

Memorandum

FEE POLICY BULLETIN

TO: Chief Financial Officers
Chief Compliance Officers
New Firm Approval Contacts
Firm EFS Contacts 07-02

FROM: Audit Department, Clearing House Division

DATE: February 20, 2007

SUBJECT: Notifications of Membership Status & CME Rule 106.S. Family of Funds Membership

Notifications of Membership Status

CME's corporate and clearing member community has grown significantly in the last several years. New membership categories, incentive programs, and the revaluation and updating of membership requirements in conjunction with our strong product mix, liquidity and distribution channels has fostered great interest in our markets. The benefits of CME membership are well recognized in the trading community.

To that end, we recognize the importance of clearing members to be well-informed of the membership status of their clients. We strongly encourage members to notify their clearing member firms of their membership status and, in addition, we notify clearing member firms directly as follows:

- As part of the review and approval process, applicants (clearing members, inactive clearing members, corporate members and electronic corporate members) are required to indicate the CME 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 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.
- Upon a membership status change or withdrawal, a similar notification will be sent, primarily through e-mail, to the clearing member firms involved of the member firm's change/withdrawal.

- All member approvals/withdrawals/changes in status are posted in CME's Special Executive Reports published to the CME community on Mondays.

We continue to further refine and improve our communication efforts. A listing of clearing members and inactive clearing members may be found on CME's Web Site at www.cme.com. Listings of Corporate and Electronic Corporate Members are not publicly available. To confirm the CME membership status of a specific member firm client, please contact the Audit Department.

Rule 106.S. Family of Funds Memberships

In December 2004, CME introduced Rule 106.S. Family of Funds Transfers ("Rule 106.S.") which allows a family of funds that is managed by a fund management company to receive equity member fee rates without the need for each fund in the family to become an inactive clearing member.

One fund in the family of funds or the fund management company must become an inactive clearing member. If the fund management company becomes the inactive clearing member, it must designate one fund in the family of funds to receive the equity member fee rates; referred to as the "designated hedge fund". As such, the fund management company is not entitled to equity member fees. For additional funds in the family to be eligible for equity member fee rates, a membership must be purchased for every five funds in addition to the inactive clearing member fund. The five additional funds in a family may receive equity member fee and performance bond rates for the trading activity of the funds within the division of membership held under Rule 106.S. The inactive clearing member/designated hedge fund will receive equity member fee and performance bond rates on all CME products. Only trading done in the names of the approved funds (not the management company) under the inactive clearing and Rule 106.S. membership are eligible for equity member fees.

To be eligible for Rule 106.S. membership, the following criteria must be met:

- The family of funds must have a minimum of \$2 billion under management;
- Each fund in the family of funds must be approved by and registered with CME;
- The accounts must be held by a clearing member(s) in the name of the approved fund; and
- The fund management company must agree to submit to Exchange regulatory jurisdiction.

Only bona-fide funds, not managed accounts, qualify for preferential fee rates under Rule 106.S.

Under Rule 106.S., a CME, IMM or IOM Division membership may be owned by the inactive clearing member, any fund in the family or the fund management company. Regardless of who owns the membership, the fund management company binds the family of funds together under the Rule 106.S. membership. The membership required for Rule 106.S. is in addition to the memberships assigned for the inactive clearing member's clearing membership privileges. A membership held under Rule 106.S. cannot be assigned for clearing membership privileges. Class A shares are not required for Rule 106.S. membership.

If the Rule 106.S. member elects to have an individual placed on its CME, IMM or IOM membership, the individual must be an employee or officer of the inactive clearing member, the fund management company or a fund that is part of the family of funds of the inactive clearing member. In addition, the member must be approved for individual membership by the Shareholder Relations and Membership Services Department.

The positions of the inactive clearing member hedge fund/designated hedge fund and each of the approved funds within the family that receive equity member fee rates must be carried separately on the books of a clearing member. Organizational charts must be maintained demonstrating ownership/organization of all entities, including feeder/master funds, the investment manager and other management companies.

The inactive clearing member hedge fund/designated hedge fund must be properly registered in CME's Exchange Fee System ("EFS") under the inactive clearing member hedge fund or designated hedge fund as applicable. Further, if any funds qualify under the inactive clearing member's organizational structure as "subsidiary funds", such funds will be specifically identified in an approval letter and must be registered under the inactive clearing member hedge fund/designated hedge fund in EFS. The account title field in EFS must identify the subsidiary fund.

The approved hedge funds under the Rule 106.S. membership must be properly registered in EFS under the names of the approved funds of the Rule 106.S. member.

Further, all inactive clearing member hedge fund/designated hedge fund and Rule 106.S. member firm traders must be assigned unique trader IDs, those IDs and the associated member firm trader must be appropriately registered in EFS, and all GLOBEX trades (orders) must be identified with the registered ID of the trader executing the trade. Such traders must be further defined as "W-2 Employee", "Commodity Trading Advisor", "Independent Contractor 1099-MISC", "Rule 106.F. Trader" or "Owner w/\$500K+ Interest."

If you have any questions regarding fees or the registration of accounts and/or traders in EFS, please contact the EFS team at (312) 648-5470 or by e-mail at efsadmin@cme.com. For all other questions, please call the Audit Department at (312) 930-3230.