearing member who in turn must notify the Exchange pursuant to Rule 511.A. The member firm shall designate on a form provided by the Exchange a representative who shall be authorized to deal with the Exchange with respect to the membership transferred under this Section.

The proceeds of the sale of a membership which has been assigned in order to qualify a Rule 106.J. member firm shall be subject to Rule 110 claims against both the owner of the membership and the Rule 106.J. member firm.

A Rule 106.J. member firm membership may not be transferred pursuant to any other provision of Rule 106. The membership may not be assigned for membershipelearing purposes under Rule 902.

Rule 106.J. member firm benefits apply only to the firm's member firm trading and not to the trading of any affiliates, subsidiaries or customers. All positions of the member firm must be carried by a clearing member(s) in accounts separate from positions of affiliates, subsidiaries, customers and other entities.

Any holder or transferee of a Rule 106.J. membership may not solicit or contact customers from the floor of the Exchange, unless the member firm is an Introducing Broker or Futures Commission Merchant as those terms are defined in Section 1a of the Commodity Exchange Act and/or 17 C.F.R. 1.3., FCM or IB.

A Rule 106.J. member firm may not hold itself out to the public as a clearing member.

Exchange staff may grant exemptions from the requirements of this Rule.

#### **106.K. Transfer to a Trust**

A member may transfer his membership to a trust for which the member is the grantor. The document(s) establishing the trust shall at all times include the restrictions as to permissible beneficiaries and state that (1) the trust takes the membership subject to all of the rules of the Exchange, as may be amended, (2) the interests in the membership that inure to the beneficiaries of the trust shall be subject to all of the rules of the Exchange, as may be amended, (3) the Exchange's rights with respect to the membership are superior to those of the beneficiaries, and (4) the Exchange shall have no liability to the beneficiaries of the trust in the event of the mishandling of the trust assets by the trustee. Permissible beneficiaries are immediate family members as set forth in Rule 106.C. The grantor (or the grantor's personal representative) and the trustee (and any successor) shall each provide in the form provided by the Exchange an acknowledgment that the trust takes the membership subject to all of the rules of the Exchange and that the trust is in compliance with the requirements of this Rule. The grantor shall comply with any request to produce trust information made by Exchange staff.

If such a transfer is made by a bona fide gift or bequest, it shall also be subject to the requirements of Rule 106.E.

The grantor's liability to the Exchange under Rule 439 shall continue with respect to any claim arising out of an act or omission occurring prior to such transfer, and the membership will continue to be treated as the asset of the grantor for the purposes of Rule 439 and for otherwise meeting any obligations to the Exchange arising out of the grantor's use of the membership prior to the transfer to the trust, including fines imposed with respect to conduct occurring prior to the transfer. A membership held pursuant to a transfer

under this section may be assigned for ~~clearing-membership~~ privileges under Rules 106.J. or 902 or reinstated to the transferor pursuant to this section. The transfer shall be revoked and the membership shall revert to the transferor upon official notice to the Exchange that the trust has been revoked. The membership must be transferred out of the trust within 90 days of the closing of the member's estate.

**106.M. Transfer to Joint Tenants With Right of Survivorship**

A member may transfer his membership to himself and a member of his immediate family, as defined in Rule 106.C., as joint tenants with right of survivorship.

The joint tenants shall designate on a form provided by the Exchange which one of them shall be authorized to deal with the Exchange with respect to the membership transferred under this Section. The designee must qualify for membership by satisfying the requirements of Chapter 1 of these rules, and shall be treated as a member for all purposes. In the designation form, the joint tenants shall acknowledge that the designee shall have the exclusive right to transfer the membership or to execute an Authorization to Sell pursuant to Rule 106.A. and that the Exchange shall have no liability to the non-designee in the event of such transfer or execution or the mishandling of the membership by the designee. The joint tenants may at any time change such designation in writing signed by both of them, and each such change shall be deemed a transfer for the purposes of these rules. Upon such change in designation, the new designee must qualify for membership by satisfying the requirements of Chapter 1 of these rules.

Whether or not the transferor is the designee, the transferor's liability to the Exchange under Rule 439 shall continue with respect to any claim arising out of an act or omission occurring prior to a transfer under this rule, and the membership will continue to be treated as an asset of the transferor for the purposes of Rule 439 and for otherwise meeting any obligations to the Exchange arising out of the transferor's use of the membership prior to such transfer, including fines imposed with respect to conduct occurring prior to the transfer. Upon receipt of satisfactory proof of the death of a joint tenant, the Exchange will transfer the membership to the survivor.

Upon receipt by the Exchange of written notice signed by both joint tenants terminating joint ownership of the membership transferred under this section and instructing the Exchange to transfer the membership to one of the joint tenants as sole owner, the Exchange shall transfer such membership pursuant to such instructions.

A membership held pursuant to a transfer under this section may not be assigned for ~~clearing-membership~~ privileges under Rules 106.J. or 902.

**106.P. Transfer to a Family Limited Partnership**

A member may transfer his membership to a Family Limited Partnership ("FLP") with respect to which all partners are members of the member's family who would be eligible for a family transfer from the member pursuant to Rule 106.C. The limited partnership agreement or other document(s) governing the FLP shall at all times prohibit transfers of an interest in the FLP to any person who is not eligible pursuant to Rule 106.C and shall state that (1) the FLP's interest in the membership shall at all times be subject to all of the rules of the Exchange, as may be amended, including, but not limited to, Rule 110 and, if the membership is assigned to a ~~clearing-member firm~~ for ~~clearing-membership~~ qualification, Rules 106.J. and 902; (2) management of the FLP shall be vested exclusively in a managing general partner, who must qualify for membership by satisfying the requirements of Chapter 1 of these rules; and (3) the Exchange shall have no liability to the partners for any loss, damage, or expense resulting from any acts or omissions by the managing general partner or any person acting by or through the authority of a general partner. The transferor and the managing general partner (and any successor) shall each provide in the form provided by the Exchange a certification that the FLP acquires the membership subject to all of the rules of the Exchange and that the FLP is in compliance with the requirements of this Rule. The FLP also may transfer the membership back to the transferor.

If the transfer of a membership to the FLP is made by a bona fide gift or bequest, it shall also be subject to the requirements of Rule 106.E.

Transfer of a membership pursuant to this rule shall not relieve the transferor of any liability to the Exchange under Rule 439 with respect to any claim arising out of an act or omission occurring prior to such transfer, and the membership will continue to be treated as the asset of the transferor for the purposes of Rule 439 and for otherwise meeting any obligations to the Exchange arising out of the transferor's use of the membership prior to the transfer to the FLP, including fines imposed with respect to conduct occurring prior to the transfer. A membership held pursuant to a transfer under this section may be assigned for ~~clearing-membership~~ purposes under Rules 106.J. and 902.

**130. REQUIRED NOTICES BY MEMBER FIRMS AND SUSPENSION OF MEMBER FIRM PRIVILEGES**

Rule 106.J. member firms shall notify the Audit Department prior to any proposed merger, acquisition, consolidation, combination, sale, or any other change of ownership involving the Rule 106.J. firm.

Rule 106.J. member firms shall notify the Audit Department in a timely manner of any material change in key personnel who are responsible to act on behalf of the member firm.

If any Rule 106.J. firm:

- ~~has notified the Exchange~~ or the Exchange otherwise becomes aware of a significant event ~~bankruptcy proceeding or a definite intention to file for bankruptcy pursuant to as defined in Rule 442, or if the Exchange otherwise becomes aware of such a proceeding or intention;~~ or
- ~~if, in the opinion of the Audit Department, any Rule 106.J. firm~~ that is an FCM fails to meet CFTC minimum financial requirements in the opinion of the Audit Department; or
- ~~neglects to promptly furnish a statement upon request~~

the membership privileges of the Rule 106.J. firm may be suspended, subject to the procedures set forth in Rule 974.B.

**131. EXPULSION FOR FRAUD OR DISHONESTY PRIOR TO ELECTION TO MEMBERSHIP**

A member or a firm with membership privileges who is found ~~to have been~~ guilty of fraud or dishonest conduct by any court, commodity or securities exchange or related clearing organization, the Securities and Exchange Commission, the Commodity Futures Trading Commission or the securities commission or equivalent authority of any state, territory, the District of Columbia or foreign country, the National Futures Association, the Financial Industry Regulatory Authority, or any self-regulatory or regulatory organization prior to becoming a member and of failing to make full disclosure thereof in his or its application for membership, or who is found guilty of having made a false statement of a material fact in or in connection with his or its application, may be expelled from membership in the Exchange by a Panel of the Business Conduct Committee.

**442. NOTIFICATION OF SIGNIFICANT EVENTS**

Each Member shall immediately notify the Market Regulation Department in writing upon becoming aware of any of the following events relating to such Member:

1. any suspension, expulsion, revocation or restriction of such Member's trading privileges or any fine in excess of \$25,000, through an adverse determination, voluntary settlement or otherwise, by any court, commodity or securities exchange or related clearing organization, the Securities and Exchange Commission, the Commodity Futures Trading Commission or the securities commission or equivalent authority of any state, territory, the District of Columbia or foreign country, Financial Industry Regulatory Authority, the National Futures Association, ~~the National Association of Securities Dealers, Inc.,~~ or any self-regulatory or regulatory organization;
2. any indictment of the Member or any of its officers for, any conviction of the Member or any of its officers of, or any confession of guilt or plea of guilty or nolo contendere by the Member or any of its officers to 1) any felony or 2) any misdemeanor involving, arising from, or related to the purchase or sale of any commodity, security, futures contract, option or other financial instrument or involving or arising from fraud or moral turpitude; and/or
3. any involuntary bankruptcy petition that has been filed against such Member, or in the case of a voluntary bankruptcy proceeding, when such Member has filed or has formed a definite intention to file for bankruptcy.

Nothing in this rule shall limit or negate any other reporting obligations that any member may have to the Exchange or any other regulator or person.

## 900. CATEGORIES OF CLEARING MEMBERS

The Exchange may establish different clearing member categories and alter the rights and responsibilities of such categories.

The term "clearing member" as used in the Rules, shall include all clearing member categories established by the Exchange, ~~including Clearing FCMs,~~ unless otherwise specified.

### 900.A. NYMEX Clearing Members

NYMEX Clearing Members shall have all applicable rights, responsibilities and privileges attendant thereto, subject to the provisions of these rules and shall be qualified to clear transactions for all NYMEX products and any COMEX products for which cross-divisional trading privileges have been granted by the Board.

### 900.B. COMEX Clearing Members

COMEX Clearing Members shall have all applicable rights, responsibilities and privileges attendant thereto, subject to the provisions of these rules and shall be qualified to clear transactions for all COMEX products and any NYMEX products for which cross-divisional trading privileges have been granted by the Board.

## 902. CLEARING MEMBERSHIP ASSIGNMENT REQUIREMENTS

### 902.A. Assignment Requirement

Subject to exemptions granted by Exchange staff, each clearing member shall have at least two ~~(2)~~ Exchange memberships in each Division in which it desires ~~c~~clearing mMember privileges assigned to the Clearing House. In addition, each NYMEX Division Clearing Member shall at all times ~~own or~~ have assigned to it at least 8,000 CME Group Class A Shares.

A NYMEX Division Clearing Member shall at all times ~~own or~~ have assigned to it at least 12,000 CME Group Class A Shares if it is also either: (a) a CME clearing member or CME Rule 106.J. equity member firm of CME or (b) a CBOT clearing member ~~(including a CBOT clearing member with a grandfathered share requirement of 4,725)~~ or ~~a~~ CBOT member firm that has an 8,000 share requirement (including a CBOT clearing member or CBOT member firm with a grandfathered share requirement of 4,725). If the CBOT member firm has a 1,750 share requirement, the combined share requirement will be 9,750.

A NYMEX Division Clearing Member shall at all times ~~own or~~ have assigned to it at least 16,000 CME Group Class A Shares if it is also both: (a) a CME clearing member or CME Rule 106.J. equity member firm of CME and (b) a CBOT clearing member ~~(including a CBOT clearing member with a grandfathered share requirement of 4,725)~~ or ~~a~~ CBOT member firm that has an 8,000 share requirement (including a CBOT clearing member or CBOT member firm with a grandfathered share requirement of 4,725). If the CBOT member firm has a 1,750 share requirement, the combined share requirement will be 13,750.

Assigned CME Group Class A Shares may not be sold, pledged, hypothecated, lent, reregistered or otherwise transferred without the prior approval of the Exchange. Each clearing member assigning CME Group Class A Shares to the Clearing House hereby acknowledges that the Clearing House has control over such CME Group Class A Shares and further agrees to comply with any policies or procedures established by the Clearing House to affect control over CME Group Class A Shares.

At least one membership and 50% of the CME Group Class A Shares required for clearing membership pursuant to this rule must be owned by the clearing member or a person, including a parent company, with an acceptable proprietary interest in such clearing member, if such clearing member was approved for membership after July 1, 2009. The second membership and the remaining 50% of the CME Group Class A Shares may be independently assigned.

A clearing member approved for membership on or before July 1, 2009, may continue to maintain the same number of independent membership assignments and the same ratio of independent CME Group Class A Share assignments as the clearing member held on July 1, 2009. If a clearing member approved on or before July 1, 2009, or a person with an acceptable proprietary interest in the clearing member, subsequently purchases a membership or CME Group Class A Shares and substitutes such asset for one which was previously an independent assignment, such membership or CME Group Class A Shares must

thereafter be owned by the clearing member or a person with an acceptable proprietary interest if necessary to meet the minimum requirements of the previous paragraph.

Upon default of a clearing member in meeting its obligations to the Clearing House or upon the Clearing House Risk Committee's determination that a clearing member's financial position jeopardizes the financial integrity of the Clearing House, the Clearing House may direct the sale of any or all of the clearing member's assigned memberships and [CME Group](#) Class A Shares. The proceeds from the sale of the memberships shall be used to satisfy Rule 110 obligations.

**902.B. [Reserved]**

**902.C. Assignment Process**

A membership and/or [CME Group](#) Class A Shares may be assigned upon the completion of an Exchange-approved form. A membership and [CME Group](#) Class A Shares may be assigned on behalf of only one clearing member and may not be subject to any Rule 110 claims at the time of assignment. Upon submitting an assignment form to the Membership Services Department, the membership shall be notified of the assignment. Parties will have ten days after the notification of the assignment to submit any Rule 110 claims against the membership being assigned. After all Rule 110 claims have been resolved to the satisfaction of the Exchange, the membership shall be assigned.

**902.D. Assignment Substitutions**

A clearing member may substitute a membership and/or [CME Group](#) Class A Shares for an assigned membership and/or [CME Group](#) Class A Shares provided that the clearing member continues to meet the assignment requirements of this Rule.

In the event a clearing member has a valid claim against a member that it qualifies and the member's membership is assigned to another clearing member, the clearing member utilizing the membership for assignment shall have 10 business days to substitute another membership to fulfill the assignment requirements of this Rule.

**902.E. Assignment Withdrawal Disputes**

In the event a member wants to withdraw his assigned membership over the objection of the clearing member to which the membership is assigned, such member must request permission to do so from Clearing House staff. The request must be in writing with a copy delivered to the clearing member to which the membership is assigned.

**902.F. Lien on Memberships and [CME Group](#) Class A Shares**

Each Clearing Member hereby grants to the Clearing House a first priority and unencumbered lien against all memberships and any [CME Group](#) Class A shares required for clearing membership by the Exchange.

**974. SUSPENSION OF MEMBER FIRM PRIVILEGES FAILURE TO MEET MINIMUM FINANCIAL REQUIREMENTS**

A. If, in the opinion of the Audit Department, a clearing member fails to meet the minimum financial requirements as prescribed herein or neglects to promptly furnish a statement upon request, a recommendation may be made to the Clearing House Risk Committee to suspend the privileges of the clearing member. Upon such recommendation, the Clearing House Risk Committee shall conduct a hearing and such clearing member shall show cause why its privileges should not be suspended. Upon finding that the minimum financial requirements are being violated, the Clearing House Risk Committee may suspend the privileges of such clearing member in accordance with the provisions of Chapter 4 of these rules. The CFTC shall be immediately notified of any clearing member which fails to meet the minimum financial requirements. Any suspended clearing member may appeal the decision of the Clearing House Risk Committee to the Board.

- B. If any Rule 106.J. ~~Exchange~~ Member Firm ~~that is not a Clearing member;~~
- ~~\_\_\_\_\_ has notified the Exchange or the Exchange otherwise becomes aware of a significant event bankruptcy proceeding or a definite intention to file for bankruptcy pursuant to as defined in Rule 442, or if the Exchange otherwise becomes aware of such a proceeding or intention;~~ or
  - ~~\_\_\_\_\_ if, in the opinion of the Audit Department, any non-clearing member firm~~ that is an FCM fails to meet CFTC minimum financial requirements in the opinion of the Audit Department; or
  - neglects to promptly furnish a statement upon request
- the membership privileges of the member firm may be suspended, subject to approval of any two of the following individuals: the Chief Executive Officer, the President, the President of the Clearing House, the Chairman of the Board, or the Chief Operating Officer. Any two of these individuals may reinstate the membership privileges of such a suspended member firm, in their discretion, if the suspended member firm provides evidence satisfactory to the Audit Department of its financial responsibility or that it meets CFTC minimum financial requirements.

## **NYMEX Chapters 1, 4 and 9 Rule Changes (Clean Version)**

### **106. TRANSFERS, SECURITY TRANSACTIONS, AND AUTHORIZATIONS TO TRANSFER OR SELL**

#### **106.C. Family Transfers**

A member or Non-Member Investor may temporarily transfer his membership to a member of his immediate family who shall be subject to all Exchange rules and regulations. For purposes of this rule, immediate family members shall be limited to parents, siblings, children, grandchildren, grandparents, fathers-in-law, mothers-in-law, sons-in law, daughters-in-law and spouses.

Rule 106.C transfers shall be subject to the following terms and conditions:

1. The transferor may revoke the transfer upon written notice filed with the Department.
2. The transferor shall have the right at any time to withdraw the authority of the transferee to trade on the membership by giving notice to the transferee's qualifying clearing member and such clearing member must subsequently notify the Exchange.
3. The transfer shall be revoked and the membership shall revert to the transferor's estate or conservator upon official notice of the death or formally declared incompetence of the transferor. However, the legal representative of a deceased member's estate may transfer his membership pursuant to this Rule 106.C. during the pendency of probate.
4. Upon a transferor's expulsion from the Exchange, the transfer shall be revoked and the membership shall revert to the transferor who must sell the membership within 30 days.
5. Upon approval for membership, the transferee shall be treated as a member for all purposes, except that the transferee shall have no authority to sell, transfer or assign the membership. The transferor shall be considered the member and an assignment of the membership for membership purposes pursuant to Rules 106.J. or 902 shall not be terminated by the transferee.
6. The transferor may sell the membership at any time in accordance with the provisions of Rule 104 or transfer the membership pursuant to Rule 106. The proceeds of the sale of the membership will be distributed to the transferor following the settlement of all claims pursuant to Rule 110.
7. The transferred membership may be sold in accordance with Rule 133, and the proceeds may be applied as provided in Rule 110, to satisfy financial obligations of the transferee to the Exchange, to another member or to a clearing member arising out of the transferee's use of the membership in the event that such financial obligations have not been otherwise satisfied.

#### **106.D. Futures Industry Transfers**

A member or Non-Member Investor may temporarily transfer his membership to another member who shall be subject to all Exchange rules and regulations.

Transfers under this section shall be subject to the following terms and conditions:

1. The transferor may revoke the transfer upon written notice filed with the Department.

2. The transferor shall have the right at any time to withdraw the authority of the transferee to trade on the membership by giving notice to the transferee's qualifying clearing member and such clearing member must subsequently notify the Exchange.
3. The transfer shall be revoked and the membership shall revert to the transferor's estate or conservator upon official notice of the death or formally declared incompetence of the transferor. However, the legal representative of a deceased member's estate may transfer his membership pursuant to this Rule 106.D. during the pendency of probate.
4. The transferor is eligible to be elected to the Board of Directors. A transferor who is a member of the Board may have access to the trading floor in order to meet with other members, but may not trade while on the trading floor.
5. The transferor may sell the membership at any time in accordance with the provisions of Rule 104 or transfer the membership pursuant to Rule 106. The proceeds of the sale of the membership will be distributed to the transferor following the settlement of all claims pursuant to Rule 110.
6. The transferee's guarantor(s) shall have no right of indemnification against the transferor for any and all claims against the transferee which have been satisfied in accordance with the terms of the guarantee. The transferor shall neither be liable for nor shall the transferred membership be used to satisfy any and all claims against the transferee which have not been satisfied by the transferee and/or the transferee's guarantor(s). Transferees shall have continuing personal liability for any claims which accrued during the term of the transfer which were not satisfied by the transferee's guarantor(s); for the payment of disciplinary fines assessed against the transferee which were not otherwise satisfied; and for any other financial obligations to the Exchange and/or its members that were not otherwise satisfied.
7. The transferor may not assign the membership for membership purposes pursuant to Rules 106.J. or 902.
8. A transferee shall place all trades on the books of his qualifying clearing member unless written authorization to the contrary from said clearing member has been filed with the Department. Failure to adhere to the requirements of this rule and Rule 903.F. shall exclude a clearing member not qualifying the transferee from receiving proceeds under Rule 110. 9. Upon a transferor's expulsion from the Exchange, the transfer shall be revoked and the membership shall revert to the transferor who must sell the membership within 30 days.
- 10.-11. [Reserved]
12. A lessor shall notify the Exchange, in a manner designated by the Exchange, of the terms of a new lease agreement or any renewal of a lease agreement within two (2) business days of the negotiation of the lease agreement, or renewal thereof. A lessor's failure to comply with this Rule 106.D.12 may result in the issuance of a warning letter to the lessor. A lessor may then be subject to an automatic fine of \$500 and \$1000 respectively for a second and third violation of this rule within a rolling 12-month period from the issuance of the warning letter. Repeated violations of this rule may be referred to a disciplinary committee.
13. Unless otherwise previously agreed to by the transferor and the transferee, notice must be provided by the parties of their intention to continue a leasing arrangement at least ten (10) days prior to the expiration of the current lease term. If either party fails to provide such notice, it is assumed that the lease will not be renewed upon its expiration. Terms of the renewal, if any, will be subject to negotiation between the parties.
14. No Option Membership may be transferred pursuant to this Rule 106.D.

**106.G. Transfer to Wholly-Owned Entities**

A membership may be transferred to an entity which is wholly-owned by the member or his immediate family members as that term is used in Rule 106.C. Transfers pursuant to this authorization shall be limited to transfers pursuant to Rules 106.C., D. or E.

A 106.G. transferee may assign the membership for membership purposes in accordance with Rules 106.J. and 902 except in circumstances where the transfer has been made pursuant to Rule 106.D.

**106.J. Member Firm**

A firm may qualify as a:

- NYMEX Rule 106.J. member firm if two NYMEX Division memberships and 8,000 CME Group Class A Shares are assigned for the firm's membership privileges.
- COMEX Rule 106.J. member firm if two COMEX Division memberships are assigned for the firm's membership privileges.
- COMEX Rule 106.J. member firm (Options only) if two COMEX Option Division memberships are assigned for the firm's membership privileges.

A NYMEX Rule 106.J. member firm shall at all times have assigned to it at least 12,000 CME Group Class A Shares if it is also either: (a) a CME clearing member or CME Rule 106.J. equity member firm or (b) a CBOT clearing member or a CBOT member firm that has an 8,000 share requirement (including a CBOT clearing member or CBOT member firm with a grandfathered share requirement of 4,725). If the CBOT member firm has a 1,750 share requirement, the combined share requirement will be 9,750.

A NYMEX Rule 106.J. member firm shall at all times have assigned to it at least 16,000 CME Group Class A Shares if it is also both: (a) a CME clearing member or CME Rule 106.J. equity member firm and (b) a CBOT clearing member or a CBOT member firm that has an 8,000 share requirement (including a CBOT clearing member or CBOT member firm with a grandfathered share requirement of 4,725). If the CBOT member firm has a 1,750 share requirement, the combined share requirement will be 13,750.

For NYMEX Rule 106.J. member firms, at least one membership and 50% of the CME Group Class A Shares required for membership pursuant to this Rule must be owned by the member firm, principals or employees of the member firm or persons, including a parent company, with an acceptable proprietary interest in the member firm, or if the member firm is a pool or fund, the investment manager of the pool or fund. One membership and 50% of the CME Group Class A Shares required for membership may be independently assigned.

For COMEX Rule 106.J. member firms and COMEX Rule 106.J. member firms (Options only), at least one membership in each Division required for membership pursuant to this Rule must be owned by the member firm, principals or employees of the member firm or persons, including a parent company, with an acceptable proprietary interest in the member firm, or if the member firm is a pool or fund, the investment manager of the pool or fund. One membership in each Division required for membership may be independently assigned.

COMEX Option Memberships may be assigned solely for the purpose of trading those contracts which a COMEX Option Member is permitted to trade.

The memberships may be held in the name of the member firm, principals or employees of the member, or persons with an acceptable proprietary interest in the member firm. The owner of the membership may transfer the membership among such persons provided that: (1) the transfer is approved by Exchange staff; (2) the transferee is approved pursuant to the rules of the Exchange; and (3) the transfer is for the legitimate business purposes of the firm. The firm shall have the right, at any time, to withdraw the authority of the transferee to trade on the membership, but must withdraw such authority upon termination of his employment or other association with the firm. Notice of the withdrawal of the authority of the transferee to trade on the membership must be given to his qualifying clearing member who in turn must notify the Exchange pursuant to Rule 511.A. The member firm shall designate on a form provided by the Exchange a representative who shall be authorized to deal with the Exchange with respect to the membership transferred under this Section.

The proceeds of the sale of a membership which has been assigned in order to qualify a Rule 106.J. member firm shall be subject to Rule 110 claims against both the owner of the membership and the Rule 106.J. member firm.

A Rule 106.J. member firm membership may not be transferred pursuant to any other provision of Rule 106. The membership may not be assigned for membership purposes under Rule 902.

Rule 106.J. member firm benefits apply only to the firm's member firm trading and not to the trading of any affiliates, subsidiaries or customers. All positions of the member firm must be carried by a clearing member(s) in accounts separate from positions of affiliates, subsidiaries, customers and other entities.

Any holder or transferee of a Rule 106.J. membership may not solicit or contact customers from the floor of the Exchange, unless the member firm is an Introducing Broker or Futures Commission Merchant as those terms are defined in Section 1a of the Commodity Exchange Act and/or 17 C.F.R. 1.3..

A Rule 106.J. member firm may not hold itself out to the public as a clearing member.

Exchange staff may grant exemptions from the requirements of this Rule.

**106.K. Transfer to a Trust**

A member may transfer his membership to a trust for which the member is the grantor. The document(s) establishing the trust shall at all times include the restrictions as to permissible beneficiaries and state that (1) the trust takes the membership subject to all of the rules of the Exchange, as may be amended, (2) the interests in the membership that inure to the beneficiaries of the trust shall be subject to all of the rules of the Exchange, as may be amended, (3) the Exchange's rights with respect to the membership are superior to those of the beneficiaries, and (4) the Exchange shall have no liability to the beneficiaries of the trust in the event of the mishandling of the trust assets by the trustee. Permissible beneficiaries are immediate family members as set forth in Rule 106.C. The grantor (or the grantor's personal representative) and the trustee (and any successor) shall each provide in the form provided by the Exchange an acknowledgment that the trust takes the membership subject to all of the rules of the Exchange and that the trust is in compliance with the requirements of this Rule. The grantor shall comply with any request to produce trust information made by Exchange staff.

If such a transfer is made by a bona fide gift or bequest, it shall also be subject to the requirements of Rule 106.E.

The grantor's liability to the Exchange under Rule 439 shall continue with respect to any claim arising out of an act or omission occurring prior to such transfer, and the membership will continue to be treated as the asset of the grantor for the purposes of Rule 439 and for otherwise meeting any obligations to the Exchange arising out of the grantor's use of the membership prior to the transfer to the trust, including fines imposed with respect to conduct occurring prior to the transfer. A membership held pursuant to a transfer under this section may be assigned for membership privileges under Rules 106.J. or 902 or reinstated to the transferor pursuant to this section. The transfer shall be revoked and the membership shall revert to the transferor upon official notice to the Exchange that the trust has been revoked. The membership must be transferred out of the trust within 90 days of the closing of the member's estate.

**106.M. Transfer to Joint Tenants With Right of Survivorship**

A member may transfer his membership to himself and a member of his immediate family, as defined in Rule 106.C., as joint tenants with right of survivorship.

The joint tenants shall designate on a form provided by the Exchange which one of them shall be authorized to deal with the Exchange with respect to the membership transferred under this Section. The designee must qualify for membership by satisfying the requirements of Chapter 1 of these rules, and shall be treated as a member for all purposes. In the designation form, the joint tenants shall acknowledge that the designee shall have the exclusive right to transfer the membership or to execute an Authorization to Sell pursuant to Rule 106.A. and that the Exchange shall have no liability to the non-designee in the event of such transfer or execution or the mishandling of the membership by the designee. The joint tenants may at any time change such designation in writing signed by both of them, and each such change shall be deemed a transfer for the purposes of these rules. Upon such change in designation, the new designee must qualify for membership by satisfying the requirements of Chapter 1 of these rules.

Whether or not the transferor is the designee, the transferor's liability to the Exchange under Rule 439 shall continue with respect to any claim arising out of an act or omission occurring prior to a transfer under this rule, and the membership will continue to be treated as an asset of the transferor for the purposes of Rule 439 and for otherwise meeting any obligations to the Exchange arising out of the transferor's use of the membership prior to such transfer, including fines imposed with respect to conduct occurring prior to the transfer. Upon receipt of satisfactory proof of the death of a joint tenant, the Exchange will transfer the membership to the survivor.

Upon receipt by the Exchange of written notice signed by both joint tenants terminating joint ownership of the membership transferred under this section and instructing the Exchange to transfer the membership to one of the joint tenants as sole owner, the Exchange shall transfer such membership pursuant to such instructions.

A membership held pursuant to a transfer under this section may not be assigned for membership privileges under Rules 106.J. or 902.

**106.P. Transfer to a Family Limited Partnership**

A member may transfer his membership to a Family Limited Partnership ("FLP") with respect to which all partners are members of the member's family who would be eligible for a family transfer from the member pursuant to Rule 106.C. The limited partnership agreement or other document(s) governing the FLP shall at all times prohibit transfers of an interest in the FLP to any person who is not eligible pursuant to Rule 106.C and shall state that (1) the FLP's interest in the membership shall at all times be subject to all of the

rules of the Exchange, as may be amended, including, but not limited to, Rule 110 and, if the membership is assigned to a member firm for membership qualification, Rules 106.J. and 902; (2) management of the FLP shall be vested exclusively in a managing general partner, who must qualify for membership by satisfying the requirements of Chapter 1 of these rules; and (3) the Exchange shall have no liability to the partners for any loss, damage, or expense resulting from any acts or omissions by the managing general partner or any person acting by or through the authority of a general partner. The transferor and the managing general partner (and any successor) shall each provide in the form provided by the Exchange a certification that the FLP acquires the membership subject to all of the rules of the Exchange and that the FLP is in compliance with the requirements of this Rule. The FLP also may transfer the membership back to the transferor.

If the transfer of a membership to the FLP is made by a bona fide gift or bequest, it shall also be subject to the requirements of Rule 106.E.

Transfer of a membership pursuant to this rule shall not relieve the transferor of any liability to the Exchange under Rule 439 with respect to any claim arising out of an act or omission occurring prior to such transfer, and the membership will continue to be treated as the asset of the transferor for the purposes of Rule 439 and for otherwise meeting any obligations to the Exchange arising out of the transferor's use of the membership prior to the transfer to the FLP, including fines imposed with respect to conduct occurring prior to the transfer. A membership held pursuant to a transfer under this section may be assigned for membership purposes under Rules 106.J. and 902.

**130. REQUIRED NOTICES BY MEMBER FIRMS AND SUSPENSION OF MEMBER FIRM PRIVILEGES**

Rule 106.J. member firms shall notify the Audit Department prior to any proposed merger, acquisition, consolidation, combination, sale, or any other change of ownership involving the Rule 106.J. firm.

Rule 106.J. member firms shall notify the Audit Department in a timely manner of any material change in key personnel who are responsible to act on behalf of the member firm.

If any Rule 106.J. firm:

- has notified the Exchange or the Exchange otherwise becomes aware of a significant event as defined in Rule 442; or
- that is an FCM fails to meet CFTC minimum financial requirements in the opinion of the Audit Department; or
- neglects to promptly furnish a statement upon request

the membership privileges of the Rule 106.J. firm may be suspended, subject to the procedures set forth in Rule 974.B.

**131. EXPULSION FOR FRAUD OR DISHONESTY PRIOR TO ELECTION TO MEMBERSHIP**

A member or a firm with membership privileges who is found guilty of fraud or dishonest conduct by any court, commodity or securities exchange or related clearing organization, the Securities and Exchange Commission, the Commodity Futures Trading Commission or the securities commission or equivalent authority of any state, territory, the District of Columbia or foreign country, the National Futures Association, the Financial Industry Regulatory Authority, or any self-regulatory or regulatory organization prior to becoming a member and of failing to make full disclosure thereof in his or its application for membership, or who is found guilty of having made a false statement of a material fact in or in connection with his or its application, may be expelled from membership in the Exchange by a Panel of the Business Conduct Committee.

**442. NOTIFICATION OF SIGNIFICANT EVENTS**

Each Member shall immediately notify the Market Regulation Department in writing upon becoming aware of any of the following events relating to such Member:

1. any suspension, expulsion, revocation or restriction of such Member's trading privileges or any fine in excess of \$25,000, through an adverse determination, voluntary settlement or otherwise, by any

court, commodity or securities exchange or related clearing organization, the Securities and Exchange Commission, the Commodity Futures Trading Commission or the securities commission or equivalent authority of any state, territory, the District of Columbia or foreign country, Financial Industry Regulatory Authority, the National Futures Association or any self-regulatory or regulatory organization;

2. any indictment of the Member or any of its officers for, any conviction of the Member or any of its officers of, or any confession of guilt or plea of guilty or nolo contendere by the Member or any of its officers to 1) any felony or 2) any misdemeanor involving, arising from, or related to the purchase or sale of any commodity, security, futures contract, option or other financial instrument or involving or arising from fraud or moral turpitude; and/or

3. any involuntary bankruptcy petition that has been filed against such Member, or in the case of a voluntary bankruptcy proceeding, when such Member has filed or has formed a definite intention to file for bankruptcy.

Nothing in this rule shall limit or negate any other reporting obligations that any member may have to the Exchange or any other regulator or person.

## **900. CATEGORIES OF CLEARING MEMBERS**

The Exchange may establish different clearing member categories and alter the rights and responsibilities of such categories.

The term "clearing member" as used in the Rules, shall include all clearing member categories established by the Exchange unless otherwise specified.

### **900.A. NYMEX Clearing Members**

NYMEX Clearing Members shall have all applicable rights, responsibilities and privileges attendant thereto, subject to the provisions of these rules and shall be qualified to clear transactions for all NYMEX products and any COMEX products for which cross-divisional trading privileges have been granted by the Board.

### **900.B. COMEX Clearing Members**

COMEX Clearing Members shall have all applicable rights, responsibilities and privileges attendant thereto, subject to the provisions of these rules and shall be qualified to clear transactions for all COMEX products and any NYMEX products for which cross-divisional trading privileges have been granted by the Board.

## **902. CLEARING MEMBERSHIP ASSIGNMENT REQUIREMENTS**

### **902.A. Assignment Requirement**

Subject to exemptions granted by Exchange staff, each clearing member shall have at least two Exchange memberships in each Division in which it desires clearing member privileges assigned to the Clearing House. In addition, each NYMEX Division Clearing Member shall at all times have assigned to it at least 8,000 CME Group Class A Shares.

A NYMEX Division Clearing Member shall at all times have assigned to it at least 12,000 CME Group Class A Shares if it is also either: (a) a CME clearing member or CME Rule 106.J. equity member firm or (b) a CBOT clearing member or CBOT member firm that has an 8,000 share requirement (including a CBOT clearing member or CBOT member firm with a grandfathered share requirement of 4,725). If the CBOT member firm has a 1,750 share requirement, the combined share requirement will be 9,750.

A NYMEX Division Clearing Member shall at all times have assigned to it at least 16,000 CME Group Class A Shares if it is also both: (a) a CME clearing member or CME Rule 106.J. equity member firm and (b) a CBOT clearing member or CBOT member firm that has an 8,000 share requirement (including a CBOT clearing member or CBOT member firm with a grandfathered share requirement of 4,725). If the CBOT member firm has a 1,750 share requirement, the combined share requirement will be 13,750.

Assigned CME Group Class A Shares may not be sold, pledged, hypothecated, lent, reregistered or otherwise transferred without the prior approval of the Exchange. Each clearing member assigning CME Group Class A Shares to the Clearing House hereby acknowledges that the Clearing House has control over such CME Group Class A Shares and further agrees to comply with any policies or procedures established by the Clearing House to affect control over CME Group Class A Shares.

At least one membership and 50% of the CME Group Class A Shares required for clearing membership pursuant to this rule must be owned by the clearing member or a person, including a parent company, with an acceptable proprietary interest in such clearing member, if such clearing member was approved for membership after July 1, 2009. The second membership and the remaining 50% of the CME Group Class A Shares may be independently assigned.

A clearing member approved for membership on or before July 1, 2009, may continue to maintain the same number of independent membership assignments and the same ratio of independent CME Group Class A Share assignments as the clearing member held on July 1, 2009. If a clearing member approved on or before July 1, 2009, or a person with an acceptable proprietary interest in the clearing member, subsequently purchases a membership or CME Group Class A Shares and substitutes such asset for one which was previously an independent assignment, such membership or CME Group Class A Shares must thereafter be owned by the clearing member or a person with an acceptable proprietary interest if necessary to meet the minimum requirements of the previous paragraph.

Upon default of a clearing member in meeting its obligations to the Clearing House or upon the Clearing House Risk Committee's determination that a clearing member's financial position jeopardizes the financial integrity of the Clearing House, the Clearing House may direct the sale of any or all of the clearing member's assigned memberships and CME Group Class A Shares. The proceeds from the sale of the memberships shall be used to satisfy Rule 110 obligations.

**902.B. [Reserved]**

**902.C. Assignment Process**

A membership and/or CME Group Class A Shares may be assigned upon the completion of an Exchange-approved form. A membership and CME Group Class A Shares may be assigned on behalf of only one clearing member and may not be subject to any Rule 110 claims at the time of assignment. Upon submitting an assignment form to the Membership Services Department, the membership shall be notified of the assignment. Parties will have ten days after the notification of the assignment to submit any Rule 110 claims against the membership being assigned. After all Rule 110 claims have been resolved to the satisfaction of the Exchange, the membership shall be assigned.

**902.D. Assignment Substitutions**

A clearing member may substitute a membership and/or CME Group Class A Shares for an assigned membership and/or CME Group Class A Shares provided that the clearing member continues to meet the assignment requirements of this Rule.

In the event a clearing member has a valid claim against a member that it qualifies and the member's membership is assigned to another clearing member, the clearing member utilizing the membership for assignment shall have 10 business days to substitute another membership to fulfill the assignment requirements of this Rule.

**902.E. Assignment Withdrawal Disputes**

In the event a member wants to withdraw his assigned membership over the objection of the clearing member to which the membership is assigned, such member must request permission to do so from Clearing House staff. The request must be in writing with a copy delivered to the clearing member to which the membership is assigned.

**902.F. Lien on Memberships and CME Group Class A Shares**

Each Clearing Member hereby grants to the Clearing House a first priority and unencumbered lien against all memberships and any CME Group Class A shares required for clearing membership by the Exchange.

**974. SUSPENSION OF MEMBER FIRM PRIVILEGES**

A. If, in the opinion of the Audit Department, a clearing member fails to meet the minimum financial requirements as prescribed herein or neglects to promptly furnish a statement upon request, a recommendation may be made to the Clearing House Risk Committee to suspend the privileges of the clearing member. Upon such recommendation, the Clearing House Risk Committee shall conduct a hearing and such clearing member shall show cause why its privileges should not be suspended. Upon finding that the minimum financial requirements are being violated, the Clearing House Risk Committee may suspend the privileges of such clearing member in accordance with the provisions of Chapter 4 of these rules. The CFTC shall be immediately notified of any clearing member which fails to meet the minimum financial requirements. Any suspended clearing member may appeal the decision of the Clearing House Risk Committee to the Board.

B. If any Rule 106.J. Member Firm :  
has notified the Exchange or the Exchange otherwise becomes aware of a significant event as defined in Rule 442; or

- that is an FCM fails to meet CFTC minimum financial requirements in the opinion of the Audit Department; or
- neglects to promptly furnish a statement upon request

the membership privileges of the member firm may be suspended, subject to approval of any two of the following individuals: the Chief Executive Officer, the President, the President of the Clearing House, the Chairman of the Board, or the Chief Operating Officer. Any two of these individuals may reinstate the membership privileges of such a suspended member firm, in their discretion, if the suspended member firm provides evidence satisfactory to the Audit Department of its financial responsibility or that it meets CFTC minimum financial requirements.