

## CTA/Hedge Fund Incentive Program | Questions & Answers | October 2020

### 1. What is the CTA/Hedge Fund Incentive Program (“CTA/HF Program”)?

CME Group’s CTA/HF Program allows Commodity Trading Advisors (“CTAs”) to register their managed accounts including individual, non-hedge funds, and hedge funds to participate in the program. The CTA/HF Program offers discounted fees for all standard size CME foreign exchange (“FX”) futures and options contracts traded on the CME Globex platform, EFRP volume, as well as block volume in FX options.

### 2. How does a CTA qualify for the program?

To qualify for the program CTAs, their managed accounts of individuals, non-hedge funds, and hedge funds must meet the following criteria:

- Be a registered CTA or qualify for an exemption pursuant to CFTC Regulations 4.14(a)(4), 4.14(a)(5), 4.14(a)(8)(i)(D) or 4.14(a)(10), or 3.10(c)(3)(i),
- Complete a CTA/HF Program application form and provide all required supporting documentation for each managed individual, non-hedge fund, and/or hedge fund to be registered in the Program, including:
  - A list of all managed accounts owned by individuals, non-hedge funds, and funds, and the CME clearing member account(s) for each fund,
  - Confirmation of open and funded clearing account(s) for each account,
  - A copy of the document pursuant to which the Fund grants the CTA discretionary trading authority or control over its clearing account(s).

### 3. When does this program expire?

The program has been extended through January 31, 2021; at that time CME will evaluate and determine whether to continue the program.

### 4. What trading fees are charged by the Exchange for trading by a CTA/HF Program participant?

Please refer to the most updated CME Fee Schedule at: <http://www.cmegroup.com/company/clearing-fees>.

Registered participants in the CTA/HF Program are eligible to receive progressive fee volume discounts from the base non-member rate of \$1.60 per contract. The applicable discount will be determined based on the participant’s electronic ADV in sides for the preceding measuring period (measuring period will be from 15<sup>th</sup> of a quarterly month to the 15<sup>th</sup> of the next quarterly month – the “Quarterly Calculation period”). The fixed fee discount will apply for eligible volume in the following quarter according to this table:

ADV for prior measuring period:	Fee discount earned:	All-in Fee for following quarter:
0 – 24	\$0.00	\$1.60
25 – 250	(\$0.40)	\$1.20
251 – 1000	(\$0.60)	\$1.00
1001 – 2000	(\$0.70)	\$0.90
2001 – 5000	(\$0.80)	\$0.80
5001+	(\$0.90)	\$0.70*

\*EFRP rate is \$0.71.

**FX Link Fee Discounts:** All participants that trade standard size futures via FX Link will receive a flat rate of \$0.60 per contract side traded.

**FX Options Block Fee Discounts:** All participants will receive a flat rate of \$1.46 for block transactions in FX Options.

## CTA/Hedge Fund Incentive Program | Questions & Answers | October 2020

New program participants will be charged the lower rate of \$1.20 or the discounted rate set forth above based on their prior calendar quarter's ADV until completion of the next Quarterly Calculation Period. Quarterly Calculation Periods are on a rolling basis. Fixed fee discounts are not regressive and will be applied to all participant trades executed in the products in the following Quarterly Calculation Period. Standard size futures traded via FX Link are excluded from ADV calculations.

The discount will apply for CME Globex transactions of standard size FX products, EFRP volume, and block volume in FX options only. Open outcry transactions and CME Globex transactions in all other products by these entities will be charged at non-member rates.

### **5. Will hedge fund participants in the CTA/HF Program receive the reduced rates for any products other than FX futures and options on futures?**

No. The CTA/HF Program is for electronic FX trades and Block volume in FX options only. Non-member rates will apply in other products.

### **6. Will hedge fund participants in the CTA/HF Program receive the discounted rates for all their FX trades traded electronically?**

Hedge fund participants are eligible for the reduced rates on all trades for accounts registered with and approved by CME.

### **7. When will the discount fee become effective?**

Eligible hedge fund accounts will be entitled to preferential CTA/HF Program rates when the application and all proper documentation is received and accepted by CME, and the application for participation has been approved by CME Group's Department of Financial and Regulatory Surveillance ("FRS"). Preferential trading fees will not be applied earlier than CME's approval date.

Each hedge fund seeking to participate in the program must be reviewed and approved by FRS. Once approved, the CTA/HF Program participant CTA is responsible for working with their hedge funds' clearing member firms to ensure that their hedge funds' accounts are properly registered in the program under the CTA participant's name in CME's Exchange Fee System ("EFS"). Participants will also be responsible for making any changes/additions to their accounts with each of their clearing member firms.

### **8. Are there any geographic restrictions on participation?**

Yes, CME Group may be unable to accept participants located in certain countries. Please contact CME Group's Membership Concierge Team for further information regarding any location restrictions.

### **9. Can a CTA of an existing member apply for the CTA/HF Program?**

Yes. CTAs for existing members/member firms are eligible to participate in the CTA/HF Program, however, please note that existing CME hedge fund members are not eligible for participation in the CTA/HF Program

### **10. Once an applicant is approved, what is the operational process for registering all appropriate accounts to receive the fee incentive?**

When an application is approved, CME will register the firm's name under the CTA/HF Program in EFS.

Applicants are then notified by CME Group's Membership Concierge Team, via email, of their acceptance into the program, of the effective date, and of their starting All-In Fee. Applicants must then work directly with their clearing

## CTA/Hedge Fund Incentive Program | Questions & Answers | October 2020

firm(s) to register qualified hedge fund accounts in the EFS system. Applicants will be responsible for managing, with their clearing firm(s), any qualified hedge fund account addition or deletion from the program while the program is in effect.

Furthermore, applicants will be notified by CME of any changes in their All-In Fee prior to the start of a new quarter and should communicate with their clearing firm(s) accordingly.

CME Group shall monitor trading activity and participants' performance and shall retain the right to revoke program participant status if it concludes from review that a program participant no longer meets the eligibility requirements of the program.

For more information, please contact CME Group's Membership Concierge Team:

Phone: +1 312 435 3555 Email: [conciergeteam@cmegroup.com](mailto:conciergeteam@cmegroup.com)

The application form is also available on our website [here](#).

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