



## Special Executive Report

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S-5349

August 2, 2010

### **CBOT MODIFIES ITS CLEARING AND CORPORATE MEMBER FIRM RULES**

**Effective September 1, 2010**, amendments to CBOT clearing and corporate member firm rules will be adopted and become effective. These rules will be adopted in conjunction with the continued harmonization of the rules of CME, CBOT and NYMEX. Generally, most of the changes to the Exchanges' Rules are for harmonization, clarification and language consistency purposes but a summary of the more significant changes to the CBOT member firm rules is presented below.

#### A. Independent Assignments of Memberships and/or Shares

CBOT Rules will allow for 50% independent assignments of Exchange memberships (where two or more Exchange memberships are required) and CME Group shares for CBOT corporate member firms. This is consistent with the current independent assignment requirements of CME, CBOT, NYMEX and COMEX clearing members.

#### B. CBOT Member Firm Categories

The CBOT clearing and Rule 106.J. equity member firm category of "Closely Held" will be eliminated for firms approved after July 1, 2010. Existing clearing and Rule 106.J. equity member firms which qualify as Closely Held member firms as of June 30, 2010 will be grandfathered with such designation.

The categories within CBOT corporate memberships (i.e. Equity FCM, Equity Corporate Member and Trading FCM) will also be eliminated as no such designation exists for CME and NYMEX corporate member firms.

These changes result in no change in Exchange fee benefits received by these member firms.

#### C. Rule 130. Required Notices by Member Firms and Suspension of Member Firm Privileges and Rule 974. Failure to Meet Minimum Financial Requirements

Current CBOT Rules 130 and 974 provide that a corporate member firm may be suspended by Exchange staff if it has filed for bankruptcy or other conditions occur. The Rule change will provide that the member firm may be suspended if it has notified the Exchange or the Exchange becomes aware of a significant event as defined in Rule 442 which includes a bankruptcy filing.

Rule 130 will also require corporate member firms to notify the Audit Department in the event of a material change in key personnel who are responsible to act on behalf of the member firm.

If you have any questions regarding the changes to these rules, please contact Cathleen Downs, Audit Department, at 312.648.3802.

The amendments appear below with additions underlined

## **CBOT Chapters 1, 4 and 9 Rule Changes (Strikeout Version)**

### **106. TRANSFERS, SECURITY TRANSACTIONS, AND AUTHORIZATIONS TO TRANSFER OR SELL**

#### **106.C. Family Transfers**

A member or Non-Member Investor may temporarily transfer his membership to a member of his immediate family who shall be subject to all Exchange rules and regulations. For purposes of this rule, immediate family members shall be limited to parents, siblings, children, grandchildren, grandparents, fathers-in-law, mothers-in-law, sons-in law, daughters-in-law and spouses.

Rule 106.C transfers shall be subject to the following terms and conditions:

1. The transferor may revoke the transfer upon written notice filed with the Department.
2. The transferor shall have the right at any time to have the transferee disqualified from trading by giving notice to the transferee's qualifying clearing member, who in turn must notify the Exchange pursuant to Rule 511.A.
3. The transfer shall be revoked and the membership shall revert to the transferor's estate or conservator upon official notice of the death or formally declared incompetence of the transferor. However, the legal representative of a deceased member's estate may transfer his membership pursuant to this Rule 106.C. during the pendency of probate.
4. Upon a transferor's expulsion from the Exchange, the transfer shall be revoked and the membership shall revert to the transferor who must sell or liquidate the membership within 30 days.
5. Upon approval for membership, the transferee shall be treated as a member for all purposes, except that the transferee shall have no authority to sell, transfer or assign the membership. The transferor shall be considered the member and an assignment of the membership for ~~clearing membership~~ purposes pursuant to Rules [106.H.](#), [106.I.](#), [106.J.](#), [106.R.](#), [106.S.](#) or 902 shall not be terminated by the transferee.
6. The transferor may sell the membership at any time in accordance with the provisions of Rule 104 or transfer the membership pursuant to Rule 106. The proceeds of the sale of the membership will be distributed to the transferor following the settlement of all claims pursuant to Rule 110.
7. The transferred membership may be sold in accordance with Rule 133, and the proceeds may be applied as provided in Rule 110, to satisfy financial obligations of the transferee to the Exchange, to another member or to a clearing member arising out of the transferee's use of the membership in the event that such financial obligations have not been otherwise satisfied.
8. A transfer of a Series B-3 (GIM) membership to a family member under this Rule 106.C. shall not count toward the two consecutive assignments specified in Rule 106.T.

#### **106.D. Futures Industry Transfers**

A member or Non-Member Investor may temporarily transfer his membership to another member who shall be subject to all Exchange rules and regulations.

Transfers under this section shall be subject to the following terms and conditions:

1. The transferor may revoke the transfer upon written notice filed with the Department.
2. The transferor shall have the right at any time to withdraw the authority of the transferee to trade on the membership by giving notice to the transferee's qualifying clearing member and such clearing member must subsequently notify the Exchange pursuant to Rule 511.A.
3. The transfer shall be revoked and the membership shall revert to the transferor's estate or conservator upon official notice of the death or formally declared incompetence of the transferor. However, the legal representative of a deceased member's estate may transfer his membership pursuant to this Rule 106.D. during the pendency of probate.
4. The transferor is eligible to be elected to the Board of Directors as a CBOT Director (as such term is defined in, and subject to the provisions of, the Bylaws of CME Group Inc). A transferor who is a member of the Board may have access to the trading floor in order to meet with other members, but may not trade while on the trading floor.
5. The transferor may sell the membership at any time in accordance with the provisions of Rule 104 or transfer the membership pursuant to Rule 106. The proceeds of the sale of the membership will be distributed to the transferor following the settlement of all claims pursuant to Rule 110.

6. The transferred membership may be sold in accordance with Rule 133, and the proceeds may be applied as provided in Rule 110, to satisfy financial obligations of the transferee to the Exchange, to another member or to a clearing member arising out of the transferee's use of the membership in the event that such financial obligations have not been otherwise satisfied.
7. The transferee must be qualified to trade by a clearing member acceptable to the transferor. The transferor may not assign the membership for [clearing membership](#) purposes pursuant to [Rules 106.H., 106.I., 106.J., 106.R., 106.S. or 902](#).
8. A transferee shall place all trades on the books of his qualifying clearing member unless written authorization to the contrary from said clearing member and from the transferor has been filed with the Department. Failure to adhere to the requirements of this [Rule](#) and Rule 511 shall exclude a clearing member not qualifying the transferee from receiving proceeds under Rule 110.
9. Upon a transferor's expulsion from the Exchange, the transfer shall be revoked and the membership shall revert to the transferor who must sell or liquidate the membership within 30 days.
- 10.-11. [Reserved]
12. A lessor shall notify the Exchange, in a manner designated by the Exchange, of the terms of a new lease agreement or any renewal of a lease agreement within two (2) business days of the negotiation of the lease agreement, or renewal thereof. A lessor's failure to comply with this [Rule 106.D.12](#) may result in the issuance of a warning letter to the lessor. A lessor may then be subject to an automatic fine of \$500 and \$1000 respectively for a second and third violation of this rule within a rolling 12-month period from the issuance of the warning letter. Repeated violations of this rule may be referred to a disciplinary committee.
13. Unless otherwise previously agreed to by the transferor and the transferee, notice must be provided by the parties of their intention to continue a leasing arrangement at least ten (10) days prior to the expiration of the current lease term. If either party fails to provide such notice, it is assumed that the lease will not be renewed upon its expiration. Terms of the renewal, if any, will be subject to negotiation between the parties.
14.
  - i. In accordance with the Agreement entered into on September 1, 1992 ("the 1992 Agreement") between the Exchange and the Chicago Board Options Exchange ("CBOE"), only an individual who is an "Eligible CBOT Full Member" or an "Eligible CBOT Full Member Delegate", as those terms are defined in the 1992 Agreement, is a "member" of the Exchange within the meaning of paragraph (b) of Article Fifth of CBOE's Certificate of Incorporation ("Article Fifth(b)") and only such individuals are eligible to become and to remain regular members of the CBOE pursuant to Article Fifth(b). No person who is not either an Eligible CBOT Full Member or an Eligible CBOT Full Member Delegate shall knowingly apply to become, or knowingly remain, a regular member of CBOE pursuant to Article Fifth(b).
  - ii. For purposes of the 1992 Agreement, an "Eligible CBOT Full Member Delegate" means the individual to whom a CBOT Full Membership is delegated (leased) and who is in possession of all trading rights and privileges appurtenant to such CBOT Full Membership. "Trading rights and privileges appurtenant to such CBOT Full Membership" means (1) the rights and privileges of a CBOT Full Membership which entitle a holder or delegate to trade as principal and broker for others in all contracts traded on the CBOT, whether by open outcry, by electronic means, or otherwise, during any segment of a trading day when trading is authorized; and (2) every trading right or privilege granted, assigned or issued by CBOT after the effective date of this Agreement to holders of CBOT Full Memberships, as a class, but excluding any right or privilege which is the subject of an option granted, assigned or issued by CBOT to a CBOT Full Member and which is not exercised by such CBOT Full Member.
  - iii. In accordance with the Agreements entered into on August 7, 2001 and December 17, 2003 respectively, between the Exchange and the CBOE and the Letter Agreements entered into on October 7, 2004 and February 11, 2005, among the Exchange, CBOT Holdings and the CBOE, and consistent with, and in furtherance of, the 1992 Agreement, upon completion of the proposed strategic restructuring of the CBOT, an individual delegate of such CBOT Full Membership shall be deemed to be an Eligible CBOT Full Member Delegate only if the individual: (i) is in possession of 27,338 shares of Class A common stock of CBOT Holdings (whether restricted or unrestricted and without regard to any series thereof, such number being subject to anti-dilution adjustment in the event the Class A common stock is subject to a stock split, reverse split, stock dividend or other stock distribution made to existing shareholders); (ii) is in possession of one Series B-1 membership in the CBOT subsidiary; (iii) holds one of the items listed above in (i) or (ii) through delegation rather than ownership; (iv) is in possession of all of the other rights and privileges appurtenant to a CBOT Full Membership; (v) meets the applicable membership and eligibility requirements of the CBOT and is deemed to be a "CBOT Full Member Delegate" under the Rules

and Regulations of the Exchange then in effect; and (vi) if a CBOT Full Membership is one in respect of which the CBOT has issued the Exercise Right Privilege, an individual delegate of such CBOT Full Membership shall be deemed to be an Eligible CBOT Full Member Delegate only if the individual is also in possession of one Exercise Right Privilege. The delegate of a CBOT Full Membership in respect of which an Exercise Right Privilege has not been issued shall qualify as an Eligible CBOT Full Member Delegate if the requirements of the 1992 Agreement are satisfied, without having to possess an Exercise Right Privilege.

Exercise Right Privileges may be separately bought, sold, leased, or otherwise transferred and may be unbundled and rebundled with the lease of CBOT Full Memberships in respect of which an Exercise Right Privilege has been issued, for purposes of qualifying the delegate thereof as an Eligible CBOT Full Member Delegate. For purpose hereof, the words "possess" and "in possession of" shall be deemed to include possession by ownership or lease, or as a nominee.

- iv. In connection with the delegation (lease) of a CBOT Full Membership, or upon completion of the proposed restructuring of the CBOT the Series B-1 membership in the CBOT subsidiary, in which the associated Exercise Right Privilege has been previously issued by the Exchange and sold or transferred to a third party, the delegation agreement contemplated in paragraph (b) above shall provide, among other things, that the delegate acknowledges that the CBOT Full Membership or the Series B-1 membership in the CBOT subsidiary, as applicable, being delegated (leased) does not have associated with it an Exercise Right Privilege and therefore such delegate may not become a regular member of CBOE pursuant to Article Fifth(b) without otherwise possessing the Exercise Right Privilege.
15. No Series B-1(Full) member or Series B-2 (Associate) member may delegate (within the meaning of this Rule 106.D.) to any other person the voting rights associated with his membership; provided, however, that nothing herein shall prohibit a member from naming as his proxy a person or persons designated as such by the Exchange in connection with any annual or special meeting of the membership.

#### **106.G. Transfer to Wholly-Owned Entities**

A membership may be transferred to an entity which is wholly-owned by the member or his immediate family members as that term is used in Rule 106.C. Transfers pursuant to this authorization shall be limited to transfers pursuant to Rules 106.C., D. or E.

A [Rule 106.G.](#) transferee may assign the membership for [clearing-membership](#) purposes in accordance with [Rules 106.H., 106.I., 106.J., 106.R., 106.S. and 902](#) except in circumstances where the transfer has been made pursuant to Rule 106.D..

#### **106.H. Trading Member Firm**

A firm may qualify as a ~~Corporate Trading member Firm or a Trading FCM or IB (each a "trading member firm")~~ if the membership required by the Exchange is owned by the trading member firm; by an [affiliate member firm as defined in Rule 106.I.](#) ~~clearing member or a member firm which is wholly owned by such trading member firm, which wholly owns such trading member firm, or which is wholly owned by the same parent company(ies) as such trading member firm;~~ by a principal or employee of the trading member firm; or by a person, including a parent company, with an acceptable proprietary interest in the trading member firm. The membership may be held in the name of the trading member firm; ~~an affiliate clearing member or member firm as defined in Rule 106.I. described in the preceding sentence;~~ or a principal or employee of, or a person with an acceptable proprietary interest in, the trading member firm. The owner of the membership may transfer the membership among such persons provided that: (1) the transfer is approved by Exchange staff; (2) the transferee is approved pursuant to the rules of the Exchange; and (3) the transfer is for the legitimate business purposes of the firm. The firm shall have the right, at any time, to withdraw the authority of the transferee to trade on ~~the a firm-owned~~ membership, but must withdraw such authority upon termination of his employment or other association with the firm. Notice of the withdrawal of the authority of the transferee to trade on [the a firm-owned](#) membership must be given to his qualifying clearing member who in turn must notify the Exchange pursuant to Rule 511.A. The trading member firm shall designate on a form provided by the Exchange a representative who shall be authorized to deal with the Exchange with respect to the membership transferred under this Section.

[A Rule 106.H. trading member firm may not be a fund, fund management company, pool or other collective investment vehicle.](#)

The proceeds of the sale of a membership which has been assigned in order to qualify a Rule 106.H. firm shall be subject to Rule 110 claims against both the owner of the membership and the Rule 106.H. firm.

A Rule 106.H. membership may not be transferred pursuant to any other provision of Rule 106. The membership may not be assigned for clearing membership purposes under Rules 106.I., 106.J., 106.R., 106.S or 902.

Rule 106.H. trading member firm benefits apply only to the trading member firm's member firm trading and not to the trading of any affiliates, subsidiaries or customers. All such positions of the trading member firm must be carried by a clearing member(s) in accounts separate from positions of affiliates, subsidiaries, customers and other entities.

Any holder or transferee of a Rule 106.H. membership may not solicit or contact customers from the floor of the Exchange, unless the trading member firm is an -Introducing Broker or Futures Commission Merchant as those terms are defined in Section 1a of the Commodity Exchange Act and/or 17 C.F.R. Trading FCM or IB-

A Rule 106.H. trading member firm may not hold itself out to the public as a clearing member.

Exchange staff may grant exemptions from the requirements of this Rule.

### 106.I. Affiliate Member Firm

An "affiliate" shall be defined to include a firm that either: owns, directly or indirectly, 100% of a clearing member, Rule 106.J. equity member firm or Rule 106.H. trading member firm or has 100% ownership, direct or indirect, in common with a firm that owns, directly or indirectly, 100% of a clearing member, Rule 106.J. equity member firm or Rule 106.H. trading member firm. non-FCM, non-clearing entity that is not a pool or hedge fund, and which is wholly owned by one or more clearing members or member firms, which wholly owns a clearing member or member firm, or which is wholly owned by the same parent company(ies) as a clearing member or member firm.

A firm may qualify as an:

- Rule 106.I. affiliate equity member firm if a Series B-1 (Full) membership and 8,000 CME Group Class A Shares or a Series B-2 (Associate) membership and 1,750 CME Group Class A Shares are assigned for the firm's membership privileges; or
- Rule 106.I. affiliate trading member firm if the membership required by the Exchange is assigned for the firm's membership privileges or leased by the Rule 106.I. affiliate trading member firm; or
- Rule 106.I. qualified affiliate of a CBOT clearing member or Rule 106.J. equity member which also qualifies for the CBOT membership umbrella.

A CBOT clearing member or Rule 106.J. equity member firm may qualify for the CBOT membership umbrella if it has assigned to it four Series B-1 (Full) memberships, two Series B-2 (Associate) memberships and 8,000 CME Group Class A Shares or five Series B-1 (Full) memberships and 8,000 CME Group Class A Shares (Agricultural only). A CBOT clearing member or Rule 106.J. equity member firm which qualifies for the CBOT membership umbrella may qualify an unlimited number of affiliates but the qualified affiliates must be registered with the Exchange. The memberships and CME Group Class A Shares required to qualify for the CBOT membership umbrella include the memberships and shares required for the CBOT clearing member or Rule 106.J. equity member firms' privileges, including any independent assignments.

Rule 106.I. affiliate equity member firms that held equity member firm status as of July 12, 2007 with a Series B-1 (Full) membership have a grandfathered share requirement of 4,725 CME Group Class A Shares.

T-affiliate if the memberships and/or CME Group Class A Shares required by the Exchange must be ~~are~~ owned by the clearing member, Rule 106.J. equity member firm, Rule 106.H. trading member firm, or affiliate member firm, by one or more affiliates, or by member-principals or member-employees of the member firm or one or more affiliates, except for Rule 106.I. affiliate trading member firms in these circumstances where the qualifying membership may be leased by the affiliate trading member firm.

A qualifying membership may be held in the name of the clearing member, Rule 106.J. equity member firm or member firm, Rule 106.H. trading member firm, an affiliate member firm, by one or more affiliates, or a principal or employee of the clearing member, Rule 106.J. equity member firm, Rule 106.H. trading member firm or an affiliate member firm. The firm owner of the membership may transfer the membership among

such persons provided that: (1) the transfer is approved by Exchange staff; (2) the transferee is approved for membership pursuant to the rules of the Exchange; and (3) the transfer is for the legitimate business purposes of the firm. The ~~clearing member, member firm or affiliate~~ shall have the right, at any time, to withdraw the authority of the transferee to trade on a membership ~~owned by the clearing member, member firm or affiliate~~, but must withdraw such authority upon termination of his employment or other association with the clearing member, [Rule 106.J. equity member firm](#), [Rule 106.H. trading member firm or affiliate](#). Notice of the withdrawal of the authority of the transferee to trade on a membership ~~owned by the clearing member, member firm or affiliate~~ must be given to his qualifying clearing member, and such clearing member must subsequently notify the Exchange pursuant to Rule 511.A. The clearing member, [Rule 106.J. equity member firm](#), [Rule 106.H. trading member firm or affiliate](#) member firm ~~or affiliate~~ shall designate on a form provided by the Exchange a representative who shall be authorized to deal with the Exchange with respect to any membership held under this Section.

The proceeds of the sale of a membership which has been assigned in order to qualify a Rule 106.I. [affiliate member firm](#) shall be subject to Rule 110 claims against both the owner of the membership and the Rule 106.I. [affiliate member firm](#).

A Rule 106.I. membership may not be transferred pursuant to any other provision of Rule 106. The membership may not be assigned for ~~clearing membership~~ purposes under Rules [106.H.](#), [106.J.](#), [106.R.](#), [106.S.](#) or 902.

Rule 106.I. [affiliate member firm](#) benefits apply to the firm trading activity of [a Rule 106.I. affiliate equity member firm; a Rule 106.I. affiliate trading member firm or Rule 106.I. qualified affiliates of a CBOT clearing member or Rule 106.J. equity member which qualifies for the CBOT membership umbrella which are registered with the Exchange.](#) ~~any qualified affiliate.~~ All such positions of affiliates must be carried by a clearing member(s) in accounts separate from positions of subsidiaries, customers and other entities.

A Rule 106.I. [affiliate member firm](#) may not hold itself out to the public as a clearing member.

Exchange staff may grant exemptions from the requirements of this Rule.

#### 106.J. Equity Member Firm

A firm may qualify as an ~~e~~Equity ~~Closely Held Corporate M~~member ~~F~~firm, ~~an Equity Corporate Member Firm or an Equity FCM or IB (each an "equity member firm") if a Series B-1 (Full) membership and 8,000 CME Group Class A Shares or a Series B-2 (Associate) membership and 1,750 CME Group Class A Shares the membership and CME Group Class A Shares required by the Exchange are assigned for the firm's membership privileges. The membership and 50% of the CME Group Class A Shares must be owned by the equity member firm;~~ by an affiliate as defined in Rule 106.I. ~~which is a clearing member or a member firm, which is wholly owned by such equity member firm, which wholly owns such equity member firm, or which is wholly owned by the same parent company(ies) as such equity member firm;~~ -by one or more principals or employees of the equity member firm; or by persons, including a parent company, with an acceptable proprietary interest in the equity member firm. One-half of the CME Group Class A Shares required for membership may be independently assigned.

Equity member firms that are not FCMs and held equity member firm status as of July 12, 2007 with a Series B-1 (Full) membership have a grandfathered share requirement of 4,725 CME Group Class A Shares.

Equity member firms that qualified as "equity closely-held corporate" member firms prior to June 30, 2010 are grandfathered as Rule 106.J. equity closely-held corporate member firms.

A CBOT Rule 106.J. equity member firm with a share requirement of 8,000 shares (including a CBOT Rule 106.J. equity member firm with a grandfathered share requirement of 4,725) shall at all times have assigned to it at least 12,000 CME Group Class A Shares if it is also either: (a) a CME clearing member or CME Rule 106.J. equity member firm or (b) a NYMEX clearing member or NYMEX Rule 106.J. member firm. If the CBOT Rule 106.J. equity member firm has a 1,750 share requirement, the combined share requirement will be 9,750.

A CBOT Rule 106.J. equity member firm with a share requirement of 8,000 shares (including a CBOT Rule 106.J. equity member firm with a grandfathered share requirement of 4,725) shall at all times have assigned to it at least 16,000 CME Group Class A Shares if it is also both: (a) a CME clearing member or CME Rule 106.J. equity member firm and (b) a NYMEX clearing member or NYMEX Rule 106.J. member

firm. If the CBOT equity member firm has a 1,750 share requirement, the combined share requirement will be 13,750.

The membership may be held in the name of the equity member firm; an affiliate as defined in Rule 106.I. which is a ~~clearing member or a~~ member firm ~~described in the preceding sentence~~; or a principal or employee of the equity member firm, or a person with an acceptable proprietary interest in, the equity member firm. The owner of the membership may transfer the membership among such persons provided that: (1) the transfer is approved by Exchange staff; (2) the transferee is approved pursuant to the rules of the Exchange; and (3) the transfer is for the legitimate business purposes of the firm. The equity member firm shall have the right, at any time, to withdraw the authority of the transferee to trade on the a firm-owned membership, but must withdraw such authority upon termination of his employment or other association with the firm. Notice of the withdrawal of the authority of the transferee to trade on thea firm-owned membership ~~–~~ must be given to his qualifying clearing member who in turn must notify the Exchange pursuant to Rule 511.A. The equity member firm shall designate on a form provided by the Exchange a representative who shall be authorized to deal with the Exchange with respect to the membership transferred under this Section.

A Rule 106.J. equity member firm may not be a fund, fund management company, pool or other collective investment vehicle.

The proceeds of the sale of a membership which has been assigned in order to qualify a Rule 106.J. firm shall be subject to Rule 110 claims against both the owner of the membership and the Rule 106.J. firm.

A Rule 106.J. membership may not be transferred pursuant any other provision of Rule 106. The membership may not be assigned for clearing-membership purposes under Rules 106.H., 106.I., 106.R., 106.S. or 902.

Rule 106.J. equity member firm benefits apply only to the firm's member firm trading and not to the trading of any affiliates, subsidiaries or customers. All such positions of the equity member firm must be carried by a clearing member(s) in accounts separate from positions of affiliates, subsidiaries, customers and other entities.

Any holder or transferee of a Rule 106.J. membership may not solicit or contact customers from the floor of the Exchange, unless the equity member firm is an Introducing Broker or Futures Commission Merchant as those terms are defined in Section 1a of the Commodity Exchange Act and/or 17 C.F.R. 1.3., Equity FCM or IB.

A Rule 106.J. equity member firm may not hold itself out to the public as a clearing member.

Exchange staff may grant exemptions from the requirements of this Rule.

#### **106.K. Transfer to a Trust**

A member may transfer his membership to a trust for which the member is the grantor. The document(s) establishing the trust shall at all times include the restrictions as to permissible beneficiaries and state that (1) the trust takes the membership subject to all of the rules of the Exchange, as may be amended, (2) the interests in the membership that inure to the beneficiaries of the trust shall be subject to all of the rules of the Exchange, as may be amended, (3) the Exchange's rights with respect to the membership are superior to those of the beneficiaries, and (4) the Exchange shall have no liability to the beneficiaries of the trust in the event of the mishandling of the trust assets by the trustee. Permissible beneficiaries are immediate family members as set forth in Rule 106.C. The grantor (or the grantor's personal representative) and the trustee (and any successor) shall each provide in the form provided by the Exchange an acknowledgment that the trust takes the membership subject to all of the rules of the Exchange and that the trust is in compliance with the requirements of this Rule. The grantor shall comply with any request to produce trust information made by Exchange staff.

The transfer of a Series B-3 (GIM) membership to a trust wherein the member/grantor is the trustee shall not count toward the two consecutive assignments specified in Rule 106.T.

If such a transfer is made by a bona fide gift or bequest, it shall also be subject to the requirements of Rule 106.E.

The grantor's liability to the Exchange under Rule 439 shall continue with respect to any claim arising out of an act or omission occurring prior to such transfer, and the membership will continue to be treated as the asset of the grantor for the purposes of Rule 439 and for otherwise meeting any obligations to the Exchange arising out of the grantor's use of the membership prior to the transfer to the trust, including fines

imposed with respect to conduct occurring prior to the transfer.

A membership held pursuant to a transfer under this section may be assigned for ~~clearing membership~~ privileges under Rules 106.H., 106.I., 106.J., 106.R., 106.S. and 902 or reinstated to the transferor pursuant to this section.

The transfer shall be revoked and the membership shall revert to the transferor upon official notice to the Exchange that the trust has been revoked. The membership must be transferred out of the trust within 90 days of the closing of the member's estate.

#### **106.M. Transfer to Joint Tenants With Right of Survivorship**

A member may transfer his membership to himself and a member of his immediate family, as defined in Rule 106.C., as joint tenants with right of survivorship.

The joint tenants shall designate on a form provided by the Exchange which one of them shall be authorized to deal with the Exchange with respect to the membership transferred under this Section. The designee must qualify for membership by satisfying the requirements of Chapter 1 of these rules, and shall be treated as a member for all purposes. In the designation form, the joint tenants shall acknowledge that the designee shall have the exclusive right to transfer the membership or to execute an Authorization to Sell pursuant to Rule 106.A. and that the Exchange shall have no liability to the non-designee in the event of such transfer or execution or the mishandling of the membership by the designee. The joint tenants may at any time change such designation in writing signed by both of them, and each such change shall be deemed a transfer for the purposes of these rules. Upon such change in designation, the new designee must qualify for membership by satisfying the requirements of Chapter 1 of these rules.

Whether or not the transferor is the designee, the transferor's liability to the Exchange under Rule 439 shall continue with respect to any claim arising out of an act or omission occurring prior to a transfer under this rule, and the membership will continue to be treated as an asset of the transferor for the purposes of Rule 439 and for otherwise meeting any obligations to the Exchange arising out of the transferor's use of the membership prior to such transfer, including fines imposed with respect to conduct occurring prior to the transfer.

Upon receipt of satisfactory proof of the death of a joint tenant, the Exchange will transfer the membership to the survivor.

Upon receipt by the Exchange of written notice signed by both joint tenants terminating joint ownership of the membership transferred under this section and instructing the Exchange to transfer the membership to one of the joint tenants as sole owner, the Exchange shall transfer such membership pursuant to such instructions.

A membership held pursuant to a transfer under this section may not be assigned for ~~clearing membership~~ privileges under Rules 106.H., 106.I., 106.J., 106.R., 106.S. or 902.

#### **106.P. Transfer to a Family Limited Partnership**

A member may transfer his membership to a Family Limited Partnership ("FLP") with respect to which all partners are members of the member's family who would be eligible for a family transfer from the member pursuant to Rule 106.C. The limited partnership agreement or other document(s) governing the FLP shall at all times prohibit transfers of an interest in the FLP to any person who is not eligible pursuant to Rule 106.C. and shall state that (1) the FLP's interest in the membership shall at all times be subject to all of the rules of the Exchange, as may be amended, including, but not limited to, Rule 110 and, if the membership is assigned to a ~~clearing member~~ firm for membership purposes~~clearing qualification~~, Rules 106.H., 106.I., 106.J., 106.R., 106.S. and 902; (2) management of the FLP shall be vested exclusively in a managing general partner, who must qualify for membership by satisfying the requirements of Chapter 1 of these rules; and (3) the Exchange shall have no liability to the partners for any loss, damage, or expense resulting from any acts or omissions by the managing general partner or any person acting by or through the authority of a general partner. The transferor and the managing general partner (and any successor) shall each provide in the form provided by the Exchange a certification that the FLP acquires the membership subject to all of the rules of the Exchange and that the FLP is in compliance with the requirements of this Rule. The FLP also may transfer the membership back to the transferor.

If the transfer of a membership to the FLP is made by a bona fide gift or bequest, it shall also be subject to the requirements of Rule 106.E.

Transfer of a membership pursuant to this rule shall not relieve the transferor of any liability to the Exchange under Rule 439 with respect to any claim arising out of an act or omission occurring prior to such transfer, and the membership will continue to be treated as the asset of the transferor for the purposes of Rule 439 and for otherwise meeting any obligations to the Exchange arising out of the transferor's use of the membership prior to the transfer to the FLP, including fines imposed with respect to conduct occurring

prior to the transfer.

A membership held pursuant to a transfer under this section may be assigned for ~~clearing membership~~ purposes under Rules [106.H., 106.I., 106.J., 106.R., 106.S. and 902.](#)

#### 106.R. Electronic Corporate Member Firm

A firm may qualify as an ~~eElectronic cCorporate mMember fFirm~~ (“~~electronic corporate member firm~~”) if ~~a Series B-1 (Full) membership or Series B-2 (Associate) membership the membership required by the Exchange~~ is leased by the electronic corporate member firm, ~~;~~ by a principal or employee of the electronic corporate member firm, ~~;~~ or by a person, including a parent company, with an acceptable proprietary interest in the electronic corporate member firm ~~and assigned for the electronic corporate member’s membership privileges.~~

The membership may be held in the name of the firm or transferred to a principal or employee of, or a person with an acceptable proprietary interest in, the electronic corporate member firm. The electronic corporate member firm may transfer a membership leased by the firm among such persons provided that: (1) the transfer is approved by Exchange staff; (2) the transferee is approved pursuant to the rules of the Exchange; and (3) the transfer is for the legitimate business purposes of the firm. The electronic corporate member firm shall have the right, at any time, to withdraw the authority of the transferee to trade on a membership leased by the firm, but must withdraw such authority upon termination of his employment or other association with the firm. The electronic corporate member firm shall designate on a form provided by the Exchange a representative who shall be authorized to deal with the Exchange with respect to the membership transferred under this Section.

[A Rule 106.R. electronic corporate member firm may not be a fund, fund management company, pool or other collective investment vehicle.](#)

The proceeds of the sale of a membership which has been leased to [the electronic corporate member firm,](#) a principal or employee of, or a person with an acceptable proprietary interest in, the Rule 106.R. [electronic corporate member](#) firm shall be subject to Rule 110 claims against the owner of the membership, the lessee and the Rule 106.R. [electronic corporate member](#) firm.

A Rule 106.R. membership may not be transferred pursuant to any other provision of Rule 106. The membership may not be assigned for ~~clearing membership~~ purposes under Rules [106.H., 106.I., 106.J., 106.S. or 902.](#)

Rule 106.R. benefits apply only to an electronic corporate member firm’s member firm trading and not to the trading of any affiliates, subsidiaries or customers.

All such positions of the electronic corporate member firm must be carried by a clearing member(s) in accounts separate from positions of affiliates, subsidiaries, customers and other entities.

A Rule 106.R. membership does not confer upon a holder or transferee of such membership the ability to access the trading floor.

A Rule 106.R. [electronic corporate member](#) firm may not hold itself out to the public as a clearing member.

[Exchange staff may grant exemptions from the requirements of this Rule.](#)

#### 106.S. Family of Funds Member Firm

A fund management company or a pool or hedge fund may qualify as a:

- [Rule 106.S. family of funds equity member firm if it has four Series B-1 \(Full\) memberships, two Series B-2 \(Associate\) memberships and 8,000 CME Group Class A Shares assigned for the firm’s membership privileges; or](#)
- [Rule 106.S. family of funds trading member firm if it has two Series B-1 \(Full\) memberships and one Series B-2 \(Associate\) membership assigned for the firm’s membership privileges.](#)

[A Rule 106.S. family of funds equity member firm may qualify up to five additional funds within the family of funds managed by the same fund management company. A Rule 106.S. family of funds trading member firm may qualify up to two additional funds within the family of funds managed by the same fund management company. Each additional Series B-1 \(Full\) membership or Series B-2 \(Associate\)](#)

membership will qualify an additional fund within the family of funds. Managed accounts are not eligible for Rule 106.S. family of funds member firm benefits.

A CBOT Rule 106.S. family of funds equity member firm shall at all times have assigned to it at least 12,000 CME Group Class A Shares if it is also either: (a) a CME clearing member or CME Rule 106.J. equity member firm or (b) a NYMEX clearing member or NYMEX Rule 106.J. member firm.

A CBOT Rule 106.S. family of funds equity member firm shall at all times have assigned to it at least 16,000 CME Group Class A Shares if it is also both: (a) a CME clearing member or CME Rule 106.J. equity member firm and (b) a NYMEX clearing member or NYMEX Rule 106.J. member firm.

~~Family of Funds Equity Member Firm or a Family of Funds Trading Member Firm (each a "family of funds member firm") if~~ For Rule 106.S. family of funds equity member firms, at least two Series B-1 (Full) memberships and one Series B-2 (Associate) membership and 50% of the CME Group Class A Shares must be owned by the family of funds member firm, the fund management company, by one or more qualified funds; or a person, including parent company, with an acceptable proprietary interest in family of funds equity member firm. Two Series B-1 (Full) memberships and one Series B-2 (Associate) membership and 50% of the CME Group Class A Shares may be independently assigned.

~~For Rule 106.S. family of funds trading member firms, at least one Series B-1 (Full) membership and one Series B-2 (Associate) membership the memberships and/or CME Group Class A Shares required by the Exchange must be~~ owned by the family of funds member firm; the fund management company, by one or more qualified pools or hedge funds or a person, including parent company, with an acceptable proprietary interest in family of funds trading member firm; or by member principals or member employees of the family of funds member firm or one or more qualified pools or hedge funds. One Series B-1 (Full) membership may be independently assigned.

If the fund management company is the member firm, it may designate a pool or hedge fund within its family of funds to receive its membership benefits.

A qualifying membership may be held in the name of the family of funds member firm, the fund management company, a qualified ~~pool or hedge~~ fund, or a person, including parent company, with an acceptable proprietary interest in principal or employee of the family of funds member firm ~~or a qualified pool or hedge fund~~. The owner of a membership may transfer the membership among such persons provided that: (i) the transfer is approved by Exchange staff; (ii) the transferee is approved pursuant to the rules of the Exchange; and (iii) the transfer is for the legitimate business purposes of the family of funds member firm or qualified ~~pool or hedge~~ fund. The family of funds member firm or qualified ~~pool or hedge~~ fund shall have the right, at any time, to withdraw the authority of the transferee to trade on a membership owned by the family of funds member firm or qualified ~~pool or hedge~~ fund, but must withdraw such authority upon termination of his employment or other association with the family of funds member firm or qualified ~~pool or hedge~~ fund. Notice of the withdrawal of the authority of the transferee to trade on a membership owned by the family of funds member firm or qualified ~~pool or hedge~~ fund must be given to his qualifying clearing member who in turn must notify the Exchange pursuant to Rule 511.A. The family of funds member firm or qualified ~~pool or hedge~~ fund shall designate on a form provided by the Exchange a representative who shall be authorized to deal with the Exchange with respect to any membership transferred under this Section.

The proceeds of the sale of a membership which has been assigned in order to qualify a Rule 106.S. family of funds member firm shall be subject to Rule 110 claims against both the owner of the membership and the Rule 106.S. family of funds member firm.

A Rule 106.S. membership may not be transferred pursuant to any other provision of Rule 106. The membership may not be assigned for clearing membership purposes under Rules 106.H., 106.I., 106.J., 106.R. or 902.

All positions of each pool or hedge fund of a family of funds member firm must be carried by a clearing member(s) in accounts separate from positions of affiliates, subsidiaries, customers and other funds within the family of funds.

A Rule 106.S. family of funds member firm may not hold itself out to the public as a clearing member.

Exchange staff may grant exemptions from the requirements of this Rule.

**130. REQUIRED NOTICES BY MEMBER FIRMS AND SUSPENSION OF MEMBER FIRM PRIVILEGES**

Rule 106.H., I., J., R., and S. member firms shall notify the Audit Department prior to any proposed merger, acquisition, consolidation, combination, sale, or any other change of ownership involving such Rule 106.H., I., J., R., or S. firm.

Rule 106.H., I., J., R., and S. member firms shall notify the Audit Department in a timely manner of any material change in key personnel who are responsible to act on behalf of the member firm.

If any Rule 106.H., I., J., R., or S. firm:

- has notified the Exchange or the Exchange otherwise becomes aware of a significant event bankruptcy proceeding or a definite intention to file for bankruptcy pursuant to as defined in 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 Rule 106.H., I., J., R., or S. firm that is an FCM fails to meet CFTC minimum financial requirements in the opinion of the Audit Department; or
- neglects to promptly furnish a statement upon request,

the membership privileges of the Rule 106.H., I., J., R., or S. firm may be suspended, subject to the procedures set forth in Rule 974.B.

**131. EXPULSION FOR FRAUD OR DISHONESTY PRIOR TO ELECTION TO MEMBERSHIP**

A member or a firm with membership privileges who is found ~~to have been~~ guilty of fraud or dishonest conduct by any court, commodity or securities exchange or related clearing organization, the Securities and Exchange Commission, the Commodity Futures Trading Commission or the securities commission or equivalent authority of any state, territory, the District of Columbia or foreign country, the National Futures Association, the Financial Industry Regulatory Authority, or any self-regulatory or regulatory organization prior to becoming a member and of failing to make full disclosure thereof in his or its application for membership, or who is found guilty of having made a false statement of a material fact in or in connection with his or its application, may be expelled from membership in the Exchange by a Panel of the Business Conduct Committee.

**INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER 1**

**FIRM MEMBERSHIP TYPES\***

<u>FIRM MEMBERSHIP TYPE</u>	<u>TRADING RIGHT AND CLASS A SHARES</u>
<u>106.H. Corporate Trading Firms and Trading FCMs<sup>1</sup></u>	<u>1 Series B-1 (Full); or 1 Series B-2 (Associate); or 1 Series B-4 (IDEM); or 1 Series B-5 (COM)</u>
<u>106.I. Affiliates of Clearing and Equity Member Firms</u>	<u>4 Series B-1 (Full), 2 Series B-2 (Associate) and 8,000 shares; or 5 Series B-1 (Full) and 8,000 shares (Agricultural Only) qualify an unlimited number of Affiliates (“Membership Umbrella”).</u>  <u>OR</u> <u>1 Series B-1 (Full) and 8,000 shares; or 1 Series B-2 (Associate) and 1,750 shares qualifies one Affiliate.<sup>2</sup></u>
<u>106.I. Affiliates of Clearing, Equity, and Trading Member Firms</u>	<u>1 Series B-1 (Full); or 1 Series B-2 (Associate); or 1 Series B-4 (IDEM); or 1 Series B-5 (COM) (each trading right may be owned or leased)<sup>2</sup></u>
<u>106.J. Equity FCMs or IBs, Equity Closely Held Corporate Members<sup>3</sup>, and Equity Corporate</u>	<u>1 Series B-1 (Full) and 8000 shares<sup>4</sup> or 1 Series B-2 (Associate) and 1,750 shares</u>

<u>Members<sup>1</sup></u>	
<del>406.R. Electronic Corporate Member Firms</del>	<del>1 Series B-1 (Full) Leased; or 1 Series B-2 (Associate) Leased</del>
<del>406.S. Family of Funds Equity Member Firms</del>	<del>4 Series B-1 (Full), 2 Series B-2 (Associate) and 8,000 shares</del>
<del>406.S. Family of Funds Trading Member Firms</del>	<del>2 Series B-1 (Full) and 1 Series B-2 (Associate)<sup>6</sup></del>

~~\* The trading right and share requirements for Clearing Member Firms are set forth in Rule 902.~~

~~1 Corporate Trading Firms and Equity 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 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.~~

~~2 These requirements are in addition to the trading rights and/or shares required to qualify the Member Firm.~~

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

~~4 Equity Closely Held Corporate Members and Equity Corporate Members that held such membership status as of July 12, 2007, will have a "grandfathered" share requirement of 4,725.~~

~~5 Qualifies up to six pools or hedge funds where the member firm exercises trading control over, is under common trading control with, or wholly owns such entities. Each additional Series B-1 (Full) membership or Series B-2 (Associate) membership will qualify an additional such entity. A Clearing FCM, Equity FCM, or a Closely Held Corporate Member Firm or Corporate Member Firm (Clearing or Equity), that qualifies for the Membership Umbrella, may also qualify a pool or hedge fund over which it or any of its qualified Affiliates exercises trading control, with an additional Series B-1 (Full) membership or a Series B-2 (Associate) membership for each such entity.~~

~~6 Qualifies up to three pools or hedge funds where the member firm exercises trading control over, is under common trading control with, or wholly owns such entities. Each additional Series B-1 (Full) or Series B-2 (Associate) membership will qualify an additional such entity.~~

~~Note: All CBOT Member Firms in the foregoing chart that have an 8,000 share requirement, which are also either clearing members of CME or member firms or clearing members of NYMEX, will have a combined share requirement of 12,000. All CBOT Member Firms in the foregoing chart that have an 8,000 share requirement, which are also both clearing members of CME and member firms or clearing members of NYMEX, will have a combined share requirement of 16,000. All CBOT Member Firms in the foregoing chart that have a 1,750 share requirement, which are also either clearing members of CME or member firms or clearing members of NYMEX, will have a combined share requirement of 9,750. All CBOT Member Firms in the foregoing chart that have 1,750 share requirement, which are also both clearing members of CME and member firms or clearing members of NYMEX, will have a combined share requirement of 13,750.~~

**442. NOTIFICATION OF SIGNIFICANT EVENTS**

Each Member shall immediately notify the Market Regulation Department in writing upon becoming aware of any of the following events relating to such Member:

1. any suspension, expulsion, revocation or restriction of such Member's trading privileges or any fine in excess of \$25,000, through an adverse determination, voluntary settlement or otherwise, by any court, commodity or securities exchange or related clearing organization, the Securities and Exchange Commission, the Commodity Futures Trading Commission or the securities commission or equivalent authority of any state, territory, the District of Columbia or foreign country, Financial Industry Regulatory Authority, the National Futures Association, ~~the National Association of Securities Dealers, Inc.~~, or any self-regulatory or regulatory organization;

2. any indictment of the Member or any of its officers for, any conviction of the Member or any of its officers of, or any confession of guilt or plea of guilty or nolo contendere by the Member or any of its officers to 1) any felony or 2) any misdemeanor involving, arising from, or related to the purchase or sale of any commodity, security, futures contract, option or other financial instrument or involving or

arising from fraud or moral turpitude; and/or

3. any involuntary bankruptcy petition that has been filed against such Member, or in the case of a voluntary bankruptcy proceeding, when such Member has filed or has formed a definite intention to file for bankruptcy.  
 Nothing in this rule shall limit or negate any other reporting obligations that any member may have to the Exchange or any other regulator or person.

**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, grandfathered Clearing Closely Held Corporate Members<sup>1</sup>, Clearing Corporate Members<sup>2</sup> and Sole Proprietor Clearing Members, unless otherwise specified. Clearing members that qualified as Clearing Closely Held Corporate Members prior to June 30, 2010 are grandfathered as Clearing Closely Held Corporate Members.

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.

**902. CLEARING MEMBERSHIP ASSIGNMENT REQUIREMENTS**

**902.A. Assignment Requirement**

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

Subject to exemptions granted by Exchange staff, each CBOT clearing member shall at all times have 8,000 CME Group Class A shares assigned to the Clearing House assign at least the number of CME Group Class A Shares set forth in the table below; CBOT clearing members that are not registered as FCMs and held clearing member status as of July 12, 2007 shall have a grandfathered share requirement of 4,725 CME Group Class A Shares.

A CBOT clearing member shall at all times have assigned at least 12,000 CME Group Class A Shares if it is also either: (a) a CME clearing member or CME Rule 106.J. equity member firm or (b) a NYMEX clearing member or NYMEX Rule 106.J. member firm.

A CBOT clearing member shall at all times have assigned at least 16,000 CME Group Class A Shares if it is also both: (a) a CME clearing member or CME Rule 106.J. equity member firm and (b) a NYMEX clearing member or NYMEX Rule 106.J. member firm.

Number of CME Group Class A Shares Needed for Clearing Membership

Type of Membership	CBOT Clearing Member	Joint Clearing Member of CBOT and CME Or CBOT and NYMEX (including a NYMEX Member Firm)	Joint Clearing Member of CBOT, CME and NYMEX (including a NYMEX Member Firm)
Clearing FCMs	8,000	12,000	16,000
Clearing Closely Held	8,000*	12,000	16,000

<sup>1</sup> Clearing Closely Held Corporate Members must be wholly owned by members or by members and employees of the firm.

<sup>2</sup> 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.

~~Corporate Members~~

<del>Clearing Corporate Members</del>	<del>8,000*</del>	<del>12,000</del>	<del>16,000</del>
<del>Sole Proprietor Clearing Members</del>	<del>8,000*</del>	<del>12,000</del>	<del>16,000</del>

~~\*Clearing Closely Held Corporate Members, Clearing Corporate Members and Sole Proprietor Clearing Members that qualified as clearing member firms as of July 12, 2007, will have a "grandfathered" share requirement of 4,725. The 12,000 and 16,000 share requirements for joint clearing members shall include CBOT clearing members with a grandfathered share requirement of 4,725.~~

Assigned CME Group Class A Shares may not be sold, pledged, hypothecated, lent, reregistered or otherwise transferred without the prior approval of the Exchange. Each clearing member assigning CME Group Class A Shares to the Clearing House hereby acknowledges that the Clearing House has control over such CME Group Class A Shares and further agrees to comply with any policies or procedures established by the Clearing House to affect control over CME Group Class A shares.

At least one Series B-1 (Full) membership and at least 50% of the CME Group Class A Shares required for clearing membership pursuant to this Rule must be owned by the clearing member or a person, including a parent company, with an acceptable proprietary interest in such clearing member, if such clearing member was approved for membership after November 29, 2007. If two Series B-1 (Full) memberships are required for clearing membership, one of those memberships may be independently assigned. The remaining 50% of the CME Group Class A shares required for clearing membership may also be independently assigned.

A clearing member approved for membership on or before November 29, 2007, may continue to maintain the same number of independent membership assignments and the same ratio of independent CME Group Class A Share assignments as the clearing member held on November 29, 2007. If a clearing member approved on or before November 29, 2007, or a person with an acceptable proprietary interest in the clearing member, subsequently purchases a membership or CME Group Class A Shares and substitutes such asset for one which was previously an independent assignment, such membership or CME Group Class A Shares must thereafter be owned by the clearing member or a person with an acceptable proprietary interest if necessary to meet the minimum requirements of the previous paragraph.

Upon default of a clearing member in meeting its obligations to the Clearing House or upon the Clearing House Risk Committee's determination that a clearing member's financial position jeopardizes the financial integrity of the Clearing House, the Clearing House may direct the sale of any or all of the clearing member's assigned CBOT memberships and CME Group Class A Shares. The proceeds from the sale of the CBOT memberships shall be used to satisfy Rule 110 obligations.

**902.B. [Reserved]****902.C. Assignment Process**

A membership and/or CME Group Class A Shares may be assigned upon the completion of an Exchange-approved form. A membership and CME Group Class A Shares may be assigned on behalf of only one clearing member and may not be subject to any Rule 110 claims at the time of assignment. Upon submitting an assignment form to the Membership Services Department, the membership shall be notified of the assignment. Parties will have ten days after the notification of the assignment to submit any Rule 110 claims against the membership being assigned. After all Rule 110 claims have been resolved to the satisfaction of the Exchange, the membership shall be assigned.

**902.D. Assignment Substitutions**

A clearing member may substitute a membership and/or CME Group Class A Shares for an assigned membership and/or CME Group Class A Shares provided that the clearing member continues to meet the assignment requirements of this Rule.

In the event a clearing member has a valid claim against a member that it qualifies and the member's membership is assigned to another clearing member, the clearing member utilizing the membership for assignment shall have 10 business days to substitute another membership to fulfill the assignment requirements of this Rule.

**902.E. Assignment Withdrawal Disputes**

In the event a member wants to withdraw his assigned membership over the objection of the clearing member to which the membership is assigned, such member must request permission to do so from Clearing House staff. The request must be in writing with a copy delivered to the clearing member to which the membership is assigned.

**902.F. Lien on Memberships and CME Group Class A Shares**

Each clearing member hereby grants to the Clearing House a first priority and unencumbered lien against all memberships and any CME Group Class A shares required for clearing membership by the Exchange.<sup>3</sup>

**974. SUSPENSION OF MEMBER FIRM PRIVILEGES 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 106H., I., J., R., or S. member firm:

- ~~has notified the Exchange or the Exchange otherwise becomes aware of a significant event bankruptcy proceeding or a definite intention to file for bankruptcy pursuant to as defined in 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 in the opinion of the Audit Department; 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.<sup>4</sup>

**CBOT Chapters 1, 4 and 9 Rule Changes (Clean Version)****106. TRANSFERS, SECURITY TRANSACTIONS, AND AUTHORIZATIONS TO TRANSFER OR SELL****106.C. Family Transfers**

A member or Non-Member Investor may temporarily transfer his membership to a member of his immediate family who shall be subject to all Exchange rules and regulations. For purposes of this rule, immediate family members shall be limited to parents, siblings, children, grandchildren, grandparents, fathers-in-law, mothers-in-law, sons-in law, daughters-in-law and spouses.

Rule 106.C transfers shall be subject to the following terms and conditions:

1. The transferor may revoke the transfer upon written notice filed with the Department.
2. The transferor shall have the right at any time to have the transferee disqualified from trading by giving notice to the transferee's qualifying clearing member, who in turn must notify the Exchange pursuant to Rule 511.A.
3. The transfer shall be revoked and the membership shall revert to the transferor's estate or conservator

<sup>3</sup> Revised December 2008.

<sup>4</sup> Revised December 2008.

upon official notice of the death or formally declared incompetence of the transferor. However, the legal representative of a deceased member's estate may transfer his membership pursuant to this Rule 106.C. during the pendency of probate.

4. Upon a transferor's expulsion from the Exchange, the transfer shall be revoked and the membership shall revert to the transferor who must sell or liquidate the membership within 30 days.
5. Upon approval for membership, the transferee shall be treated as a member for all purposes, except that the transferee shall have no authority to sell, transfer or assign the membership. The transferor shall be considered the member and an assignment of the membership for membership purposes pursuant to Rules 106.H., 106.I., 106.J., 106.R., 106.S. or 902 shall not be terminated by the transferee.
6. The transferor may sell the membership at any time in accordance with the provisions of Rule 104 or transfer the membership pursuant to Rule 106. The proceeds of the sale of the membership will be distributed to the transferor following the settlement of all claims pursuant to Rule 110.
7. The transferred membership may be sold in accordance with Rule 133, and the proceeds may be applied as provided in Rule 110, to satisfy financial obligations of the transferee to the Exchange, to another member or to a clearing member arising out of the transferee's use of the membership in the event that such financial obligations have not been otherwise satisfied.
8. A transfer of a Series B-3 (GIM) membership to a family member under this Rule 106.C. shall not count toward the two consecutive assignments specified in Rule 106.T.

#### **106.D. Futures Industry Transfers**

A member or Non-Member Investor may temporarily transfer his membership to another member who shall be subject to all Exchange rules and regulations.

Transfers under this section shall be subject to the following terms and conditions:

1. The transferor may revoke the transfer upon written notice filed with the Department.
2. The transferor shall have the right at any time to withdraw the authority of the transferee to trade on the membership by giving notice to the transferee's qualifying clearing member and such clearing member must subsequently notify the Exchange pursuant to Rule 511.A.
3. The transfer shall be revoked and the membership shall revert to the transferor's estate or conservator upon official notice of the death or formally declared incompetence of the transferor. However, the legal representative of a deceased member's estate may transfer his membership pursuant to this Rule 106.D. during the pendency of probate.
4. The transferor is eligible to be elected to the Board of Directors as a CBOT Director (as such term is defined in, and subject to the provisions of, the Bylaws of CME Group Inc). A transferor who is a member of the Board may have access to the trading floor in order to meet with other members, but may not trade while on the trading floor.
5. The transferor may sell the membership at any time in accordance with the provisions of Rule 104 or transfer the membership pursuant to Rule 106. The proceeds of the sale of the membership will be distributed to the transferor following the settlement of all claims pursuant to Rule 110.
6. The transferred membership may be sold in accordance with Rule 133, and the proceeds may be applied as provided in Rule 110, to satisfy financial obligations of the transferee to the Exchange, to another member or to a clearing member arising out of the transferee's use of the membership in the event that such financial obligations have not been otherwise satisfied.
7. The transferee must be qualified to trade by a clearing member acceptable to the transferor. The transferor may not assign the membership for membership purposes pursuant to Rules 106.H., 106.I., 106.J., 106.R., 106.S. or 902.
8. A transferee shall place all trades on the books of his qualifying clearing member unless written authorization to the contrary from said clearing member and from the transferor has been filed with the Department. Failure to adhere to the requirements of this Rule and Rule 511 shall exclude a clearing member not qualifying the transferee from receiving proceeds under Rule 110.
9. Upon a transferor's expulsion from the Exchange, the transfer shall be revoked and the membership shall revert to the transferor who must sell or liquidate the membership within 30 days.
- 10.-11. [Reserved]
12. A lessor shall notify the Exchange, in a manner designated by the Exchange, of the terms of a new lease agreement or any renewal of a lease agreement within two (2) business days of the negotiation of the lease agreement, or renewal thereof. A lessor's failure to comply with this [Rule 106.D.12](#) may result in the issuance of a warning letter to the lessor. A lessor may then be subject to an automatic

fine of \$500 and \$1000 respectively for a second and third violation of this rule within a rolling 12-month period from the issuance of the warning letter. Repeated violations of this rule may be referred to a disciplinary committee.

13. Unless otherwise previously agreed to by the transferor and the transferee, notice must be provided by the parties of their intention to continue a leasing arrangement at least ten (10) days prior to the expiration of the current lease term. If either party fails to provide such notice, it is assumed that the lease will not be renewed upon its expiration. Terms of the renewal, if any, will be subject to negotiation between the parties.
14.
  - i. In accordance with the Agreement entered into on September 1, 1992 ("the 1992 Agreement") between the Exchange and the Chicago Board Options Exchange ("CBOE"), only an individual who is an "Eligible CBOT Full Member" or an "Eligible CBOT Full Member Delegate", as those terms are defined in the 1992 Agreement, is a "member" of the Exchange within the meaning of paragraph (b) of Article Fifth of CBOE's Certificate of Incorporation ("Article Fifth(b)") and only such individuals are eligible to become and to remain regular members of the CBOE pursuant to Article Fifth(b). No person who is not either an Eligible CBOT Full Member or an Eligible CBOT Full Member Delegate shall knowingly apply to become, or knowingly remain, a regular member of CBOE pursuant to Article Fifth(b).
  - ii. For purposes of the 1992 Agreement, an "Eligible CBOT Full Member Delegate" means the individual to whom a CBOT Full Membership is delegated (leased) and who is in possession of all trading rights and privileges appurtenant to such CBOT Full Membership. "Trading rights and privileges appurtenant to such CBOT Full Membership" means (1) the rights and privileges of a CBOT Full Membership which entitle a holder or delegate to trade as principal and broker for others in all contracts traded on the CBOT, whether by open outcry, by electronic means, or otherwise, during any segment of a trading day when trading is authorized; and (2) every trading right or privilege granted, assigned or issued by CBOT after the effective date of this Agreement to holders of CBOT Full Memberships, as a class, but excluding any right or privilege which is the subject of an option granted, assigned or issued by CBOT to a CBOT Full Member and which is not exercised by such CBOT Full Member.
  - iii. In accordance with the Agreements entered into on August 7, 2001 and December 17, 2003 respectively, between the Exchange and the CBOE and the Letter Agreements entered into on October 7, 2004 and February 11, 2005, among the Exchange, CBOT Holdings and the CBOE, and consistent with, and in furtherance of, the 1992 Agreement, upon completion of the proposed strategic restructuring of the CBOT, an individual delegate of such CBOT Full Membership shall be deemed to be an Eligible CBOT Full Member Delegate only if the individual: (i) is in possession of 27,338 shares of Class A common stock of CBOT Holdings (whether restricted or unrestricted and without regard to any series thereof, such number being subject to anti-dilution adjustment in the event the Class A common stock is subject to a stock split, reverse split, stock dividend or other stock distribution made to existing shareholders); (ii) is in possession of one Series B-1 membership in the CBOT subsidiary; (iii) holds one of the items listed above in (i) or (ii) through delegation rather than ownership; (iv) is in possession of all of the other rights and privileges appurtenant to a CBOT Full Membership; (v) meets the applicable membership and eligibility requirements of the CBOT and is deemed to be a "CBOT Full Member Delegate" under the Rules and Regulations of the Exchange then in effect; and (vi) if a CBOT Full Membership is one in respect of which the CBOT has issued the Exercise Right Privilege, an individual delegate of such CBOT Full Membership shall be deemed to be an Eligible CBOT Full Member Delegate only if the individual is also in possession of one Exercise Right Privilege. The delegate of a CBOT Full Membership in respect of which an Exercise Right Privilege has not been issued shall qualify as an Eligible CBOT Full Member Delegate if the requirements of the 1992 Agreement are satisfied, without having to possess an Exercise Right Privilege.  
 Exercise Right Privileges may be separately bought, sold, leased, or otherwise transferred and may be unbundled and rebundled with the lease of CBOT Full Memberships in respect of which an Exercise Right Privilege has been issued, for purposes of qualifying the delegate thereof as an Eligible CBOT Full Member Delegate. For purpose hereof, the words "possess" and "in possession of" shall be deemed to include possession by ownership or lease, or as a nominee.
  - iv. In connection with the delegation (lease) of a CBOT Full Membership, or upon completion of the proposed restructuring of the CBOT the Series B-1 membership in the CBOT subsidiary, in which the associated Exercise Right Privilege has been previously issued by the Exchange and sold or transferred to a third party, the delegation agreement contemplated in paragraph (b) above shall provide, among other things, that the delegate acknowledges that the CBOT Full Membership or the Series B-1 membership in the CBOT subsidiary, as applicable, being delegated (leased) does

not have associated with it an Exercise Right Privilege and therefore such delegate may not become a regular member of CBOE pursuant to Article Fifth(b) without otherwise possessing the Exercise Right Privilege.

15. No Series B-1(Full) member or Series B-2 (Associate) member may delegate (within the meaning of this Rule 106.D.) to any other person the voting rights associated with his membership; provided, however, that nothing herein shall prohibit a member from naming as his proxy a person or persons designated as such by the Exchange in connection with any annual or special meeting of the membership.

**106.G. Transfer to Wholly-Owned Entities**

A membership may be transferred to an entity which is wholly-owned by the member or his immediate family members as that term is used in Rule 106.C. Transfers pursuant to this authorization shall be limited to transfers pursuant to Rules 106.C., D. or E.

A Rule 106.G. transferee may assign the membership for membership purposes in accordance with Rules 106.H., 106.I., 106.J., 106.R., 106.S. and 902 except in circumstances where the transfer has been made pursuant to Rule 106.D..

**106.H. Trading Member Firm**

A firm may qualify as a trading member firm if the membership required by the Exchange is owned by the trading member firm; by an affiliate member firm as defined in Rule 106.I.; by a principal or employee of the trading member firm; or by a person, including a parent company, with an acceptable proprietary interest in the trading member firm. The membership may be held in the name of the trading member firm; an affiliate member firm as defined in Rule 106.I.; or a principal or employee of, or a person with an acceptable proprietary interest in, the trading member firm. The owner of the membership may transfer the membership among such persons provided that: (1) the transfer is approved by Exchange staff; (2) the transferee is approved pursuant to the rules of the Exchange; and (3) the transfer is for the legitimate business purposes of the firm. The firm shall have the right, at any time, to withdraw the authority of the transferee to trade on the membership, but must withdraw such authority upon termination of his employment or other association with the firm. Notice of the withdrawal of the authority of the transferee to trade on the membership must be given to his qualifying clearing member who in turn must notify the Exchange pursuant to Rule 511.A. The trading member firm shall designate on a form provided by the Exchange a representative who shall be authorized to deal with the Exchange with respect to the membership transferred under this Section.

A Rule 106.H. trading member firm may not be a fund, fund management company, pool or other collective investment vehicle.

The proceeds of the sale of a membership which has been assigned in order to qualify a Rule 106.H. firm shall be subject to Rule 110 claims against both the owner of the membership and the Rule 106.H. firm.

A Rule 106.H. membership may not be transferred pursuant to any other provision of Rule 106. The membership may not be assigned for membership purposes under Rules 106.I., 106.J., 106.R., 106.S or 902.

Rule 106.H. trading member firm benefits apply only to the trading member firm's member firm trading and not to the trading of any affiliates, subsidiaries or customers. All such positions of the trading member firm must be carried by a clearing member(s) in accounts separate from positions of affiliates, subsidiaries, customers and other entities.

Any holder or transferee of a Rule 106.H. membership may not solicit or contact customers from the floor of the Exchange, unless the trading member firm is an Introducing Broker or Futures Commission Merchant as those terms are defined in Section 1a of the Commodity Exchange Act and/or 17 C.F.R.

A Rule 106.H. trading member firm may not hold itself out to the public as a clearing member.

Exchange staff may grant exemptions from the requirements of this Rule.

**106.I. Affiliate Member Firm**

An "affiliate" shall be defined to include a firm that either: owns, directly or indirectly, 100% of a clearing member, Rule 106.J. equity member firm or Rule 106.H. trading member firm or has 100% ownership,

direct or indirect, in common with a firm that owns, directly or indirectly, 100% of a clearing member, Rule 106.J. equity member firm or Rule 106.H. trading member firm. A firm may qualify as a:

- Rule 106.I. affiliate equity member firm if a Series B-1 (Full) membership and 8,000 CME Group Class A Shares or a Series B-2 (Associate) membership and 1,750 CME Group Class A Shares are assigned for the firm's membership privileges; or
- Rule 106.I. affiliate trading member firm if the membership required by the Exchange is assigned for the firm's membership privileges or leased by the Rule 106.I. affiliate trading member firm; or
- Rule 106.I. qualified affiliate of a CBOT clearing member or Rule 106.J. equity member which also qualifies for the CBOT membership umbrella.

A CBOT clearing member or Rule 106.J. equity member firm may qualify for the CBOT membership umbrella if it has assigned to it four Series B-1 (Full) memberships, two Series B-2 (Associate) memberships and 8,000 CME Group Class A Shares or five Series B-1 (Full) memberships and 8,000 CME Group Class A Shares (Agricultural only). A CBOT clearing member or Rule 106.J. equity member firm which qualifies for the CBOT membership umbrella may qualify an unlimited number of affiliates but the qualified affiliates must be registered with the Exchange. The memberships and CME Group Class A Shares required to qualify for the CBOT membership umbrella include the memberships and shares required for the CBOT clearing member or Rule 106.J. equity member firms' privileges, including any independent assignments.

Rule 106.I. affiliate equity member firms that held equity member firm status as of July 12, 2007 with a Series B-1 (Full) membership have a grandfathered share requirement of 4,725 CME Group Class A Shares.

The memberships and/or CME Group Class A Shares required by the Exchange must be owned by the clearing member, Rule 106.J. equity member firm, Rule 106.H. trading member firm, affiliate member firm, by one or more affiliates, or by principals or employees of the member firm or one or more affiliates, except for Rule 106.I. affiliate trading member firms where the qualifying membership may be leased by the affiliate trading member firm.

A qualifying membership may be held in the name of the clearing member, Rule 106.J. equity member firm, Rule 106.H. trading member firm, affiliate member firm, by one or more affiliates or a principal or employee of the clearing member, Rule 106.J. equity member firm, Rule 106.H. trading member firm or affiliate member firm. The firm may transfer the membership among such persons provided that: (1) the transfer is approved by Exchange staff; (2) the transferee is approved for membership pursuant to the rules of the Exchange; and (3) the transfer is for the legitimate business purposes of the firm. The firm shall have the right, at any time, to withdraw the authority of the transferee to trade on a membership but must withdraw such authority upon termination of his employment or other association with the clearing member, Rule 106.J. equity member firm, Rule 106.H. trading member firm or affiliate member firm. Notice of the withdrawal of the authority of the transferee to trade on a membership must be given to his qualifying clearing member, and such clearing member must subsequently notify the Exchange pursuant to Rule 511.A. The clearing member, Rule 106.J. equity member firm, Rule 106.H. trading member firm or affiliate member firm shall designate on a form provided by the Exchange a representative who shall be authorized to deal with the Exchange with respect to any membership held under this Section.

The proceeds of the sale of a membership which has been assigned in order to qualify a Rule 106.I. affiliate member firm shall be subject to Rule 110 claims against both the owner of the membership and the Rule 106.I. affiliate member firm.

A Rule 106.I. membership may not be transferred pursuant to any other provision of Rule 106. The membership may not be assigned for membership purposes under Rules 106.H., 106.J., 106.R., 106.S. or 902.

Rule 106.I. affiliate member firm benefits apply to the firm trading activity of a Rule 106.I. affiliate equity member firm; a Rule 106.I. affiliate trading member firm or Rule 106.I. qualified affiliates of a CBOT clearing member or Rule 106.J. equity member which qualifies for the CBOT membership umbrella which are registered with the Exchange. All such positions of affiliates must be carried by a clearing member(s) in accounts separate from positions of subsidiaries, customers and other entities.

A Rule 106.I. affiliate member firm may not hold itself out to the public as a clearing member.

Exchange staff may grant exemptions from the requirements of this Rule.

**106.J. Equity Member Firm**

A firm may qualify as an equity member firm if a Series B-1 (Full) membership and 8,000 CME Group Class A Shares or a Series B-2 (Associate) membership and 1,750 CME Group Class A Shares are assigned for the firm's membership privileges. The membership and 50% of the CME Group Class A Shares must be owned by the equity member firm, by an affiliate as defined in Rule 106.I. which is a member firm, by one or more principals or employees of the equity member firm, or by persons, including a parent company, with an acceptable proprietary interest in the equity member firm. One-half of the CME Group Class A Shares required for membership may be independently assigned.

Equity member firms that are not FCMs and held equity member firm status as of July 12, 2007 with a Series B-1 (Full) membership have a grandfathered share requirement of 4,725 CME Group Class A Shares.

Equity member firms that qualified as "equity closely-held corporate" member firms prior to June 30, 2010 are grandfathered as Rule 106.J. equity closely-held corporate member firms.

A CBOT Rule 106.J. equity member firm with a share requirement of 8,000 shares (including a CBOT Rule 106.J. equity member firm with a grandfathered share requirement of 4,725) shall at all times have assigned to it at least 12,000 CME Group Class A Shares if it is also either: (a) a CME clearing member or CME Rule 106.J. equity member firm or (b) a NYMEX clearing member or NYMEX Rule 106.J. member firm. If the CBOT Rule 106.J. equity member firm has a 1,750 share requirement, the combined share requirement will be 9,750.

A CBOT Rule 106.J. equity member firm with a share requirement of 8,000 shares (including a CBOT Rule 106.J. equity member firm with a grandfathered share requirement of 4,725) shall at all times have assigned to it at least 16,000 CME Group Class A Shares if it is also both: (a) a CME clearing member or CME Rule 106.J. equity member firm and (b) a NYMEX clearing member or NYMEX Rule 106.J. member firm. If the CBOT equity member firm has a 1,750 share requirement, the combined share requirement will be 13,750.

The membership may be held in the name of the equity member firm; an affiliate as defined in Rule 106.I. which is a member firm; or a principal or employee of the equity member firm, or a person with an acceptable proprietary interest in the equity member firm. The owner of the membership may transfer the membership among such persons provided that: (1) the transfer is approved by Exchange staff; (2) the transferee is approved pursuant to the rules of the Exchange; and (3) the transfer is for the legitimate business purposes of the firm. The equity member firm shall have the right, at any time, to withdraw the authority of the transferee to trade on the membership, but must withdraw such authority upon termination of his employment or other association with the firm. Notice of the withdrawal of the authority of the transferee to trade on the membership must be given to his qualifying clearing member who in turn must notify the Exchange pursuant to Rule 511.A. The equity member firm shall designate on a form provided by the Exchange a representative who shall be authorized to deal with the Exchange with respect to the membership transferred under this Section.

A Rule 106.J. equity member firm may not be a fund, fund management company, pool or other collective investment vehicle.

The proceeds of the sale of a membership which has been assigned in order to qualify a Rule 106.J. firm shall be subject to Rule 110 claims against both the owner of the membership and the Rule 106.J. firm.

A Rule 106.J. membership may not be transferred pursuant any other provision of Rule 106. The membership may not be assigned for membership purposes under Rules 106.H., 106.I., 106.R., 106.S. or 902.

Rule 106.J. equity member firm benefits apply only to the firm's member firm trading and not to the trading of any affiliates, subsidiaries or customers. All such positions of the equity member firm must be carried by a clearing member(s) in accounts separate from positions of affiliates, subsidiaries, customers and other entities.

Any holder or transferee of a Rule 106.J. membership may not solicit or contact customers from the floor of the Exchange, unless the equity member firm is an Introducing Broker or Futures Commission Merchant as those terms are defined in Section 1a of the Commodity Exchange Act and/or 17 C.F.R. 1.3.. A Rule 106.J. equity member firm may not hold itself out to the public as a clearing member.

Exchange staff may grant exemptions from the requirements of this Rule.

**106.K. Transfer to a Trust**

A member may transfer his membership to a trust for which the member is the grantor. The document(s) establishing the trust shall at all times include the restrictions as to permissible beneficiaries and state that (1) the trust takes the membership subject to all of the rules of the Exchange, as may be amended, (2) the interests in the membership that inure to the beneficiaries of the trust shall be subject to all of the rules of the Exchange, as may be amended, (3) the Exchange's rights with respect to the membership are superior to those of the beneficiaries, and (4) the Exchange shall have no liability to the beneficiaries of the trust in the event of the mishandling of the trust assets by the trustee. Permissible beneficiaries are immediate family members as set forth in Rule 106.C. The grantor (or the grantor's personal representative) and the trustee (and any successor) shall each provide in the form provided by the Exchange an acknowledgment that the trust takes the membership subject to all of the rules of the Exchange and that the trust is in compliance with the requirements of this Rule. The grantor shall comply with any request to produce trust information made by Exchange staff.

The transfer of a Series B-3 (GIM) membership to a trust wherein the member/grantor is the trustee shall not count toward the two consecutive assignments specified in Rule 106.T.

If such a transfer is made by a bona fide gift or bequest, it shall also be subject to the requirements of Rule 106.E.

The grantor's liability to the Exchange under Rule 439 shall continue with respect to any claim arising out of an act or omission occurring prior to such transfer, and the membership will continue to be treated as the asset of the grantor for the purposes of Rule 439 and for otherwise meeting any obligations to the Exchange arising out of the grantor's use of the membership prior to the transfer to the trust, including fines imposed with respect to conduct occurring prior to the transfer.

A membership held pursuant to a transfer under this section may be assigned for membership privileges under Rules 106.H., 106.I., 106.J., 106.R., 106.S. and 902 or reinstated to the transferor pursuant to this section.

The transfer shall be revoked and the membership shall revert to the transferor upon official notice to the Exchange that the trust has been revoked. The membership must be transferred out of the trust within 90 days of the closing of the member's estate.

**106.M. Transfer to Joint Tenants With Right of Survivorship**

A member may transfer his membership to himself and a member of his immediate family, as defined in Rule 106.C., as joint tenants with right of survivorship.

The joint tenants shall designate on a form provided by the Exchange which one of them shall be authorized to deal with the Exchange with respect to the membership transferred under this Section. The designee must qualify for membership by satisfying the requirements of Chapter 1 of these rules, and shall be treated as a member for all purposes. In the designation form, the joint tenants shall acknowledge that the designee shall have the exclusive right to transfer the membership or to execute an Authorization to Sell pursuant to Rule 106.A. and that the Exchange shall have no liability to the non-designee in the event of such transfer or execution or the mishandling of the membership by the designee. The joint tenants may at any time change such designation in writing signed by both of them, and each such change shall be deemed a transfer for the purposes of these rules. Upon such change in designation, the new designee must qualify for membership by satisfying the requirements of Chapter 1 of these rules.

Whether or not the transferor is the designee, the transferor's liability to the Exchange under Rule 439 shall continue with respect to any claim arising out of an act or omission occurring prior to a transfer under this rule, and the membership will continue to be treated as an asset of the transferor for the purposes of Rule 439 and for otherwise meeting any obligations to the Exchange arising out of the transferor's use of the membership prior to such transfer, including fines imposed with respect to conduct occurring prior to the transfer.

Upon receipt of satisfactory proof of the death of a joint tenant, the Exchange will transfer the membership to the survivor.

Upon receipt by the Exchange of written notice signed by both joint tenants terminating joint ownership of the membership transferred under this section and instructing the Exchange to transfer the membership to one of the joint tenants as sole owner, the Exchange shall transfer such membership pursuant to such instructions.

A membership held pursuant to a transfer under this section may not be assigned for membership privileges under Rules 106.H., 106.I., 106.J., 106.R., 106.S. or 902.

**106.P. Transfer to a Family Limited Partnership**

A member may transfer his membership to a Family Limited Partnership ("FLP") with respect to which all partners are members of the member's family who would be eligible for a family transfer from the member pursuant to Rule 106.C. The limited partnership agreement or other document(s) governing the FLP shall at all times prohibit transfers of an interest in the FLP to any person who is not eligible pursuant to Rule 106.C. and shall state that (1) the FLP's interest in the membership shall at all times be subject to all of the rules of the Exchange, as may be amended, including, but not limited to, Rule 110 and, if the membership is assigned to a member firm for membership purposes, Rules 106.H., 106.I., 106.J., 106.R., 106.S. and 902; (2) management of the FLP shall be vested exclusively in a managing general partner, who must qualify for membership by satisfying the requirements of Chapter 1 of these rules; and (3) the Exchange shall have no liability to the partners for any loss, damage, or expense resulting from any acts or omissions by the managing general partner or any person acting by or through the authority of a general partner. The transferor and the managing general partner (and any successor) shall each provide in the form provided by the Exchange a certification that the FLP acquires the membership subject to all of the rules of the Exchange and that the FLP is in compliance with the requirements of this Rule. The FLP also may transfer the membership back to the transferor.

If the transfer of a membership to the FLP is made by a bona fide gift or bequest, it shall also be subject to the requirements of Rule 106.E.

Transfer of a membership pursuant to this rule shall not relieve the transferor of any liability to the Exchange under Rule 439 with respect to any claim arising out of an act or omission occurring prior to such transfer, and the membership will continue to be treated as the asset of the transferor for the purposes of Rule 439 and for otherwise meeting any obligations to the Exchange arising out of the transferor's use of the membership prior to the transfer to the FLP, including fines imposed with respect to conduct occurring prior to the transfer.

A membership held pursuant to a transfer under this section may be assigned for membership purposes under Rules 106.H., 106.I., 106.J., 106.R., 106.S. and 902.

**106.R. Electronic Corporate Member Firm**

A firm may qualify as an electronic corporate member firm if a Series B-1 (Full) membership or Series B-2 (Associate) membership is leased by the electronic corporate member firm, by a principal or employee of the electronic corporate member firm, or by a person, including a parent company, with an acceptable proprietary interest in the electronic corporate member firm and assigned for the electronic corporate member's membership privileges.

The membership may be held in the name of the firm or transferred to a principal or employee of, or a person with an acceptable proprietary interest in, the electronic corporate member firm. The electronic corporate member firm may transfer a membership leased by the firm among such persons provided that: (1) the transfer is approved by Exchange staff; (2) the transferee is approved pursuant to the rules of the Exchange; and (3) the transfer is for the legitimate business purposes of the firm. The electronic corporate member firm shall have the right, at any time, to withdraw the authority of the transferee to trade on a membership leased by the firm, but must withdraw such authority upon termination of his employment or other association with the firm. The electronic corporate member firm shall designate on a form provided by the Exchange a representative who shall be authorized to deal with the Exchange with respect to the membership transferred under this Section.

A Rule 106.R. electronic corporate member firm may not be a fund, fund management company, pool or other collective investment vehicle.

The proceeds of the sale of a membership which has been leased to the electronic corporate member firm, a principal or employee of, or a person with an acceptable proprietary interest in, the Rule 106.R. electronic corporate member firm shall be subject to Rule 110 claims against the owner of the membership, the lessee and the Rule 106.R. electronic corporate member firm.

A Rule 106.R. membership may not be transferred pursuant to any other provision of Rule 106. The membership may not be assigned for membership purposes under Rules 106.H., 106.I., 106.J., 106.S. or 902.

Rule 106.R. benefits apply only to an electronic corporate member firm's member firm trading and not to the trading of any affiliates, subsidiaries or customers.

All such positions of the electronic corporate member firm must be carried by a clearing member(s) in accounts separate from positions of affiliates, subsidiaries, customers and other entities.

A Rule 106.R. membership does not confer upon a holder or transferee of such membership the ability to access the trading floor.

A Rule 106.R. electronic corporate member firm may not hold itself out to the public as a clearing member.

Exchange staff may grant exemptions from the requirements of this Rule.

**106.S. Family of Funds Member Firm**

A fund management company or a pool or hedge fund may qualify as a:

- Rule 106.S. family of funds equity member firm if it has four Series B-1 (Full) memberships, two Series B-2 (Associate) memberships and 8,000 CME Group Class A Shares assigned for the firm's membership privileges; or
- Rule 106.S. family of funds trading member firm if it has two Series B-1 (Full) memberships and one Series B-2 (Associate) membership assigned for the firm's membership privileges.

A Rule 106.S. family of funds equity member firm may qualify up to five additional funds within the family of funds managed by the same fund management company. A Rule 106.S. family of funds trading member firm may qualify up to two additional funds within the family of funds managed by the same fund management company. Each additional Series B-1 (Full) membership or Series B-2 (Associate) membership will qualify an additional fund within the family of funds. Managed accounts are not eligible for Rule 106.S. family of funds member firm benefits.

A CBOT Rule 106.S. family of funds equity member firm shall at all times have assigned to it at least 12,000 CME Group Class A Shares if it is also either: (a) a CME clearing member or CME Rule 106.J. equity member firm or (b) a NYMEX clearing member or NYMEX Rule 106.J. member firm.

A CBOT Rule 106.S. family of funds equity member firm shall at all times have assigned to it at least 16,000 CME Group Class A Shares if it is also both: (a) a CME clearing member or CME Rule 106.J. equity member firm and (b) a NYMEX clearing member or NYMEX Rule 106.J. member firm.

For Rule 106.S. family of funds equity member firms, at least two Series B-1 (Full) memberships and one Series B-2 (Associate) membership and 50% of the CME Group Class A Shares must be owned by the family of funds member firm, the fund management company, by one or more qualified funds; or a person, including parent company, with an acceptable proprietary interest in family of funds equity member firm. Two Series B-1 (Full) memberships and one Series B-2 (Associate) membership and 50% of the CME Group Class A Shares may be independently assigned.

For Rule 106.S. family of funds trading member firms, at least one Series B-1 (Full) membership and one Series B-2 (Associate) membership must be owned by the family of funds member firm; the fund management company, by one or more qualified funds or a person, including parent company, with an acceptable proprietary interest in family of funds trading member firm. One Series B-1 (Full) membership may be independently assigned.

If the fund management company is the member firm, it may designate a pool or hedge fund within its family of funds to receive its membership benefits.

A qualifying membership may be held in the name of the family of funds member firm, the fund management company, a qualified fund, or a person, including parent company, with an acceptable proprietary interest in the family of funds member firm. The owner of a membership may transfer the membership among such persons provided that: (i) the transfer is approved by Exchange staff; (ii) the transferee is approved pursuant to the rules of the Exchange; and (iii) the transfer is for the legitimate business purposes of the family of funds member firm or qualified fund. The family of funds member firm or qualified fund shall have the right, at any time, to withdraw the authority of the transferee to trade on a membership owned by the family of funds member firm or qualified fund, but must withdraw such authority upon termination of his employment or other association with the family of funds member firm or qualified fund. Notice of the withdrawal of the authority of the transferee to trade on a membership owned by the

family of funds member firm or qualified fund must be given to his qualifying clearing member who in turn must notify the Exchange pursuant to Rule 511.A. The family of funds member firm or qualified fund shall designate on a form provided by the Exchange a representative who shall be authorized to deal with the Exchange with respect to any membership transferred under this Section.

The proceeds of the sale of a membership which has been assigned in order to qualify a Rule 106.S. family of funds member firm shall be subject to Rule 110 claims against both the owner of the membership and the Rule 106.S. family of funds member firm.

A Rule 106.S. membership may not be transferred pursuant to any other provision of Rule 106. The membership may not be assigned for membership purposes under Rules 106.H., 106.I., 106.J., 106.R. or 902.

All positions of each pool or hedge fund of a family of funds member firm must be carried by a clearing member(s) in accounts separate from positions of affiliates, subsidiaries, customers and other funds within the family of funds.

A Rule 106.S. family of funds member firm may not hold itself out to the public as a clearing member.

Exchange staff may grant exemptions from the requirements of this Rule.

**130. REQUIRED NOTICES BY MEMBER FIRMS AND SUSPENSION OF MEMBER FIRM PRIVILEGES**

Rule 106.H., I., J., R., and S. member firms shall notify the Audit Department prior to any proposed merger, acquisition, consolidation, combination, sale, or any other change of ownership involving such Rule 106.H., I., J., R., or S. firm.

Rule 106.H., I., J., R., and S. member firms shall notify the Audit Department in a timely manner of any material change in key personnel who are responsible to act on behalf of the member firm.

If any Rule 106.H., I., J., R., or S. firm:

- has notified the Exchange or the Exchange otherwise becomes aware of a significant event as defined in Rule 442; or
- that is an FCM fails to meet CFTC minimum financial requirements in the opinion of the Audit Department; or
- neglects to promptly furnish a statement upon request,

the membership privileges of the Rule 106.H., I., J., R., or S. firm may be suspended, subject to the procedures set forth in Rule 974.B.

**131. EXPULSION FOR FRAUD OR DISHONESTY PRIOR TO ELECTION TO MEMBERSHIP**

A member or a firm with membership privileges who is found guilty of fraud or dishonest conduct by any court, commodity or securities exchange or related clearing organization, the Securities and Exchange Commission, the Commodity Futures Trading Commission or the securities commission or equivalent authority of any state, territory, the District of Columbia or foreign country, the National Futures Association, the Financial Industry Regulatory Authority, or any self-regulatory or regulatory organization prior to becoming a member and of failing to make full disclosure thereof in his or its application for membership, or who is found guilty of having made a false statement of a material fact in or in connection with his or its application, may be expelled from membership in the Exchange by a Panel of the Business Conduct Committee.

**442. NOTIFICATION OF SIGNIFICANT EVENTS**

Each Member shall immediately notify the Market Regulation Department in writing upon becoming aware of any of the following events relating to such Member:

1. any suspension, expulsion, revocation or restriction of such Member's trading privileges or any fine in excess of \$25,000, through an adverse determination, voluntary settlement or otherwise, by any court, commodity or securities exchange or related clearing organization, the Securities and Exchange Commission, the Commodity Futures Trading Commission or the securities commission or equivalent authority of any state, territory, the District of Columbia or foreign country, Financial Industry Regulatory Authority, the National Futures Association, or any self-regulatory or regulatory organization;

2. any indictment of the Member or any of its officers for, any conviction of the Member or any of its officers of, or any confession of guilt or plea of guilty or nolo contendere by the Member or any of its officers to 1) any felony or 2) any misdemeanor involving, arising from, or related to the purchase or sale of any commodity, security, futures contract, option or other financial instrument or involving or arising from fraud or moral turpitude; and/or

3. any involuntary bankruptcy petition that has been filed against such Member, or in the case of a voluntary bankruptcy proceeding, when such Member has filed or has formed a definite intention to file for bankruptcy. Nothing in this rule shall limit or negate any other reporting obligations that any member may have to the Exchange or any other regulator or person.

## **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, grandfathered Clearing Closely Held Corporate Members<sup>5</sup>, Clearing Corporate Members and Sole Proprietor Clearing Members, unless otherwise specified. Clearing members that qualified as Clearing Closely Held Corporate Members prior to June 30, 2010 are grandfathered as Clearing Closely Held Corporate Members.

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.

## **902. CLEARING MEMBERSHIP ASSIGNMENT REQUIREMENTS**

### **902.A. Assignment Requirement**

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

Subject to exemptions granted by Exchange staff, each CBOT clearing member shall at all times have 8,000 CME Group Class A shares assigned to the Clearing House. CBOT clearing members that are not registered as FCMs and held clearing member status as of July 12, 2007 shall have a grandfathered share requirement of 4,725 CME Group Class A Shares.

A CBOT clearing member shall at all times have assigned at least 12,000 CME Group Class A Shares if it is also either: (a) a CME clearing member or CME Rule 106.J. equity member firm or (b) a NYMEX clearing member or NYMEX Rule 106.J. member firm.

A CBOT clearing member shall at all times have assigned at least 16,000 CME Group Class A Shares if it is also both: (a) a CME clearing member or CME Rule 106.J. equity member firm and (b) a NYMEX clearing member or NYMEX Rule 106.J. member firm.

Assigned CME Group Class A Shares may not be sold, pledged, hypothecated, lent, reregistered or otherwise transferred without the prior approval of the Exchange. Each clearing member assigning CME Group Class A Shares to the Clearing House hereby acknowledges that the Clearing House has control over such CME Group Class A Shares and further agrees to comply with any policies or procedures established by the Clearing House to affect control over CME Group Class A shares.

At least one Series B-1 (Full) membership and at least 50% of the CME Group Class A Shares required for clearing membership pursuant to this Rule must be owned by the clearing member or a person, including a parent company, with an acceptable proprietary interest in such clearing member, if such clearing member was approved for membership after November 29, 2007. If two Series B-1 (Full) memberships are required for clearing membership, one of those memberships may be independently assigned. The remaining 50% of the CME Group Class A shares required for clearing membership may also be independently assigned.

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<sup>5</sup> Clearing Closely Held Corporate Members must be wholly owned by members or by members and employees of the firm.

A clearing member approved for membership on or before November 29, 2007, may continue to maintain the same number of independent membership assignments and the same ratio of independent CME Group Class A Share assignments as the clearing member held on November 29, 2007. If a clearing member approved on or before November 29, 2007, or a person with an acceptable proprietary interest in the clearing member, subsequently purchases a membership or CME Group Class A Shares and substitutes such asset for one which was previously an independent assignment, such membership or CME Group Class A Shares must thereafter be owned by the clearing member or a person with an acceptable proprietary interest if necessary to meet the minimum requirements of the previous paragraph.

Upon default of a clearing member in meeting its obligations to the Clearing House or upon the Clearing House Risk Committee's determination that a clearing member's financial position jeopardizes the financial integrity of the Clearing House, the Clearing House may direct the sale of any or all of the clearing member's assigned CBOT memberships and CME Group Class A Shares. The proceeds from the sale of the CBOT memberships shall be used to satisfy Rule 110 obligations.

**902.B. [Reserved]**

**902.C. Assignment Process**

A membership and/or CME Group Class A Shares may be assigned upon the completion of an Exchange-approved form. A membership and CME Group Class A Shares may be assigned on behalf of only one clearing member and may not be subject to any Rule 110 claims at the time of assignment. Upon submitting an assignment form to the Membership Services Department, the membership shall be notified of the assignment. Parties will have ten days after the notification of the assignment to submit any Rule 110 claims against the membership being assigned. After all Rule 110 claims have been resolved to the satisfaction of the Exchange, the membership shall be assigned.

**902.D. Assignment Substitutions**

A clearing member may substitute a membership and/or CME Group Class A Shares for an assigned membership and/or CME Group Class A Shares provided that the clearing member continues to meet the assignment requirements of this Rule.

In the event a clearing member has a valid claim against a member that it qualifies and the member's membership is assigned to another clearing member, the clearing member utilizing the membership for assignment shall have 10 business days to substitute another membership to fulfill the assignment requirements of this Rule.

**902.E. Assignment Withdrawal Disputes**

In the event a member wants to withdraw his assigned membership over the objection of the clearing member to which the membership is assigned, such member must request permission to do so from Clearing House staff. The request must be in writing with a copy delivered to the clearing member to which the membership is assigned.

**902.F. Lien on Memberships and CME Group Class A Shares**

Each clearing member hereby grants to the Clearing House a first priority and unencumbered lien against all memberships and any CME Group Class A shares required for clearing membership by the Exchange.<sup>6</sup>

**974. SUSPENSION OF MEMBER FIRM PRIVILEGES**

- 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 106H., I., J., R., or S. member firm:

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<sup>6</sup> Revised December 2008.

- has notified the Exchange or the Exchange otherwise becomes aware of a significant event as defined in Rule 442; or
- that is an FCM fails to meet CFTC minimum financial requirements in the opinion of the Audit Department; 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.<sup>7</sup>

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<sup>7</sup> Revised December 2008.