



A CME/Chicago Board of Trade/NYMEX Company

Special Executive Report

S-4789

November 25, 2008

CME AND CBOT RULE CHANGES IN CONNECTION WITH NYMEX RULEBOOK HARMONIZATION

On November 13, 19 and 24, 2008, CME and CBOT self-certified rule changes in connection with the substantial harmonization of NYMEX and COMEX clearing, disciplinary, arbitration and electronic trading rules with CME and CBOT rules. This document provides information concerning the changes to CME and CBOT rules that are being implemented on December 4. Unless otherwise noted, the changes apply to both the CME and CBOT versions of the cited rules.

The rules are presented below, with additions underscored and deletions overstruck.

CBOT Rule 127

In order to streamline the rule change approval process solely with respect to clearing-related rules, the CBOT is adopting an amendment to Rule 230.j. which eliminates the right of the CBOT Directors to review changes to these rules prior to their being reviewed by the Clearing House Risk Committee and approved by the Approving Officers.

230. GENERAL

The Board shall, subject to applicable provisions in the relevant corporate charter and bylaws:

[a. – i. are unchanged.]

- j. (i). Make and amend the Rules of the Exchange; provided, the Board has also delegated such authority to make and amend the Rules of the Exchange to the Chairman and Vice Chairman of the Board and the Chief Executive Officer acting together, provided, further, that the CBOT Directors (as defined in the Certificate of Incorporation) retain their rights for advance notice of such new and amended Rules and their right to submit such new and amended Rules to the Rule Change Committee (as defined in the Certificate of Incorporation) as set forth in Article IV, Section D(2)(e) of the Certificate of Incorporation prior to approval by the Chairman and Vice Chairman of the Board and the Chief Executive Officer;

(ii). Notwithstanding Rule 230.j.(i)., the Chairman and Vice Chairman of the Board and the Chief Executive Officer acting together may amend Rule 403 and the rules in Chapters 8 and 9, with the exception of the following rules, without providing the CBOT Directors with advance notice of any such amendments and without providing the CBOT Directors with any right to submit such amendments to the Rule Change Committee, as set forth in Article IV, Section D(2)(e) of the Certificate of Incorporation: Rules 800, 807, 813, 850-851, 853-855, 900, 931-932, 950-954, 956-958, 960.B. and 974.B.; and

[The remainder of the rule is unchanged.]

300. COMMITTEES

[Sections A. and B. are unchanged.]

300.C. Non-Board Level Committees

The duties of non-Board level committees are to review investigation reports prepared by Exchange staff, conduct hearings and/or advise and assist the Board and perform the specific duties assigned to them elsewhere in these Rules, in their charters or by the Board. The Board may refer to a committee any matter within the committee's jurisdiction and it shall be the duty of the committee to meet, consider the matter and make a complete report to the Board.

The Chairman may appoint Exchange members or employees of member firms and non-members to all non-Board level committees to serve during the Chairman's term of office and until new committees are appointed ~~and approved~~. The Chairman may at any time remove any member of a committee, with or without cause, and all vacancies shall be filled as in the case of an original appointment.

Unless otherwise provided in the Rules, a quorum of a non-Board level committee shall consist of a majority of the members of a committee or a committee panel, excluding the vice-chairman, if any. The chairman of a non-Board level committee, or another individual acting in the capacity of the chairman, may vote only to make or break a tie vote unless otherwise provided in the Rules.

No more than one member of a single broker association may serve on a panel of an adjudicatory committee.

[The remainder of the rule is unchanged.]

401. THE CHIEF REGULATORY OFFICER

It shall be the duty of the Chief Regulatory Officer to enforce Exchange rules, and he shall have available to him at all times the resources of the Market Regulation Department and such other Exchange resources as may be necessary to conduct investigations of alleged rule violations and market conditions. The Chief Regulatory Officer shall have the authority to inspect the books and records of all Members and the authority to require any Member to appear before him and produce his or its books and records and answer questions regarding alleged violations of Exchange rules, at the time, place and in the manner he designates. The Chief Regulatory Officer may also delegate such authority to staff of the Market Regulation Department.

Rule 402

In harmonizing the disciplinary rules across CME, CBOT, NYMEX and COMEX, the authority of each exchange's Business Conduct Committee ("BCC") has been expanded to provide each the ability to restrict their members from access to the other CME Group exchanges. CME and CBOT have also adopted a force majeure provision into Section C. modeled on a provision in existing NYMEX rules.

402. BUSINESS CONDUCT COMMITTEE

402.A. Jurisdiction and General Provisions

[The first paragraph is unchanged.]

The BCC shall act through a Panel composed of a chairman, three Exchange members or employees of member firms and three non-members. A quorum of a Panel shall consist of a majority of the panel, but must include at least the chairman, two members or employees of member firms and two non-members.

[The third and fourth paragraphs are unchanged.]

All information, records, materials and documents provided to the BCC and all deliberations, testimony, information, records, materials and documents related thereto shall be treated as non-public and confidential and shall not be disclosed, except as necessary to further an Exchange investigation or as required by law.

402.B. Hearings

Hearings by the BCC shall be before a Panel, and shall be conducted by a chairman of the BCC in accordance with the provisions of Rule 408.

If a Member is found guilty, by a majority vote, the Panel may do one or more of the following:

1. Order the Member to cease and desist from the conduct found to be in violation of the se rules, the rules of any other exchange owned or controlled by CME Group, or the Commodity Exchange Act;

2. Order the Clearing Member or other Member to liquidate such portion of the open contracts in the Clearing Member's or other Member's proprietary or customers' accounts, or both, as the Panel deems appropriate to ensure the integrity of Exchange contracts or to ensure an orderly and liquid market;
3. Order the Clearing Member or its customer to deposit such additional performance bonds with the Clearing House as the Panel deems appropriate to protect the integrity of open contracts;
4. Prescribe such additional capital or other financial requirements as it deems appropriate;
5. Restrict the privilege of being affiliated with, employed by or having an interest in, a broker association or guaranteed introducing broker and/or suspend the trading floor access and/or the right to associate with a Member;
6. Restrict the Member's access to the Globex platform or any other trading or clearing platform owned or controlled by CME Group or to supervise the entry of any orders into such the Globex platforms by others;
7. Restrict the Member's access to the combined CBOT and CME any trading floors floor owned or controlled by CME Group;
8. Restrict the Member's ability to trade or enter orders in any or all Exchange products of any exchange owned or controlled by CME Group;
9. Suspend any or all of the privileges of membership;
10. Expel the member;
11. Impose a fine upon the Member not to exceed \$1,000,000 per violation plus the amount of any benefit received as a result of the violation;
12. Issue a reprimand;
13. Prescribe limitations on positions of the Member as may be appropriate;
14. Impose advertising restrictions upon the Member pursuant to these rules; and/or
15. Direct the Member to make restitution, in such amount as is warranted by the evidence, to the account of any party damaged by the conduct, or to the Clearing Member who has previously made restitution to the account of such party.
16. Revoke the regularity status of a regular firm. **[16 appears only in CBOT Rule 402.B.]**

[The remainder of Section B. is unchanged.]

402.C. Emergency Actions

1. The BCC is authorized to determine whether an emergency exists and whether emergency action is warranted. The following events and/or conditions may constitute emergencies:
 - a. Any actual, attempted, or threatened market manipulation;
 - b. Any actual, attempted, or threatened corner, squeeze, congestion, or undue concentration of positions;
 - c. Any action taken by the United States or any foreign government or any state or local government body, any other contract market, board of trade, or any other exchange or trade association (foreign or domestic), which may have a direct impact on trading on the Exchange;
 - d. The actual or threatened bankruptcy or insolvency of any Member or the imposition of any injunction or other restraint by any government agency, self regulatory organization, court or arbitrator upon a Member which may affect the ability of that Member to perform on its contracts;
 - e. Any circumstance in which it appears that a Member or any other person or entity has failed to perform contracts or is in such financial or operational condition or is conducting business in such a manner that such person or entity cannot be permitted to continue in business without jeopardizing the safety of customer funds, Members, or the Exchange; and/or
 - f. Any other circumstance which may have a severe, adverse effect upon the functioning of the Exchange. Force majeure, which shall mean any circumstance (including but not limited to a strike, lockout, national emergency, governmental action, or act of God) which is beyond the control of the buyer or seller, and which prevents the buyer or seller from making or taking delivery of product or effecting payment when and as provided for in Exchange rules; and/or
 - g. Any other circumstance which may have a severe, adverse effect upon the functioning of the Exchange.

[The remainder of Section C. is unchanged.]

402.D. Actions against Non-Members

If the BCC [or Market Regulation Department](#) has reason to believe or suspect that any non-member is conducting trading activities in violation of the Commodity Exchange Act or Exchange rules or in a manner that threatens the integrity or liquidity of any contract, the committee [or Market Regulation Department](#) may request such non-member and require any Members to appear, produce documents and testify at a Market Regulation Department interview or investigation, or hearing to be conducted by the BCC.

If, after [the](#) hearing, the BCC determines that the actions of such non-member threaten the integrity or liquidity of any contract or threaten to violate or violate the Commodity Exchange Act or Exchange rules, the BCC may:

1. Order any Clearing Member to liquidate all or any portion of such non-member's position;
2. Order that no Clearing Member accept new positions on behalf of any such non-member;
3. Deny, [limit](#) or terminate access [of such non-member](#) to the Globex platform [or any other trading or clearing platform owned or controlled by CME Group of such non-member](#); and/or
4. Order such action as is necessary to prevent a threat to the contract or violation of the Commodity Exchange Act or Exchange rules.

Rule 406

Rule 406 has been modified to codify existing practices with respect to 1) the Market Regulation Department not being required to inform respondents of Market Regulation's intent to appear before the Probable Cause Committee ("PCC") to seek charges and 2) respondents not having a right to make a written submission to the PCC. NYMEX rules allowed for Members to appear before its equivalent of the Probable Cause Committee, and the amendments are intended to avoid any ambiguity regarding these practices under the harmonized disciplinary structure.

406. PROBABLE CAUSE COMMITTEE

The Probable Cause Committee ("PCC") shall receive and review investigation reports from the Market Regulation Department. The PCC shall act through a Panel comprised of a chairman, three Exchange members or employees of member firms and three non-members. A quorum of a Panel shall consist of a majority of the Panel, but must include at least [the chairman](#), two members or employees of member firms and two non-members. [The Market Regulation Department is not required to provide notice of its intent to appear before the PCC to request charges.](#)

Each Panel shall consist of panelists who possess sufficiently diverse interests so as to ensure fairness.

The PCC shall have the power to compel any Member to appear before it and to produce all books and records relevant to the subject matter under investigation. No Member [or subject of an investigation](#) shall have the right to appear before the PCC, [or make any written submission on his behalf.](#)

A Panel shall endeavor to review an investigation report prepared by the Market Regulation Department within 30 days of receipt of a report the Panel deems to be complete. The Panel shall, by majority vote, take one of the following actions: If the Panel determines that disciplinary action is unwarranted it shall direct that no further action be taken or that a warning letter be issued. If the Panel determines that a reasonable basis exists for finding that a violation of an Exchange rule may have occurred which may warrant disciplinary action, it shall issue appropriate charges. The Panel shall direct the Market Regulation Department to give notice of the charges to the respondent in accordance with Rule 407.B. and to the appropriate BCC Panel chairman.

The Market Regulation Department may appeal to the Board any refusal by a Panel to issue those charges requested by the Market Regulation Department. If such an appeal is requested, the Board shall conduct a hearing on the matter in accordance with the procedures in Rule 411.

No person shall serve on the PCC unless he has agreed in writing that he will not publish, divulge or make known in any manner, any facts or information regarding the business of any person or entity or any other information which may come to his attention in his official capacity as a member of the PCC, except when reporting to the Board or to a committee concerned with such information or to the Legal Department or Market Regulation Department, when requested by the CFTC or other governmental agency or when compelled to testify in any judicial or administrative proceeding.

All information, records, materials and documents provided to the PCC and all deliberations, testimony, information, records, materials and documents related thereto shall be treated as non-public and confidential and shall not be disclosed, except as necessary to further an Exchange investigation or as required by law.

407. INITIAL INVESTIGATION, ASSIGNMENT FOR HEARING AND NOTICE OF CHARGES

The Market Regulation Department shall investigate alleged rule violations. Investigations and all information and documents obtained during the course of an investigation shall be treated as non-public and confidential and shall not be disclosed, except as necessary to further an Exchange investigation or as required by law. The Market Regulation Department is authorized to take recorded interviews of Memberseconducted pursuant to an Exchange investigation.

The Market Regulation Department may take oral depositions of witnesses during an investigation. The Member under investigation shall be given at least five days written notice of the time of the deposition and place where the witness will be deposed, which may be at any location within the United States. The Member under investigation shall have the right to be present in person or by representative at the oral deposition, with right of cross-examination. All oral depositions of witnesses shall be taken under oath, before an officer qualified in the place of the deposition to administer oaths, and the complete testimony of the witnesses shall be transcribed by such officer or by a person under his supervision. Oral depositions taken in accordance with this rule shall be admissible in evidence at any hearing of the Board of Directors or a committee, reserving to the Member under investigation the right to object at the hearing to the relevancy or materiality of the testimony contained therein.

Upon conclusion of an investigation, the Market Regulation Department may issue a warning letter to the Member under investigation. Such letter shall not constitute either the finding of a rule violation or a penalty.

If the Market Regulation Department has reasonable cause to believe an offense has occurred which should be dealt with by a panel of the BCC ("BCC Panel"), it shall request a panel of the PCC ("PCC Panel") to convene to consider its recommendation for charges. The Market Regulation Department's presentation to the PCC Panel shall not constitute an ex parte communication as described in Rule 417.

407.A. Investigation File

The Market Regulation Department shall maintain a file once an investigation is initiated. The file shall include any materials in the possession of the Market Regulation Department that may be relevant to the conduct being investigated. ~~A member charged with a violation of the rules shall have the right to review the evidence in the investigation file relevant to the issued charges but shall not be entitled to review privileged work product and attorney-client communications.~~ In any matter in which a PCC Panel issues charges, the investigation file shall include an investigation report prepared by the Market Regulation Department. A member charged with a violation of the rules shall have the right to review the evidence in the investigation file relevant to the issued charges, provided, however, that protected attorney work product, attorney-client communications and investigative work product, including, but not limited to, the investigation report and any exception reports, are~~The investigation report is privileged work product and is~~ neither discoverable by a respondent in disciplinary proceedings nor subject to review by a respondent as part of the investigation file. Production of the investigation report to a PCC Panel shall not constitute a waiver of the protected and/or privileged nature of the investigationsuch report.

[The remainder of the rule is unchanged.]

408. CONDUCT OF HEARINGS

408.A. General

All disciplinary proceedings conducted before a panel of the BCC or before a hearing panel of the Board of Directors (collectively, "Panel") shall be conducted in accordance with the following procedures. Hearings shall be fair. The respondent shall have the right to appear personally at the hearing and to be represented by legal counsel or a member of the Exchange, other than a member of the charging or hearing committee, a member of the Board, a potential respondent or witness, or an employee of the Exchange. The Panel or its chairman shall have the power to compel any Member to attend, testify and/or produce evidence in connection with the hearing.

The BCC's counsel shall, in writing, notify the respondent of the names of the persons on the Panel at least seven days in advance of the originally scheduled hearing date. Parties to the hearing may request the Panel chairman to strike any panelist for good cause shown. The Panel chairman may then

excuse such panelist and direct that an alternate panelist be appointed.

408.B. Pre-Hearing

1. Procedural and Evidentiary Matters

The Panel chairman may require a pre-hearing conference.

The Panel chairman shall have the authority to decide all procedural and evidentiary matters and all pre-hearing motions, and the chairman's decision shall be final. Notwithstanding the preceding sentence, a motion to dismiss any or all of the charges may be granted only by the Panel. The Market Regulation Department may appeal to the Board any decision of the Panel to grant such a motion. If such an appeal is requested, the Board shall conduct a hearing on the matter in accordance with the procedures in Rule 411.

Pre-hearing motions must be submitted in writing to the BCC's counsel and a copy shall also be provided to the Market Regulation Department. Motions to dismiss any or all of the charges must be submitted at least 21 days in advance of the originally scheduled hearing date and a copy shall also be provided to the Market Regulation Department. Upon receipt, the Market Regulation Department shall have seven days to submit a written response to the BCC's counsel, and shall provide a copy to the respondent.

Any pre-hearing motions not specifically covered by these rules must be filed at least five business days in advance of the hearing.

Prior to the hearing, the respondent may examine all evidence which is to be relied upon by the Market Regulation Department during the hearing, or which is relevant to the charges. However, the respondent shall not be entitled to examine ~~protected attorney-privileged~~ work product, attorney-client communications or ~~the investigative or report work product, including, but not limited to, the investigation report and any exceptions reports.~~ The respondent may obtain a copy of all such evidence, and any copying costs shall be the sole responsibility of the respondent. A respondent who seeks documents that are not in the possession of the Market Regulation Department may request the documents from their custodian. The Market Regulation Department is not required to produce or obtain any documents that are not in its possession. Upon a showing of good cause, the respondent may petition the Panel chairman to compel the production of documents by a custodian, provided that the custodian is subject to the jurisdiction of the Exchange, the custodian has refused voluntarily to provide the documents, and the documents are relevant to the charges. The Market Regulation Department may object, in whole or in part, to any such petition.

[The remainder of Section B. is unchanged.]

408.C. Settlement Offers

A respondent that is the subject of an investigation or charges may submit for consideration by the Panel a written offer of settlement in disposition of such investigation or charges. However, the CHRC will determine whether to accept or reject any settlement offer with respect to charges issued by the CHRC submitted more than 14 days before a scheduled BCC hearing, pursuant to Rule 403.B.

A respondent may submit a settlement offer without admitting or denying the rule violations upon which the penalty is based; provided, however, that an offer must include a consent to entry of findings by the Panel regarding the conduct and rule violations at issue and to the penalty to be imposed.

If the Market Regulation Department does not oppose the respondent's offer of settlement, the respondent's written offer of settlement and the Market Regulation Department's supporting statement shall be submitted to the Panel for consideration.

If the Market Regulation Department opposes the respondent's offer of settlement, then following the issuance of any charges by the PCC, the respondent may submit a written offer of settlement for consideration by the Panel no less than 14 days in advance of the originally scheduled hearing date. If a respondent submits an offer less than 14 days before a scheduled hearing date, or after the hearing has commenced, the offer shall not be considered unless agreed by the parties. In considering whether to accept the respondent's offer, the Panel shall examine the respondent's written offer of settlement and the Market Regulation Department's written opposition thereto.

The respondent may withdraw his offer at any time prior to final acceptance of the offer by the Panel. If the Panel accepts the offer, a written decision setting forth the Panel's findings and sanction shall be issued, and written notice of the decision shall be given to the respondent.

If the Panel rejects the offer, the respondent will be notified of the rejection and the offer will be deemed withdrawn. If an offer is withdrawn or rejected by the Panel, the respondent shall not be deemed to have made any admissions by reason of the offer and shall not otherwise be prejudiced by having

submitted the offer.

The Panel chairman may decline to convene the Panel to consider a settlement offer. Upon consent by the respondent, any hearing that follows a rejected settlement offer will be heard by the same Panel.

In submitting a settlement offer, the respondent waives his right to a hearing and to appeal the Panel's decision if the offer is accepted; the respondent also waives any claim of bias or prejudgment on the part of the Panel. ~~If a respondent submits an offer within 14 days of a scheduled hearing on the charges, or after the hearing has begun, the offer shall not stay the hearing unless otherwise determined by the Panel chairman.~~

[The remainder of the rule is unchanged.]

410. HEARINGS BEFORE A HEARING PANEL OF THE BOARD OF DIRECTORS

Whenever a hearing is scheduled to be held before a hearing panel of the Board ("Panel"), the Chairman of the Board shall appoint a director to serve as the Panel chairman, who shall conduct the hearing, and two additional directors to serve on the Panel. One of these directors shall be a non-member. A majority decision by the Panel shall be considered the action of the Board as a whole.

This rule shall not create any right to a hearing before a Panel that is not otherwise provided for in other rules of the Exchange. The Chairman of the Board shall determine, in his sole discretion, whether sufficient grounds exist to hold a hearing with respect to any matter that is not addressed by other Exchange rules.

Each Panel that conducts a hearing or proceeding shall consist of directors that possess sufficiently diverse interests so as to ensure fairness. In a disciplinary matter, the hearing shall be conducted in accordance with the provisions of Rule 408.

No member of the Board may serve on a particular Panel if he participated on the charging committee or has a personal, financial or other direct interest in the matter under consideration or is a member of the same broker association as the respondent.

411. APPEAL TO A HEARING PANEL OF THE BOARD OF DIRECTORS

The Market Regulation Department may request an appeal to a hearing panel of the Board ("Appellate Panel") regarding any final decision of or sanction imposed by the BCC, or any refusal by the PCC to issue those charges requested by the Market Regulation Department, by filing a request for an appeal with the Exchange Legal Department within 10 business days after receiving notice of such decision, sanction or refusal. Filing of a request for an appeal by the Market Regulation Department shall stay any decision that is appealed unless the Chairman of the Board or the chairman of the BCC Panel from which the appeal is taken specifically directs that the decision is not stayed pending appeal.

A Member found guilty of an offense or otherwise aggrieved by a disciplinary final decision of the BCC, may, within 10 business days of being provided notice of any such decision, unless specifically prohibited, request an appeal to an Appellate Panel provided that the decision assesses a monetary sanction greater than \$10,000 and/or an access denial or suspension of any membership privileges for greater than five business days against the Member. Filing of a request for an appeal by a Member shall stay the decision appealed unless the Market Regulation Department objects to such a stay and the Chairman of the Board or the chairman of the BCC Panel from which the appeal is taken specifically directs that the decision is not stayed pending appeal.

[The remainder of the rule is unchanged.]

412. SUMMARY ACTION

In cases of action taken against a Member pursuant to Rules 976 or 977, the Member affected shall be notified in writing of such action. The notice shall state: the action taken; the reason for action; and the effective time, date and duration thereof.

The Member may, within two business days following receipt of notice of action taken, request a hearing before a hearing panel of the Board ("Panel") pursuant to Rule 410. The hearing shall be conducted within 60 days of such request, in accordance with the requirements of Rule 408, unless the chairman of the Panel determines that good cause for an extension has been shown, but shall not stay any action taken pursuant to Rules 976 or 977.

[The remainder of the rule is unchanged.]

Rule 413

Similar to the changes made to Rule 402, Rule 413 has been amended to provide the Chief Regulatory Officers the ability to deny any party access to any or all CME Group markets, electronic trading and clearing platforms and to deny members access to the CME Group trading floors in circumstances where the Chief Regulatory Officer determines such immediate action is necessary to protect the best interests of the exchanges.

413. SUMMARY ACCESS DENIAL ACTIONS

413.A. Authority to Deny Access

Members may be: (1) denied access to any or all ~~CBOT and~~ CME Group markets; or (2) be denied access to the Globex platform; (3) denied access to any other electronic trading or clearing platform owned or controlled by CME Group; or (4) be immediately removed from ~~the combined CBOT and any CME~~ trading floors owned or controlled by CME Group, by the Chief Regulatory Officer or his delegate upon a good faith determination that there are substantial reasons to believe that such immediate action is necessary to protect the best interests of the Exchange.

Non-members may be denied access to any or all CME Group markets or be denied access to the Globex platform or any other electronic trading or clearing platform owned or controlled by CME Group by the Chief Regulatory Officer or his delegate upon a good faith determination that there are substantial reasons to believe that such immediate action is necessary to protect the best interests of the Exchange.

[The remainder of the rule is unchanged.]

432. GENERAL OFFENSES

[A. – X. are unchanged.]

Y. to improperly use the Globex platform or any electronic trading or clearing platform owned or controlled by CME Group or permit the unauthorized use of the Globex such platforms; and/or

[The remainder of the rule is unchanged.]

Rule 433

New Rule 433 ("Strict Liability for the Acts of Agents") is based on a comparable provision in the Commodity Exchange Act and allows a disciplinary committee to find, if warranted, that a Member is strictly liable for the acts, omissions or failures of any official, agent or other person acting for the Member within the scope of his employment or office. This provision is in addition to the existing requirement that Members diligently supervise their employees and agents pursuant to Rule 432.W.

433.-434. [RESERVED] STRICT LIABILITY FOR THE ACTS OF AGENTS

Pursuant to Section 2(a)(1)(B) of the Commodity Exchange Act, and notwithstanding Rule 432.W., the act, omission, or failure of any official, agent, or other person acting for any Member within the scope of his employment or office shall be deemed the act, omission or failure of the Member, as well as of the official, agent or other person who committed the act.

434. [RESERVED]

435. EFFECT OF SUSPENSION OR EXPULSION

The effects of a suspension or expulsion from membership shall apply to all Exchange CME Group markets in which the suspended or expelled member is eligible to trade has membership privileges.

Unless otherwise determined by the committee with jurisdiction over such matters, a suspended or expelled Member shall not be entitled to any of the privileges of membership during the period of such suspension or expulsion, including, but not limited to, the right to:

A. access the Exchange any trading floor owned or controlled by CME Group;

B. access or the Globex platform or any other electronic trading or clearing platform owned or controlled by CME Group;

- BC. obtain member rates;
- CD. any applicable cross-exchange trading privileges; and
- DE. lease out an owned membership.

444. SANCTIONS AND RESTITUTION ORDERS

Members and Member Firms may, subject to a determination by the sanctioning entity, be liable for unpaid fines or unpaid restitution orders imposed upon their employees.

536. RECORDKEEPING REQUIREMENTS FOR PIT, GLOBEX, AND NEGOTIATED TRADES

[Section A. is unchanged.]

536.B. Globex Order Entry

1. General Requirement

Each Globex terminal operator entering orders into Globex shall input for each order: a) ~~sign onto the Globex system before entering orders by inputting~~ the user ID assigned him by ~~the Exchange~~CME, a clearing member or other authorized entity and b) ~~input for each order~~ the price, quantity, product, expiration month, CTI code and account number (except as provided in Section C.), and, for options, put or call and strike price. The Globex terminal operator's user ID must be present on each order entered. For a Globex terminal operator with access pursuant to Rule 574, clearing members authorizing such access will be responsible for the Globex terminal operator's compliance with this rule.

[The remainder of the rule is unchanged.]

Rule 802

Rule 802 has been modified to clarify that there is a single Clearing House, the CME Clearing House, and a single security deposit pool of funds for all four exchanges.

802. PROTECTION OF CLEARING HOUSE

802.A. Default by Clearing Member and Other Participating Exchanges

1. Default by Clearing Member

If a clearing member of CME, CBOT, NYMEX or COMEX fails promptly to discharge any obligation to the ~~CME or NYMEX~~ Clearing Houses, it shall be in default. If a clearing member is in default, its security deposit (pursuant to Rule 816), its performance bonds on deposit with the Clearing House, the proceeds of the sale of any membership and Class A Shares assigned to it for clearing qualification, and any other assets held by, pledged to or otherwise available to the Clearing House, shall be applied by the Clearing House to discharge the obligation. For purposes of this rule, each default by an individual clearing member will be considered a separate default event.

[The remainder of Section A. is unchanged.]

802.B. Satisfaction of Clearing House Obligations

If the Clearing House is unable to immediately satisfy all claims against it including, but not limited to, costs associated with the liquidation, transfer and managing of positions, arising out of: 1) its substitution (pursuant to Rule 804) for a defaulting clearing member or a defaulting Participating Exchange, or a defaulting Partner Clearinghouse; 2) a shortfall in a crossmargining program; 3) the failure of a depository, exchange or market apart from the Exchange but whose transactions are cleared pursuant to the provisions of Chapters 8B, 8C, 8D, 8E or 8F; 4) for any other cause, then such claim or obligation shall be met and made good promptly by the use and application of funds from the following sources in the order of priority hereafter listed. Each source of funds set forth below shall be completely exhausted, to the extent practicable, before the next following source is applied.

1. Surplus funds of the Exchange in excess of funds necessary for normal operations.
2. The amount of security deposit required under Rule 816 from all classes of clearing members shall be applied toward meeting said loss, in direct proportion to the total security deposit requirement of each clearing member. ~~In addition, solely for purposes of satisfying a clearing member default described in this rule, the CME security deposit pool of funds shall be combined with the proceeds in the New York Mercantile Exchange, Inc. (NYMEX) Guaranty Fund (as described in NYMEX Rule 9.03) to establish a single security deposit/Guaranty Fund pool of funds.~~ Notwithstanding the above, the initial draw under this section 2 of the rule shall be in an amount up to any applicable insurance policy deductible then in place with the Exchange;

[The remainder of Section B. with the exception of the last paragraph is unchanged.]

To the extent that, and irrespective of the fact that, the Exchange has default insurance coverage in effect at the time of an event of default, the Exchange may nevertheless continue to utilize the resources under the priority outlined in Rule 802.B.1, B.2, [B.3](#), and B.5. for immediate liquidity while awaiting any insurance proceeds. Any insurance proceeds so recovered by the Exchange, to the extent not required by the Exchange to cure a default, will be applied to the credit of the non-defaulting clearing members.

[The remainder of the rule is unchanged.]

Rule 804

The rule has been modified to eliminate legacy references to CME Auction Markets and former Rule 8D38.

804. SUBSTITUTION

Except with respect to trades made pursuant to Rules 526, 538 and 853, ~~and transactions entered into under CME AM and CME Rule 8D38~~, the Clearing House shall, through the process of novation, be substituted as, and assume the position of, seller to the buyer and buyer to the seller of the relevant number of Exchange or Marketplace contracts upon the successful matching of trade data submitted to the Clearing House by the clearing members on the long and short sides of a trade. With respect to contracts that are traded on and matched by another exchange or market, the Clearing House shall be substituted as, and assume the position of, seller to buyer and buyer to seller of the relevant number of such contracts upon matching of trade data submitted to and accepted by the Clearing House.

Upon such substitution, each clearing member shall be deemed to have bought the contracts from or sold the contracts to the Clearing House, as the case may be, and the Clearing House shall have all the rights and be subject to all the liabilities of such member with respect to such transaction. Such substitution shall be effective in law for all purposes.

With regard to trades made pursuant to Rules 526, 538 and 853, the Clearing House shall be substituted at the time payment of the first settlement variation and performance bond due for such trades pursuant to Rule 814 is confirmed by the appropriate settlement bank for both members.

~~With respect to trades made pursuant to CME Rule 8D38 (Finality), the Clearing House shall assume the obligation to perform when the results of an Auction are final as set forth in the CME AM rules.~~

CBOT Rule 900

Footnotes from CBOT Rule 902 concerning Clearing Closely Held Corporate Members and Clearing Corporate Members have been moved to Rule 900 as this is the first time they are cited in the Chapter.

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, Clearing Closely Held Corporate Members¹, Clearing Corporate Members² and Sole Proprietor Clearing Members, unless otherwise specified.

CBOT 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 CBOT products and all Expanded-Access Products listed for trading by CME after July 12, 2007.

901. GENERAL REQUIREMENTS AND OBLIGATIONS

Membership in the Clearing House is a privilege and license granted by the Board and may be withdrawn by the Board for cause at any time. Clearing House staff may grant exemptions to the General Requirements and Obligations set forth below for Clearing Members if it is determined that such an exemption will not jeopardize the financial integrity of the Clearing House. Subject to such exemptions, each applicant for qualification as a clearing member must satisfy the following requirements:

[Sections A. and B. are unchanged.]

- C. It shall be qualified to do business in the State of Illinois [or the State of New York](#) or have a valid agency agreement with an entity qualified to do business in the State of Illinois [or the State of New York](#);

[Sections D. – M. are unchanged.]

- N. It shall be responsible for the acts of Globex terminal operators accessing the Globex system through its connections, including direct connections or other connections that it provides to firms that are under common ownership with it. It shall be the duty of the clearing member to supervise [its employees and agents acting as such](#) Globex terminal operators: [to ensure such employees and agents compliance](#) with Exchange rules, and any violation of Exchange rules by such terminal operators [shall may](#) be considered a violation by the clearing member.

[The remainder of the rule is unchanged.]

CBOT Rule 902

CBOT Rule 902 has been modified to 1) adopt the 16,000 CME Group Class A Shares needed for joint clearing members of CBOT, CME and NYMEX and 2) delete footnotes which have been relocated to Rule 900.

902. CLEARING MEMBERSHIP ASSIGNMENT REQUIREMENTS

902.A. Assignment Requirement

Subject to exemptions granted by Exchange staff, a CBOT Clearing FCM shall have at least two Series B-1 (Full) memberships assigned, and all other CBOT clearing members shall have at least one Series B-1 (Full) membership assigned.

Subject to exemptions granted by Exchange staff, each CBOT clearing member shall assign at least the number of CME Group Class A Shares set forth in the table below:

Number of CME Group Class A Shares Needed for Clearing Membership

Type of Membership	CBOT Clearing Member	Joint Clearing Member of CBOT and CME	Joint Clearing Member of CBOT, CME and NYMEX
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¹ [Clearing Closely Held Corporate Members must be wholly owned by members or by members and employees of the firm.](#)

² [Clearing Corporate Members that are not wholly owned by members or by members and employees of the firm must have a business purpose deemed appropriate by the CBOT, including cash grain firms, financial institutions, market makers designated by the CBOT, proprietary trading firms that are not fund management companies, pools, or hedge funds, or other forms of business approved by the CBOT.](#)

Clearing FCMs	8,000	12,000	<u>16,000</u>
Clearing Closely Held Corporate Members ³	8,000*	12,000	<u>16,000</u>
Clearing Corporate Members ⁴	8,000*	12,000	<u>16,000</u>
Sole Proprietor Clearing Members	8,000*	12,000	<u>16,000</u>

[The remainder of the rule is unchanged.]

CME Rule 902

CME Rule 902 has been modified to adopt the 16,000 CME Group Class A Shares needed for joint clearing members of CME, CBOT and NYMEX.

902. CLEARING MEMBERSHIP ASSIGNMENT REQUIREMENTS

902.A. Assignment Requirement

Subject to exemptions granted by Exchange staff, each CME clearing member shall have at least: two CME memberships, two IMM memberships, two IOM memberships, and one GEM membership assigned. A clearing member which was an IMM Class A clearing member on or prior to May 6, 1987, shall have at least one CME membership, three IMM memberships, two IOM memberships, and one GEM membership assigned. A higher Division membership may be substituted for a lower Division membership to satisfy these requirements.

Subject to exemptions granted by Exchange staff, each CME clearing member shall assign at least the number of CME Group Class A Shares set forth in the table below:

Number of CME Group Class A Shares Needed for Membership

	Type of Membership	CME Only Clearing Member	Joint Member of CME and CBOT	<u>Joint Member of CME, CBOT and NYMEX</u>
Rule 900.A.	Clearing Members;			
	FCMs,			
	Non-FCMs,	8,000	12,000	<u>16,000</u>
CME Clearing Members	Closely Held and Sole Proprietorships			

³ Clearing Closely Held Corporate Members must be wholly owned by members or by members and employees of the firm.

⁴ Clearing Corporate Members that are not wholly owned by members and employees of the firm must have a business purpose deemed appropriate by the Exchange, including cash grain firms, financial institutions, market makers designated by the Exchange, proprietary trading firms that are not fund management companies, pools, or hedge funds, or other forms of business approved by the Exchange.

	Member firm plus all 100% affiliates (Umbrellas)	8,000	12,000	<u>16,000</u>
	Corporate Equity Members (Inactive Clearing)	8,000	12,000 (w/CBOT Full) 9,750 (w/CBOT Assoc.)	<u>16,000</u> <u>(w/CBOT Full)</u> <u>13,750</u> <u>(w/CBOT Assoc.)</u>
Rule 900.B. CME Corporate Equity Members	Family of Funds (holding equity)	8,000	12,000	<u>16,000</u>

[The remainder of the rule is unchanged.]

CBOT Rule 929

CBOT has transferred responsibility for auditing for financial and sales practice violations for non-clearing member firms that are FCMs to the National Futures Association ("NFA"). Given that CBOT financial and sales practice rules are largely mirrored in NFA rules and the NFA has the authority to discipline these firms for violations, Rule 929 is no longer necessary.

914.-929.8 [RESERVED]

929. ~~APPLICABILITY OF RULES 930 THROUGH 983~~

~~Whenever Rules 930 through 983 below refer to "clearing members" such Rules shall also be deemed to apply to Equity FCMs and Trading FCMs.~~

930. PERFORMANCE BOND REQUIREMENTS: ACCOUNT HOLDER LEVEL

[Sections A. – K. are unchanged.]

930.L. ~~Failure to Maintain Performance Bond Requirements~~Clearing House Authority to Require Additional Performance Bond

~~The Clearing House, in its sole discretion, has the authority to require clearing members to collect additional performance bond from specific account holders in circumstances deemed necessary by the Clearing House. If a clearing member fails to maintain performance bond requirements for an account in accordance with this rule, the Exchange or the Clearing House may direct such clearing member to immediately liquidate all or part of the account's positions to eliminate the deficiency.~~

930.M. ~~Failure to Maintain Performance Bond Requirements~~

~~If a clearing member fails to maintain performance bond requirements for an account in accordance with this rule, the Exchange or the Clearing House may direct such clearing member to immediately liquidate all or part of the account's positions to eliminate the deficiency.~~

970. FINANCIAL REQUIREMENTS

- A. Subject to exceptions granted by Exchange staff, all clearing members, including non-FCMs, must comply with the requirements set forth in CFTC Regulations 1.10, 1.12, 1.17 and 1.18. This includes, but is not limited to, the following:

1. Maintenance of minimum capital requirements of at least \$5 million;

[The remainder of the rule is unchanged.]

Rule 974

The changes to Rule 974 specify a procedure for the suspension of the membership privileges of a non-clearing member firm that is subject to a bankruptcy proceeding or, in the case of a non-clearing FCM, that fails to meet the CFTC's minimum financial requirements.

974. 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.H., I., J., (J. is replaced by N. in the CME version of the rule) R., or S. member firm has notified the Exchange of a bankruptcy proceeding or a definite intention to file for bankruptcy pursuant to 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 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.

982. RISK MANAGEMENT

All clearing members must have written risk management policies and procedures in place to ensure they are able to perform certain basic risk and operational functions at all times. At a minimum, the following areas must be considered in the firm's policies and procedures, depending on the firm's size and its business and product mix:

- A. Trade Submission and Account Monitoring. Clearing members must have procedures in place to demonstrate compliance in the following areas for trades executed through both electronic platforms and open outcry:

1. Monitoring the credit risks of accepting trades, including give-up trades, of specific customers.

[Sections 2. and 3. are unchanged.]

4. Maintaining the ability to monitor account activity on an intraday basis, including overnight.

[The remainder of the rule is unchanged.]