

## Memorandum

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### FEE POLICY BULLETIN

TO: Chief Compliance Officers #11-03  
New Firm Approval Contacts  
Firm EFS Contacts

FROM: Audit Department, Clearing House Division

DATE: April 11, 2011

SUBJECT: Clearing Fee Administration

CME Group Inc.'s ("CME Group") corporate and clearing member community has grown significantly in the last several years. Our strong product mix, liquidity and distribution channels have fostered great interest in our markets. In response to the trading community and to cultivate further growth, membership categories and incentive programs have been adopted and updated to meet the needs of, and to benefit, our customers.

In doing so, we recognized the importance to ensure our intermediary clearing members have the information necessary to timely and properly recognize the benefits to their clients of their CME Group membership and incentive program participation status. At the same time, it is incumbent upon clearing members to take the necessary steps to ensure their customers are appropriately and timely registered in the Exchange Fee System ("EFS") to ensure fees are properly assessed from the beginning and on a continuing basis. We believe these steps are critical to ensure our members and incentive program participants receive their reduced fees in an effective and efficient manner.

To that end, this Fee Policy Bulletin details out the:

- Notification process of membership and incentive program participation status to clearing members;
- Fee administration responsibilities regarding registration of accounts and traders in EFS and the reconciliation process along with the resources available to assist in such responsibilities; and
- Adoption of a new clearing member administrative fee for failure to exercise adequate due diligence and care in the fee administration process.

We believe it is in the best interest of everyone to work together to ensure members and incentive program participants received the benefits of their status through the appropriate reduced fees. Further, such diligence on the part of all will ensure fees are appropriately charged resulting in a diminished need for rebates to be processed within the allowed two month window and fewer assessments levied during clearing fee examinations.

### Notifications of Membership/Incentive Program Participation Status

We recognize the importance of clearing members to be well-informed of the membership and incentive program status of their clients. CME Group spends considerable effort to ensure the timely notification of approvals and withdrawals of its members and incentive program participants for its four subsidiary exchanges - Chicago Mercantile Exchange Inc., Chicago Board of Trade, Inc., New York Mercantile Exchange, Inc. and Commodity Exchange, Inc.

To that end, as part of the review and approval process, applicants are required to indicate their clearing member firms they will utilize. Upon approval of the applicant, the Audit Department will notify, primarily through e-mail, those clearing member firms identified in the applications of the entity's membership/incentive program status and effective date.

Clearing member firm notifications are sent to all individuals who have been identified as "New Firm Approval Contacts" by each clearing firm. To verify current contacts and/or to add or delete individuals, please call the Audit Department at 312-930-3230 or send an e-mail to Edward Wiesneth at [edward.wiesneth@cmegroup.com](mailto:edward.wiesneth@cmegroup.com).

Upon a membership/incentive program status change or withdrawal, a similar notification will be sent, primarily through e-mail, to the clearing member firms involved of the member/incentive program firm's change/withdrawal.

In addition, all member approvals/withdrawals/changes in status are posted in the Special Executive Reports of the exchanges published to the CME Group community on Mondays.

### Clearing Member Fee Administration Responsibilities

The growing membership and incentive program community requires care and diligence on the part of our clearing members to ensure their clients, both their accounts and traders, are appropriately registered in EFS. Clearing members need to know their customers and to be aware of any changes to their structures (e.g. organizational, ownership, name, etc.) and how they may impact their continued eligibility for reduced clearing fees.

Clearing members are reminded of the importance of timely:

- Registration in EFS of their client accounts and traders to ensure the appropriate fees are charged immediately;
- Allocation of non trades (e.g. exercises, assignments, etc.) in EFS to member and incentive program participant accounts to ensure fees are charged appropriately; and
- Reconciliation of fees charged by the exchanges through EFS to the firm's internal records to ensure any and all errors are identified promptly and corrected.

Clearing members are responsible to have adequate controls and procedures in place to ensure member and incentive program participant accounts are appropriately and timely registered in EFS.

CME Group has developed numerous reports within EFS designed to assist clearing members in reconciling various fees charged including registration of accounts and operator IDs; validation of membership status for firms, individuals and special program participants; and discounts associated with various fee incentive programs. In addition, CME Group has developed an "EFS Reports Portfolio" manual designed to provide an overview of the various

general and reconciliation reports available and to assist in identifying the best report to use when reviewing and reconciling fees. The EFS Reports Portfolio can be found on the EFS homepage.

As a reminder, clearing firms have a two month period in which they may correct a customer's account status within EFS resulting in a change in the fees charged to that account.

#### Administrative Fee

CME Group is instituting an administrative fee to be charged to a clearing member wherein, in CME Group's sole discretion, it is determined that the clearing member did not demonstrate adequate care and due diligence in the fee administration process.

The administration fee will help to defray the costs associated with validating amounts and delays in collecting fees due to assessments. Further, such fee, if any, will be based upon the attention and due diligence the clearing member demonstrated in ensuring compliance with fee policies and the administration process as well as the firm's history of compliance with fee policies and procedures.

If you have any questions or to confirm the membership/incentive program status of a specific firm client, please contact the Audit Department at (312) 930-3230. In addition, for EFS or fee administrative questions, please contact the Fee Hotline at (312) 648-5470.