

Asia-Pacific Incentive Program Application

7. Please respond to the following:

Question	Yes	No
A. Has your organization or its principals ever been denied registration, or had a registration suspended, revoked, or conditioned by a governmental or regulatory authority?	[]	[]
B. Has your organization or its principals ever been denied membership or clearing privileges by any commodity or securities exchange/clearing organization or has any membership or clearing privileges ever been suspended, revoked, or conditioned?	[]	[]
C. Has your organization or its principals ever been convicted, pled guilty, entered a plea of “no contest” or entered into a voluntary settlement as to any violation of any criminal or penal code?	[]	[]
D. Is your organization or its principals subject to any investigation or have any charges been brought by any governmental or regulatory authority or exchange/clearing organization for violation of its laws or rules?	[]	[]
E. Does your organization or its principals currently have any judgments, liens, attachments, or other encumbrances filed against it?	[]	[]

If your response is “Yes” to any of the above, please describe below and provide supporting documentation.

8. Does your organization engage in futures and options customer business? If yes, describe the nature of the customer business (e.g. foreign or U.S. customers and type of trading activity), who clears this business and whether it is cleared on an omnibus or fully disclosed basis.

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9. Is your organization registered in any capacity with a regulatory agency? If so, indicate the nature and country of the registration(s) and the lead regulator(s).

10. List all commodity or security exchanges/clearing organization, domestic and foreign, at which membership privileges are held or pending. Please indicate the type of membership held (e.g. clearing, non-clearing, etc.).

11. Describe the nature of your organization's anticipated proprietary trading activity.

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12. Complete the chart below for your organization's proprietary account controllers/traders.

**Proprietary Account Controllers/Traders
(include all CME related trading activity)**

	Number of Accounts	Percent of Trading Volume
Bona-fide W-2 employees	_____	_____
Owners	_____	_____
Exchange Members	_____	_____
Commodity Trading Advisors	_____	_____
Independent Contractors	_____	_____
Other (describe)		
_____	_____	_____
_____	_____	_____

13. Indicate the CME clearing member(s) that will clear your organization's proprietary trades and the trading account number(s).

Clearing Member	Account Number
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

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14. Please include with this application the following:

- The organization's most recent certified financial statement.
- An ownership chart detailing the organization's ownership including percentages of ownership
- A listing of all proprietary traders and documentation to show that they qualify as owners or employees of the firm applying for the program. (See Addendum A)

Attestation and Authorization

On behalf of my organization, I make this application for the Asia-Pacific Incentive Program.

I represent that my organization meets all of the requirements of the program as outlined in Addendum A, Asia-Pacific Incentive Program Description.

I further acknowledge and agree to abide by the requirements for such corporate membership including the requirements regarding Proprietary Trading Activity of AIP Participants. I also agree to comply with all of the rules of Chicago Mercantile Exchange Inc. I further represent that all current and future proprietary trading activity of my organization will conform to the requirements for such trading activity established by Chicago Mercantile Exchange Inc.

I authorize Chicago Mercantile Exchange Inc. to obtain information from sources that Chicago Mercantile Exchange Inc. deems appropriate in order to adequately evaluate and process this application.

Signed and accepted by a duly authorized representative of _____.
(Organization)

Signature

Print Name

Title

Date

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Addendum A

Asia-Pacific Incentive Program Description

The Asian Incentive Program provides discounted clearing and transaction fees to banks and hedge funds located in the Pacific Rim. Participating firms may engage in proprietary trading activity that is for any legitimate business purpose of the firm (which includes hedge or speculative trading purposes). A broker-dealer, foreign broker or other entity which carries customer accounts may participate in the Asian Incentive Program, provided they are registered in the proper capacity. Foreign entities conducting trading activity for foreign domiciled customers only are not subject to U.S. regulatory registration requirements but must comply with their home country regulations. The proprietary trades of the participating firm must be carried in a separate account from those of its customers by its clearing member. The customers of the participating firm may use the firm's front-end system for electronic trading. However, only the proprietary account as defined below of the participating firm will be entitled to preferential clearing fees.

The Asian Incentive Plan runs through August 2005. As of September 1, 2005, participating firms will be required to become Rule 106.H members of the exchange to continue to receive the discounted clearing and transaction fees offered under the Asian Incentive Plan.

Proprietary Trading Activity of Asia-Pacific Incentive Program Participants

In order to receive preferential clearing fees, the proprietary trading of Asian Incentive Plan participant firm meet the following requirements:

- Only bona fide employees and owners of the firm or commodity trading advisors can conduct the proprietary trading activity.
- Only the firm's capital can be at risk of loss; that is, no traders can have their own capital at risk.

The following has been developed as a guide to differentiate between bona fide employees trading a proprietary account versus independent individuals trading an account and sharing in the profits and/or losses.

The terms of any written employment agreement should support the classification of the trading activity as proprietary. Further, to ensure bona fide employees are trading the proprietary account which is then entitled to the preferential clearing fees, the following requirements must be met:

1. Bona fide employees are evidenced through:
 - Issuance of a W-2 or local equivalent for all compensation to the trader.
 - Inclusion in the firm's payroll tax records.
 - The trader has no income until the firm pays the trader.

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2. A proprietary account is evidenced through:
- All profits and losses of the account are written off to income.
 - All profits and losses of the account are taxed to the firm.
 - The trader does not make any capital contribution to the account.
 - Only the firm's capital is at risk of loss; that is, no traders can have their own capital at risk.

Periodic clearing fee audits will be conducted verifying the trading activity as proprietary for the participating firm and as being conducted by bona fide employees, owners or commodity trading advisors. Accounts incorrectly charged will be assessed the appropriate fees and, if deemed appropriate, fines and/or disciplinary action will be taken.

- The trader does not make any capital contribution to the account.
- Only the firm's capital is at risk of loss; that is, no traders can have their own capital at risk.

Periodic clearing fee audits will be conducted verifying the trading activity as proprietary and as being conducted by registered traders. Accounts incorrectly charged will be assessed the appropriate fees and, if deemed appropriate, fines and/or disciplinary action will be taken.