

May 4, 2006

NOTICE

RE: Revised CBOT Rulebook Chapter 2 “Membership”

The Board of Directors has approved amendments to CBOT® Rulebook Chapter 2 “Membership” that represent a comprehensive streamlining and updating of this rulebook chapter. In addition, certain existing provisions from Rulebook Chapters 3 and 4 are being relocated to Chapter 2 to achieve a more logical arrangement of related rules. **These revisions are effective immediately.** The key changes incorporated in revised Chapter 2 are summarized below.

- In **Regulation 249.01**, the period within which members and member firms must file claims against membership sales and transfers is increased from 15 calendar days to 20 calendar days. Also, the Board may, in its discretion, extend this claims period based upon the circumstances of a particular case. **In connection with this change, the Exchange will publish claims events (i.e., membership sales, transfers, etc.) on a weekly rather than bi-weekly basis, beginning Monday, May 8, 2006.**

Regulation 249.01 also makes it explicit that claims by members and member firms, in order to be allowed, must result from conduct that occurred prior to the sale or transfer of the membership against which such claims are made.

- **Rule 230.00 and Regulation 230.02** codify the previously-announced new “Trading Member Firm” category of firm registration.
- **Regulation 201.02** requires a clearing firm to notify the Exchange if it has actual knowledge that a member whose trades it clears has been suspended or expelled from another self-regulatory organization or has been convicted of a felony. Regulation 201.02 also includes as triggering events not only a suspension or expulsion, but also a bar from association with members or an order prohibiting a former member from reapplying for membership.
- **Regulation 207.01 (formerly Rule 333.00)** clearly states the obligations of a Primary Clearing Member (“PCM”) by indicating that the PCM would “guarantee and assume complete responsibility for all trades and orders executed or directed to be executed by [the] non-clearing member, including all orders that such non-clearing member executes or fails to execute, either negligently, or in violation of Exchange rules and regulations.”

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Regulation 207.01 also explicitly permits a member who believes that his PCM is unreasonably withholding a release to file an arbitration claim, and provides an additional basis for withholding a release, namely the existence of a Control Agreement with the PCM under Regulation 252.01.

In addition, Regulation 207.01 previously provided that when PCMs made claims against the transfer of a membership under Rule 252.00 for trading losses, payment would be made in the chronological order of revocation of PCM status, such that the earliest debt would be paid first, and the first PCM would have priority over the current PCM. **In the revised regulation, this order is being reversed, such that the current PCM would be paid first, and the oldest debt would be paid last. This provision also is being relocated to Rule 252.00 and will only become effective with respect to debts incurred after the rule change.**

- **Regulation 230.05 (formerly Regulation 230.03)** “Designated Persons” provisions are being eliminated.
- **Regulation 230.06 (formerly Regulation 230.05)** is being amended so that the eighteen month grace period that had formerly been given to pool and hedge fund member firms to acquire the six previously required memberships will not apply to new Equity Member Firms in this category that become member firms after the effective date of the change. This grace period is being eliminated because, although Equity Member Firms will still be required to obtain 4 Series B-1 (Full) and 2 Series B-2 (Associate) memberships, they can qualify as Trading Member Firms once they acquire 2 Series B-1 (Full) and 1 Series B-2 (Associate) memberships. The eighteen month grace period will continue to apply to Equity Member Firms that were approved in this category prior to April 26, 2006.
- **Regulation 230.07 (formerly Regulation 230.06)** retains the 30-day grace period for a member firm to notify the Exchange of a replacement nominee on a firm-owned membership when the prior nominee leaves the employ of the member firm. However, Regulation 230.07 makes it explicit that member firm privileges would terminate immediately if the firm sold any of its qualifying shares of CBOT Holdings Class A common stock.
- **Regulation 250.01** permits the Exchange to retain the proceeds of a membership sale pending the outcome of any legal proceeding that is pending or is highly probable, and in connection with which the member may be required to indemnify the Exchange pursuant to Rule 209.00.

- The sixth priority under **Rule 252.00** is being amended to make it clear that, after the effective date, members and member firms may not assert claims that relate to trades executed on other exchanges.
- **Regulation 278.01** previously provided that a member against whom a Rule 278.00 complaint had been filed was entitled to arbitration if he denied the complaint, and it placed the burden for filing the arbitration proceeding on the defaulting member. Under the revised regulation, the complaining member will be the party to file the arbitration claim.
- **Rule 286.00** has been eliminated. This rule required clearing firms to file monthly reports with the Exchange listing those members whose trades that they cleared who had an unsecured indebtedness to such clearing firms of \$5,000 or more.

Copies of the revised rules and regulations referenced above are available from the Secretary's Office.

Questions in this regard may be directed to Anne Polaski, Assistant General Counsel, at (312) 435-3757.

Paul J. Draths
Vice President and Secretary