



## Special Executive Report

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S-5348

August 2, 2010

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

**Effective September 1, 2010**, amendments to CME 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 CME member firm rules is presented below.

#### A. CME Corporate Equity Member Firm converted to CME Rule 106.J. Equity Member Firm

Under current CME Rules, CME Corporate Equity Member Firms ("CEM") are "clearing" member firms of CME. These clearing member firms:

- Cannot clear their trades directly with CME Clearing (i.e. inactive clearing status);
- Can only conduct proprietary and noncustomer business;
- Cannot be registered as FCMs and could not carry any foreign customer accounts;
- Cannot qualify traders on the trading floor;
- Cannot hold themselves out as clearing members of CME; and
- Are not subject to Exchange capital requirements, monthly financial statement reporting or financial and compliance audits by CME.

In addition, CME CEMs are currently required to meet Exchange clearing membership and share requirements (i.e. own/assign two CME Division memberships, two IMM Division memberships, two IOM Division memberships, one GEM Division membership and 8,000 shares of CME Group), deposit a minimum guaranty fund contribution of \$500,000 with CME Clearing, submit annual certified financial statements to the Audit Department and are subject to clearing house assessments under CME Rule 802 and clearing member withdrawal procedures under CME Rule 913. CME CEMs and their 100% wholly owned subsidiaries are eligible to receive Exchange fee benefits on their proprietary trading when the trading activity is conducted in accordance with CME Group's fee policies.

Toward the goal of harmonization of the member firm requirements among the Exchanges, CME Rules were recently changed and the member firm status of all CME CEMs will change. **Effective September 1, all CME CEMs will be converted to "CME Rule 106.J. Equity Member Firms" ("EMF"), a CME corporate member firm.** This change harmonizes requirements of CME's equity non-clearing member firms with the CBOT and NYMEX equity non-clearing/corporate member firms.

The Exchange membership and CME Group share assignment requirements (including independent assignments) and the Exchange fee benefits received by CME Rule 106.J. EMFs will not change and will remain identical to those it receives as CME CEMs. However, CME Rule 106.J. EMFs:

- May be registered as FCMs and/or carry foreign customer accounts (however, only the member firm proprietary trading activity is eligible for Exchange fee benefits);
- May be hedge funds or commodity pools;
- Need not deposit a guaranty fund contribution with CME Clearing;
- Need not submit annual certified financial statements to the Audit Department; and
- Are no longer subject to clearing house assessments under CME Rule 802 or clearing member withdrawal procedures under CME Rule 913.

In addition, all 100% wholly-owned subsidiaries of CME Rule 106.J. EMFs will be eligible to receive Exchange fee benefits on their proprietary trading activity when the activity is conducted in accordance with CME Group fee policies. The rules for CME Rule 106.I. Affiliate Member Firms have been modified to provide that affiliates of CME Rule 106.J. EMFs are eligible for Exchange fee benefits. The rules for CME Rule 106.S. Family of Funds Member Firms have been modified to provide that Exchange fee benefits apply to the trading activity of up to five funds within the family of funds managed by the same investment management company as a CME Rule 106.J. EMF which is a hedge fund. Thus, the subsidiaries and affiliates or qualified funds of a CME Rule 106.J. EMFs will continue to receive the identical Exchange fee benefits that they received when the firm was a CME CEM.

CME Group fee policies have also been modified to provide that traders on a CME Rule 106.J. EMF's Exchange memberships may receive their compensation in any manner including a W-2, 1099-MISC, 1099-B, or K-1 for their (not of a team/division) trading activity of the CME Rule 106.J. EMF's account. CME Group's most recent fee policy bulletin is on our Web Site at: <http://www.cmegroup.com/company/membership/files/clearing-fees.pdf>

**This member firm status conversion will result in no change in Exchange fee rates or benefits received by CME CEMs, their 100% wholly-owned subsidiaries, affiliates eligible for member firm benefits under CME Rule 106.I. Affiliate Member Firm or qualified funds eligible for Exchange fee benefits under Rule 106.S. Family of Funds Member Firm.** In addition, Clearing Members will not need to make any changes or modifications in the Exchange Fee System for this conversion and the conversion will be invisible to them.

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

Current CME 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

## **CME Chapters 1, 4 and 9 Rules Changes (Strikeout Version)**

### **103. PURCHASE OF MEMBERSHIP AND MECHANICS OF PURCHASE**

#### **103.A. Purchase of Membership**

The prospective purchaser of a membership shall sign and file with the Department a Bid to Purchase which shall be guaranteed by: a) a clearing member of the Exchange; or b) the deposit of a certified or cashier's check; or c) a wire transfer; or d) for swap transactions, the deposit of a CME, IMM, or IOM membership and/or a wire transfer or a certified or cashier's check. The Bid to Purchase shall contain an agreement by the purchaser to take no recourse against the Exchange in the event his Application for Membership is rejected (except as provided in Section 8c of the Commodity Exchange Act).

For Purposes of this Chapter 1, a membership in the Exchange may only be purchased in conjunction with the [CME Group](#) Class B Share coupled to such membership. References to a "membership" shall include the associated [CME Group](#) Class B Share.

### **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 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.J. 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 and associated Class B Share pursuant to Rule 106. The proceeds of the sale of the membership and associated Class B Share 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.

#### **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 Class B-1 Director, Class B-2 Director or Class B-3 Director (as such terms are defined in the Certificate of Incorporation), whichever is applicable. 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.J.](#) 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 the membership within 30 days.
10. Except as provided in Rule 135, any transferee approved for membership pursuant to this Rule 106.D. after January 7, 1985, who was not a member as of January 7, 1985, shall be eligible to execute trades only for his own account for a cumulative period of twelve (12) months following his or her election to membership unless exempted there from by the Membership Committee.
11. A lease entered into on or after February 1, 1996, which is terminated by a transferee prior to its expiration date, shall be controlled by the following early cancellation payment obligation:

A transferee who unilaterally terminates a lease remains obligated to make the agreed rental payments to transferor until the end of the term of the lease; however, transferee's obligation to make such rental payments shall be reduced by the amount of rental

payments received by transferor if transferor is able to lease the membership to another person during the remaining term of the original lease. Transferor must use his best efforts to lease the membership to another person as soon as possible and at the highest possible rental obtainable based on similar leases, if any, then being executed.

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. For leases expiring on or after December 31, 2006, 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.

#### **106.F. Clearing Member**

A membership may be owned by a clearing member, or a person or an entity having an acceptable proprietary interest in the clearing member. The membership may be [held in the name of the clearing member or](#) transferred [under this Rule](#) provided that: (1) the transfer is approved by Exchange staff; and (2) the transferee is approved pursuant to the rules of the Exchange.

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

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

A membership may be owned by, or two memberships may be leased by, a trading member firm [or, if the trading member firm is a pool or fund, the investment manager of the pool or fund](#). The memberships may be held in the name of the trading member firm or ~~transferred to a principal or employee of the trading member firm and~~ transferred among its principals and employees 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 a membership owned or leased by the firm, 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 a membership owned or leased by the firm 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.

[The proceeds of the sale of a membership which has been assigned in order to qualify a Rule 106.H. trading member firm shall be subject to Rule 110 claims against both the owner of the membership and the Rule 106.H. trading member 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.J. or](#) 902.

Rule 106.H. trading 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 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. 1.3.

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 clearing [member or Rule 106.J. equity member firm](#) or a firm that either: owns, directly or indirectly, 100% of a clearing [member or Rule 106.J. equity member firm](#) or has 100% ownership, direct or indirect, in common with a firm that owns, directly or indirectly, 100% of a clearing [member or Rule 106.J. equity member firm](#).

A membership may be owned by a clearing [member, Rule 106.J. equity member](#) or affiliate firm under this Rule. The membership may be held in the name of the firm or ~~transferred to a principals or employees of an affiliate that directly or indirectly owns or is owned by all other affiliated parties within the organization of affiliated parties~~ and be transferred among its principals and employees 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 affiliate [firm](#) shall have the right, at any time, to withdraw the authority of the transferee to trade on the membership owned by the clearing [member, Rule 106.J. equity member](#) or affiliate firm, 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 owned by a clearing [member, Rule 106.J. equity member](#) or affiliate firm 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](#) or affiliate 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 held under this Section.

[The proceeds of the sale of a membership which is used 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.J. or 902](#).

Rule 106.I. firm benefits apply to the firm trading activity of any affiliate [as defined in this Rule](#)~~within the 100% related party structure~~. All such positions of the firm and its 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. ~~Reserved~~Equity Member Firm**

[A firm may qualify as an equity member firm if two CME memberships, two IMM memberships, two IOM memberships, one GEM membership and 8,000 CME Group Class A Shares are assigned for the firm's membership privileges. A higher Division membership may be substituted for a lower Division membership to satisfy these requirements](#)

[A CME Rule 106.J. 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 NYMEX clearing member or NYMEX Rule 106.J. member firm or \(b\) a CBOT clearing member or CBOT member firm that has an 8,000 share requirement \(including a CBOT clearing member or CBOT member firm with a grandfathered share requirement of 4,725\). If the CBOT member firm has a 1,750 share requirement, the combined share requirement will be 9,750.](#)

[A CME Rule 106.J. 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 NYMEX clearing member or NYMEX Rule 106.J. member firm and \(b\) a CBOT clearing member or CBOT member firm that has an 8,000 share requirement \(including a CBOT clearing member or CBOT member firm with a](#)

grandfathered share requirement of 4,725). If the CBOT member firm has a 1,750 share requirement, the combined share requirement will be 13,750.

At least one CME, one IMM, one IOM and one GEM membership and 50% of the CME Group Class A Shares required for equity membership pursuant to this Rule must be owned by the equity member or a person, including a parent company, with an acceptable proprietary interest in such equity member, or if the equity member firm is a pool or fund, the investment manager of the pool or fund. One CME, one IMM, and one IOM membership and 50% of the CME Group Class A Shares required for equity membership may be independently assigned.

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

The memberships owned by the Rule 106.J. equity member firm or a person, including a parent company, with an acceptable proprietary interest in the equity member or the investment manager of a pool or fund may be transferred under this Rule provided that: (1) the transfer is approved by Exchange staff; and (2) the transferee is approved pursuant to the rules of the Exchange. The firm shall have the right, at any time, to withdraw the authority of the transferee to trade on 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 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 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.

The proceeds of the sale of a membership which has been assigned in order to qualify a Rule 106.J. equity member firm shall be subject to Rule 110 claims against both the owner of the membership and the Rule 106.J. equity member 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 Rule 902.

Rule 106.J. equity member firm benefits apply to the equity member firm's member firm trading and the trading account of any 100% wholly owned subsidiaries of the equity member firm. The Rule 106.J. equity member firm benefits do not apply to the trading of any affiliates, parent companies or customers of the equity member firm. All such positions of the equity member firm or its 100% wholly owned subsidiaries 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.

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 purposes under Rules 106.J. or 902 privileges](#) 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.J. or 902](#).

#### **106.N. GEM Institutional Access Member Firm**

A GEM membership may be owned by a GEM Institutional Access member firm. The membership may be held in the name of the member firm or may be transferred to a principal or employee of the member firm and transferred among its principals and employees provided that: (1) the transfer is approved by Exchange staff, (2) the transferee is approved pursuant to the rules of the Exchange; (3) the transfer is for the legitimate business purposes of the firm; and (4) the firm is not engaged in futures customer business with U.S. customers. 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 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, and such clearing member must subsequently notify the Exchange pursuant to Rule 511.A. The 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.N. 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.J. or](#) 902.

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

The holder of a GEM membership pursuant to this section may solicit foreign customers from the floor of the Exchange, but only in products within the GEM Division and bona fide spreads involving such products.

#### **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 purposesclearing-qualification](#), Rules [106.J. 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.J. and](#) 902.

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

A membership may be owned by, or two memberships may be leased by, an electronic corporate member firm. The membership must be held in the name of 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 such memberships.

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.J. 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. [electronic corporate member](#) firm may not hold itself out to the public as a

clearing member.

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

A membership may be owned under this Rule by: (1) a clearing [member or Rule 106.J. equity member firm](#) that is a hedge fund or a fund management company; (2) a fund management company of a clearing [member or Rule 106.J. equity member firm](#); or (3) a fund that is part of the family of funds of a clearing [member or Rule 106.J. equity member firm](#). The membership may be held in the name of the fund management company or an approved fund and may be transferred to a principal or employee of the fund management company or an approved fund and be transferred among their principals and employees 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 fund management company or fund. The fund management company or the fund 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 company. 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 fund management company or the fund 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.

[The proceeds of the sale of a membership which is used 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.J. or 902](#).

For each CME, IMM or IOM membership owned by such fund management company or fund over the requirement needed to qualify as a clearing [or Rule 106.J. equity member firm](#), Rule 106.S. benefits shall apply to the trading activity of up to five funds within the family of funds managed by the fund management company. All positions of each fund 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.

#### **110. CLAIMS AGAINST MEMBERSHIP, APPLICATION OF PROCEEDS**

For the purposes of this rule "sale" shall include a sale made pursuant to Rule 104 or a transfer made in accordance with the provisions of Rule 106; "seller" shall include firms that have membership privileges pursuant to Rules 106. F., G., H., I., [J.](#), N., R. or S.; and "claim" shall be limited to claims involving incidents that occurred prior to the sale of the membership and which arose in connection with transactions on the Exchange or membership in the Exchange. Claims resulting from conduct subsequent to the sale of a membership may not be asserted against that membership or its proceeds. All claims against the seller's membership or its proceeds shall be submitted in writing to the Department within 20 days of the posting of notice of the sale of said membership. At the conclusion of the 20-day claim filing period, the Market Regulation Department and the Department shall conduct an investigation of all claims properly filed against the seller's membership or its proceeds. This investigation shall be completed within 20 days unless the investigation cannot be resolved within that period.

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

Rule 106.H., I., [J.](#), N., 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.](#), N., R., or S. firm.

[Rule 106.H., I., J., N., 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., N., 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., N., 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., N., 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.

### **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 set forth in this Rule 900, unless otherwise specified.~~

#### 900.A. CME Clearing Members

CME 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 CME products and all Expanded-Access Products listed for trading by CBOT after July 12, 2007.

#### ~~900.B. CME Corporate Equity Members~~

~~CME Corporate Equity Members shall: (i) have no customers, (ii) not qualify traders, and (iii) have no direct clearing relationship with the Exchange. CME Corporate Equity Members must meet all clearing membership requirements except certain financial capital and reporting requirements as determined by Exchange staff.~~

### 902. CLEARING MEMBERSHIP ASSIGNMENT REQUIREMENTS

#### 902.A. Assignment Requirement

Subject to exemptions granted by Exchange staff, each CME clearing member shall have at least: two CME memberships, two IMM memberships, two IOM memberships, ~~and one GEM membership~~ and 8,000 CME Group Class A Shares assigned to the Clearing House. A clearing member which was an IMM Class A clearing member on or prior to May 6, 1987, shall have at least one CME membership, three IMM memberships, two IOM memberships, ~~and one GEM membership~~ and 8,000 CME Group Class A Shares assigned to the Clearing House. A higher Division membership may be substituted for a lower Division membership to satisfy these requirements.

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

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

~~Subject to exemptions granted by Exchange staff, each CME clearing member shall assign at least the number of CME Group Class A Shares set forth in the table below:~~

	Type of Membership	CME Only Clearing Member	Joint Member of CME (Clearing) and CBOT or CME (Clearing) and NYMEX	Joint Member of CME (Clearing), CBOT and NYMEX
Rule 900.A. CME Clearing Members	Clearing Members; FCMs, Non-FCMs, Closely Held and Sole Proprietorships	8,000	*12,000	*16,000
	Member firm plus all 100% affiliates (Umbrellas)	8,000	12,000	16,000
Rule 900.B. CME Corporate Equity Members	Corporate Equity members (Inactive Clearing)	8,000	12,000 (w/CBOT Full)	16,000 *(w/CBOT Full)
			9,750 (w/CBOT Assoc.)	13,750 (w/CBOT Assoc.)
	Family of Funds (holding equity)	8,000	12,000	16,000

\* The 12,000 and 16,000 share requirements for joint 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 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 CME, one IMM, ~~and one IOM~~ and one GEM membership and 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. ~~The GEM membership required for clearing membership must be owned by the clearing member or a person with an acceptable proprietary interest in the clearing member.~~ One CME, one IMM, and one IOM membership and 50% of the CME Group Class A Shares required for clearing membership may be independently assigned.

~~However, a clearing member approved for membership on or before July 1, 2009, for which all of the memberships required for clearing membership were owned by the clearing member or a person, including a parent company, with an acceptable proprietary interest in such clearing member, as of July 1, 2009, may substitute one independently assigned membership no earlier than July 1, 2009; a second independently assigned membership no earlier than January 1, 2010; and a third independently assigned membership no earlier than July 1, 2010.~~

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 CME memberships and CME Group Class A Shares. The proceeds from the sale of the CME 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.

**974. SUSPENSION OF MEMBER FIRM PRIVILEGES/FAILURE TO MEET MINIMUM FINANCIAL REQUIREMENTS<sup>4</sup>**

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 106.H., I., ~~J.~~, N., 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
- ~~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.

## **CME Chapters 1, 4 and 9 Rule Changes (Clean Version)**

### **103. PURCHASE OF MEMBERSHIP AND MECHANICS OF PURCHASE**

#### **103.A. Purchase of Membership**

The prospective purchaser of a membership shall sign and file with the Department a Bid to Purchase which shall be guaranteed by: a) a clearing member of the Exchange; or b) the deposit of a certified or cashier's check; or c) a wire transfer; or d) for swap transactions, the deposit of a CME, IMM, or IOM membership and/or a wire transfer or a certified or cashier's check. The Bid to Purchase shall contain an agreement by the purchaser to take no recourse against the Exchange in the event his Application for Membership is rejected (except as provided in Section 8c of the Commodity Exchange Act).

For Purposes of this Chapter 1, a membership in the Exchange may only be purchased in conjunction with the CME Group Class B Share coupled to such membership. References to a "membership" shall include the associated CME Group Class B Share.

### **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
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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 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.J. 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 and associated Class B Share pursuant to Rule 106. The proceeds of the sale of the membership and associated Class B Share 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.

#### **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 Class B-1 Director, Class B-2 Director or Class B-3 Director (as such terms are defined in the Certificate of Incorporation), whichever is applicable. 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.J. 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 the membership within 30 days.
10. Except as provided in Rule 135, any transferee approved for membership pursuant to this Rule 106.D. after January 7, 1985, who was not a member as of January 7, 1985, shall be eligible to execute trades only for his own account for a cumulative period of twelve (12) months following his or her election to membership unless exempted there from by the Membership Committee.
11. A lease entered into on or after February 1, 1996, which is terminated by a transferee prior to its expiration date, shall be controlled by the following early cancellation payment obligation:

A transferee who unilaterally terminates a lease remains obligated to make the agreed rental payments to transferor until the end of the term of the lease; however, transferee's obligation to make such rental payments shall be reduced by the amount of rental payments received by transferor if transferor is able

to lease the membership to another person during the remaining term of the original lease. Transferor must use his best efforts to lease the membership to another person as soon as possible and at the highest possible rental obtainable based on similar leases, if any, then being executed.

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. For leases expiring on or after December 31, 2006, 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.

#### **106.F. Clearing Member**

A membership may be owned by a clearing member, or a person or an entity having an acceptable proprietary interest in the clearing member. The membership may be held in the name of the clearing member or transferred under this Rule provided that: (1) the transfer is approved by Exchange staff; and (2) the transferee is approved pursuant to the rules of the Exchange.

#### **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 106.G. transferee may assign the membership for membership purposes in accordance with Rules 106.J. and 902 except in circumstances where the transfer has been made pursuant to Rule 106.D.

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

A membership may be owned by, or two memberships may be leased by, a trading member firm or, if the trading member firm is a pool or fund, the investment manager of the pool or fund. The memberships may be held in the name of the trading member firm or transferred among its principals and employees 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 a membership owned or leased by the firm, 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 a membership owned or leased by the firm 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.

The proceeds of the sale of a membership which has been assigned in order to qualify a Rule 106.H. trading member firm shall be subject to Rule 110 claims against both the owner of the membership and the Rule 106.H. trading member 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.J. or 902.

Rule 106.H. trading 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 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. 1.3.

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 clearing member or Rule 106.J. equity member firm or a firm that either: owns, directly or indirectly, 100% of a clearing member or Rule 106.J. equity member firm or has 100% ownership, direct or indirect, in common with a firm that owns, directly or indirectly, 100% of a clearing member or Rule 106.J. equity member firm.

A membership may be owned by a clearing member, Rule 106.J. equity member or affiliate firm under this Rule. The membership may be held in the name of the firm or principals or employees of an affiliate and be transferred among its principals and employees 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 affiliate firm shall have the right, at any time, to withdraw the authority of the transferee to trade on the membership owned by the clearing member, Rule 106.J. equity member or affiliate firm, 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 owned by a clearing member, Rule 106.J. equity member or affiliate firm 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 or affiliate 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 held under this Section.

The proceeds of the sale of a membership which is used 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.J. or 902.

Rule 106.I. firm benefits apply to the firm trading activity of any affiliate as defined in this Rule. All such positions of the firm and its 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 two CME memberships, two IMM memberships, two IOM memberships, one GEM membership and 8,000 CME Group Class A Shares are assigned for the firm's membership privileges. A higher Division membership may be substituted for a lower Division membership to satisfy these requirements

A CME Rule 106.J. 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 NYMEX clearing member or NYMEX Rule 106.J. member firm or (b) a CBOT clearing member or CBOT member firm that has an 8,000 share requirement (including a CBOT clearing member or CBOT member firm with a grandfathered share requirement of 4,725). If the CBOT member firm has a 1,750 share requirement, the combined share requirement will be 9,750.

A CME Rule 106.J. 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 NYMEX clearing member or NYMEX Rule 106.J. member firm and (b) a CBOT clearing member or CBOT member firm that has an 8,000 share requirement (including a CBOT clearing member or CBOT member firm with a grandfathered share requirement of 4,725). If the CBOT member firm has a 1,750 share requirement, the combined share requirement will be 13,750.

At least one CME, one IMM, one IOM and one GEM membership and 50% of the CME Group Class A Shares required for equity membership pursuant to this Rule must be owned by the equity member or a person, including a parent company, with an acceptable proprietary interest in such equity member, or if the equity member firm is a pool or fund, the investment manager of the pool or fund. One CME, one IMM, and one IOM membership and 50% of the CME Group Class A Shares required for equity membership may be independently assigned.

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

The memberships owned by the Rule 106.J. equity member firm or a person, including a parent company, with an acceptable proprietary interest in the equity member or the investment manager of a pool or fund may be transferred under this Rule provided that: (1) the transfer is approved by Exchange staff; and (2) the transferee is approved pursuant to the rules of the Exchange. The firm shall have the right, at any time,

to withdraw the authority of the transferee to trade on 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 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 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.

The proceeds of the sale of a membership which has been assigned in order to qualify a Rule 106.J. equity member firm shall be subject to Rule 110 claims against both the owner of the membership and the Rule 106.J. equity member 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 Rule 902.

Rule 106.J. equity member firm benefits apply to the equity member firm's member firm trading and the trading account of any 100% wholly owned subsidiaries of the equity member firm. The Rule 106.J. equity member firm benefits do not apply to the trading of any affiliates, parent companies or customers of the equity member firm. All such positions of the equity member firm or its 100% wholly owned subsidiaries 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.

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 purposes under Rules 106.J. or 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.J. or 902.

#### **106.N. GEM Institutional Access Member Firm**

A GEM membership may be owned by a GEM Institutional Access member firm. The membership may be held in the name of the member firm or may be transferred to a principal or employee of the member firm and transferred among its principals and employees provided that: (1) the transfer is approved by Exchange staff, (2) the transferee is approved pursuant to the rules of the Exchange; (3) the transfer is for the legitimate business purposes of the firm; and (4) the firm is not engaged in futures customer business with U.S. customers. 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 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, and such clearing member must subsequently notify the Exchange pursuant to Rule 511.A. The 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.N. 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.J. or 902.

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

The holder of a GEM membership pursuant to this section may solicit foreign customers from the floor of the Exchange, but only in products within the GEM Division and bona fide spreads involving such products.

#### **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.J. 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.J. and 902.

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

A membership may be owned by, or two memberships may be leased by, an electronic corporate member firm. The membership must be held in the name of 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 such memberships.

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.J. 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. electronic corporate member firm may not hold itself out to the public as a clearing member.

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

A membership may be owned under this Rule by: (1) a clearing member or Rule 106.J. equity member firm that is a hedge fund or a fund management company; (2) a fund management company of a clearing member or Rule 106.J. equity member firm; or (3) a fund that is part of the family of funds of a clearing member or Rule 106.J. equity member firm. The membership may be held in the name of the fund management company or an approved fund and may be transferred to a principal or employee of the fund management company or an approved fund and be transferred among their principals and employees 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 fund management company or fund. The fund management company or the fund 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 company. 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 fund management company or the fund 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.

The proceeds of the sale of a membership which is used 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.J. or 902.

For each CME, IMM or IOM membership owned by such fund management company or fund over the requirement needed to qualify as a clearing or Rule 106.J. equity member firm, Rule 106.S. benefits shall apply to the trading activity of up to five funds within the family of funds managed by the fund management company. All positions of each fund 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.

**110. CLAIMS AGAINST MEMBERSHIP, APPLICATION OF PROCEEDS**

For the purposes of this rule "sale" shall include a sale made pursuant to Rule 104 or a transfer made in accordance with the provisions of Rule 106; "seller" shall include firms that have membership privileges pursuant to Rules 106. F., G., H., I., J., N., R. or S.; and "claim" shall be limited to claims involving incidents that occurred prior to the sale of the membership and which arose in connection with transactions on the Exchange or membership in the Exchange. Claims resulting from conduct subsequent to the sale of a membership may not be asserted against that membership or its proceeds. All claims against the seller's membership or its proceeds shall be submitted in writing to the Department within 20 days of the posting of notice of the sale of said membership. At the conclusion of the 20-day claim filing period, the Market Regulation Department and the Department shall conduct an investigation of all claims properly filed against the seller's membership or its proceeds. This investigation shall be completed within 20 days unless the investigation cannot be resolved within that period.

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

Rule 106.H., I., J., N., 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., N., R., or S. firm.

Rule 106.H., I., J., N., 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., N., 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., N., 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, the 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.

### **900.A. CME Clearing Members**

CME 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 CME products and all Expanded-Access Products listed for trading by CBOT after July 12, 2007.

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

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

Subject to exemptions granted by Exchange staff, each CME clearing member shall have at least: two CME memberships, two IMM memberships, two IOM memberships, one GEM membership and 8,000 CME Group Class A Shares assigned to the Clearing House. A clearing member which was an IMM Class A clearing member on or prior to May 6, 1987, shall have at least one CME membership, three IMM memberships, two IOM memberships, one GEM membership and 8,000 CME Group Class A Shares assigned to the Clearing House. A higher Division membership may be substituted for a lower Division membership to satisfy these requirements.

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

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

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 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 CME, one IMM, one IOM and one GEM membership and 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. One CME, one IMM, and one IOM membership and 50% of the CME Group Class A Shares required for clearing membership may be independently assigned.

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 CME memberships and CME Group Class A Shares. The proceeds from the sale of the CME 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.

**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 106.H., I., J., N., R., or S. member 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 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.