



## Individual Membership on the Chicago Mercantile Exchange Summary

**Number of Memberships.** There are 625 Chicago Mercantile Exchange ("CME") memberships, 813 International Monetary Market ("IMM") memberships, 1,287 Index and Option Market ("IOM") memberships, and 413 Growth and Emerging Markets ("GEM") memberships.

**Trading Permits.** Several categories of Trading Permits, which allow limited trading activity, are available.

**Qualifications for Membership.** Any adult of good moral character, reputation and business integrity, with adequate financial resources to assume the responsibilities and privileges of membership, is eligible for membership in the Exchange. The process takes 2-4 weeks.

**Acquisition of Membership.** Memberships may be acquired via purchase, gift, lease, family transfer, or member firm transfer. Brief explanations of how to acquire memberships appear on pages 2 - 6.

**Education.** CME Rule 126 ("Membership Education Programs"), obligates new members who intend to access the floor to attend educational programs prior to trading. These programs include an initial ethics training course.

**Qualification to Trade.** All members must be guaranteed or qualified to trade by a clearing member before they may personally execute a transaction involving a futures contract. Additionally, a member's registration as either a floor broker, floor trader, or a temporary license to act as such, must be granted by the **National Futures Association ("NFA")** before they can trade on the CME floor.

**GLOBEX®.** Qualified members may obtain a terminal to trade for their own accounts.

## Questions and Answers Regarding Applications for Individual Membership

There are four categories of Exchange memberships. The full Chicago Mercantile Exchange (CME) membership (625) entitles the member to execute trades in any contract offered on the Exchange. The International Monetary Market (IMM) membership (813) entitles the member to execute trades in currencies, Treasury Bills, Eurodollars, indexes and all option contracts. The Index and Option Market (IOM) membership (1,287) entitles the member to execute in all index futures, Random Length Lumber futures and all options contracts. The Growth and Emerging Markets (GEM) membership (413) entitles the member to execute trades in currencies, stock indexes, and interest rates in emerging markets.

Following is a list of commonly asked questions and answers pertaining to the membership application process:

**Question: What are the qualifications for membership in the Exchange?**

**Answer:** Any adult of good moral character, reputation and business integrity, with adequate financial resources and credit to assume the responsibilities and privileges of membership, is eligible for approval to membership in the Exchange.

Applications are available in the Membership Services Department located on the Upper Lobby Level or on [www.cme.com](http://www.cme.com) (<http://www.cme.com/trading/mem/res/formslib3468.html>). Completed applications are filed in the Membership Department where the approval process begins. Various other forms must be filed depending on how the membership is obtained and registered.

**Question: How do I acquire membership?**

**Answer:** A membership may be purchased and/or transferred according to Exchange rules:

Rule 106.C.	FAMILY TRANSFER
Rule 106.D.	FUTURES INDUSTRY TRANSFER (LEASE)
Rule 106.E.	GIFT OR BEQUEST
Rule 106.F.	CLEARING MEMBER TRANSFER
Rule 106.G.	TRANSFER BY WHOLLY OWNED ENTITIES
Rule 106.H.	CORPORATE MEMBER FIRM TRANSFER
Rule 106.I.	RELATED PARTY EMPLOYEE TRANSFER
Rule 106.K.	TRANSFER TO A TRUST
Rule 106.M.	TRANSFER TO JOINT TENANTS WITH RIGHT OF SURVIVORSHIP
Rule 106.N.	GEM INSTITUTIONAL ACCESS FIRM
Rule 106.O.	TRANSFER OF GEM MEMBERSHIPS
Rule 106.P.	TRANSFER TO A FAMILY LIMITED PARTNERSHIP
Rule 106.R.	ELECTRONIC CORPORATE MEMBER TRANSFER
Rule 106.S.	FAMILY OF FUNDS TRANSFER

A brief explanation of each membership acquisition follows.

**Purchase/Sale:** Memberships are purchased and sold according to the auction market conducted through the Membership Services Department. The prospective purchaser signs and files with the Membership Services Department a Bid to Purchase form, which must be guaranteed by a Clearing Member or accompanied by a certified cashier's check or a wire transfer in an amount greater than or equal to the bid. Sellers file an Offer to Sell form. The Membership Services Department matches the highest bid to buy and lowest offer to sell through negotiation, and in the event of an agreement or sale, the purchaser and seller are notified immediately. Memberships must be paid for within two business days of notification of the sale. Sellers receive the proceeds from the sale of their memberships after the expiration of a 20-day claim period described in Rule 110, unless that time period is extended to resolve claims or as a result of a disciplinary investigation. Rule 110 provides for the ranking of Exchange related claims.

**Rule 106.C. FAMILY TRANSFER:** A member, who owns their membership, may transfer it to a member of their immediate family. Immediate family members include: mother, father, siblings, children, grandchildren and spouse.

**Rule 106.D. FUTURES INDUSTRY TRANSFER (commonly referred to as the "lease rule"):** A member may temporarily transfer their membership to another person who shall be subject to all Exchange rules and regulations. Rule 106.D. is generally used as a lease from member to member. A member may trade only for their own account during their first year of membership.

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 Membership 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 CME Rule 511A.
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 or the transferor's expulsion from the exchange.
4. Upon approval to 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, to vote in an Exchange election or referendum, to have their signature count as a member's signature for petition purposes, to join the Gratuity Fund, or to become a member of the Board of Directors.
5. The transferor may sell the membership at any time in accordance with the provisions of Rule 103 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 transferee must be qualified to trade by a clearing member acceptable to the transferor. The transferor may not assign the membership pursuant to Rule 902.
7. A transferee shall place all trades on the books of their qualifying clearing member unless written authorization to the contrary from said clearing member and from the transferor has been filed with the Membership Services Department. Failure to adhere to the requirement of this rule and Rule 511 shall exclude a clearing member not qualifying the transferor from proceeds under Rule 110.
8. Except as provided in Rule 135, any transferee approved for membership pursuant to this Rule 106.D. after January 1, 1985, who was not a member as of January 7, 1985, shall be eligible to execute trades only for their own account for a cumulative period of twelve (12) months following their approval to membership unless exempted there from by the Membership Committee.

Explanation: Any new member approved for membership on a 106.D. transfer (lease), may not execute customer orders, including orders for their clearing member, and may only trade for their own account for the first year of membership.

9. A transferee who unilaterally terminates a lease remains obligated to make the agreed rental payments to the transferor until the end of the term of the lease; however, transferee's obligation to make such payments shall be reduced by the amount of rental payments received by transferor if transferor is able to lease out the membership to another person during the remaining terms of the original lease. Transferor hereby agrees to use their best efforts to lease out the membership to another person as soon as possible and at the highest possible rental obtainable based on similar leases, if any, then being made.

10. 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 for further review.

The Membership Department maintains a list of current members who wish to lease their memberships.

**Rule 106.E. GIFT OR BEQUEST:** A member or non-member may make a bona fide gift or bequest of membership. The bona fide gift may be made only to immediate family members as defined in Rule 106.C. Unless otherwise required by law, a letter affirming the gift or Letters of Office from the Probate Court and a letter from the decedent's personal representative allowing the transfer will be required as a precondition of transfer.

**Rule 106.F. CLEARING MEMBER TRANSFER:** 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 transferred to a member provided that: (1) the transfer is approved by Exchange staff; and (2) the transferee is approved pursuant to the rules of the Exchange.

**Rule 106.G. TRANSFER BY WHOLLY OWNED ENTITIES:** A member who chooses to show that their membership is owned by a wholly owned entity may execute an Authorization to Transfer or Sell in favor of the entity.

**Rule 106.H. CORPORATE MEMBER FIRM TRANSFER:** A membership may be owned by, or two memberships may be leased by, a corporate member firm. The memberships may be held in the name of the corporate member firm or transferred to an employee of the corporate-member firm and transferred among its 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 have the employee disqualified from trading, but must have him disqualified upon termination of his employment with the firm. Notice to have the employee disqualified from trading must be given to the employee's qualifying clearing member who in turn must notify the Exchange pursuant to Rule 511.A. The corporate member firm shall designate on a form provided by the Exchange a representative who shall be authorized to deal with the Exchange with respect to the membership transferred under this Section.

A Rule 106.H. membership may not be transferred pursuant to Rule 106.C., D., F., G., I or R. The membership and associated Class B Share may not be assigned for clearing purposes under Rule 902.

Rule 106.H. corporate member firm benefits only apply to the firm's proprietary trading and not to the trading of any affiliates, subsidiaries or customers. All proprietary positions of the corporate 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.

A Rule 106.H. corporate member firm may not hold itself out to the public as an Exchange member.

**Rule 106.I. RELATED PARTY EMPLOYEE TRANSFER:**

- A. The Related Party transfer rule established a procedure through which a membership may be purchased in the name of an officer of an entity that owns, directly or indirectly, 100% of a clearing member or has 100% ownership direct or indirect in common with a clearing member. Once the officer is elected to membership, then all of the entities in the chain of related parties may receive

members' clearing rates for their proprietary accounts. Exceptions may be granted to the 100% ownership requirement.

- B. A "related party" includes a firm that owns, directly or indirectly, 100% of a clearing member, or that has 100% ownership direct or indirect in common with a clearing member.
- C. All Rule 106.I. accounts must be identified to the Membership Services Department before receiving member rates. The officer of the purchasing firm must be elected to membership before the chain of related parties receives member rates.
- D. Proprietary positions must be carried in separate accounts (separate from non-customer house accounts) on the books of the clearing members.

**Rule 106.K. TRANSFER TO A TRUST:** A member may transfer a membership into a trust that is created either during their lifetime or as a part of their will.

**Rule 106.L. TRANSFER OF MEMBERSHIP CREATED BY THE MEMBERSHIP RIGHTS PROGRAM:** A member may transfer a membership created by the Membership Rights Program between individuals who have continuously maintained at least one quarter interest in the membership from the date of the combination of the membership.

**Rule 106.M. TRANSFER TO JOINT TENANTS WITH RIGHT OF SURVIVORSHIP:** A member or a member's personal representative may transfer a membership to himself and a member of their family who would be eligible for a family transfer (Rule 106.C.) as joint tenants with right of survivorship.

**Rule 106.N. GEM INSTITUTIONAL ACCESS FIRM:** This membership category allows a firm representative, in whose name the membership would be held, to solicit non-U.S. customer business in GEM products from the floor of the Exchange (utilizing the floor facilities of one of the Exchange's clearing members).

**Rule 106.O. TRANSFER OF GEM MEMBERSHIP:** Ownership of record of a GEM membership that was formed by the combination of GEM fractional interests may be transferred to any of the members whose fractional interests were combined to form that GEM membership.

**Rule 106.P. TRANSFER TO A FAMILY LIMITED PARTNERSHIP:** This new membership category allows for a member to transfer a membership to a Family Limited Partnership, so long as all partners are members of the Exchange member's family who would qualify as such pursuant to Rule 106.C.

**Question:**      **How do I apply for membership?**

**Answer:**      Every applicant is required to submit a membership application which includes questions concerning the applicant's educational, employment, residential, and disciplinary history. The application form must be typewritten and filed with a \$1,750 non-refundable fee. **Two** (2) 2" x 2" passport-quality color photographs must be submitted with the application along with either a certified birth certificate or passport.

Each new applicant's name is included in a written notice that is posted to all CME members, and a photograph of each applicant is posted on the trading floor for 20 days. During the posting period (20 days), all members are encouraged to notify the Membership Services Department if they have any pertinent information concerning the applicant.

Additionally, registration as either a floor broker or a floor trader, or a temporary license to act as such, must be granted by the NFA before an individual can begin trading on the CME trading floor.

**Question:**      **Are there financial requirements?**

**Answer:** There is no net worth requirement for applicants, including lessees; however, an applicant is required to complete the financial statement of assets, liabilities, and net worth contained within the application.

**Question:** **What occurs once my application has been filed in the Membership Services Department?**

**Answer:** The membership application process is normally completed within 2-4 weeks after the application is filed. Each application received is posted or noticed to the Membership in a membership circular entitled Special Executive Report - Membership Sales and Transfers published each Monday. The posting period serves two functions: (1) any member may comment on the qualifications of the applicant and (2) any claims against the seller (or transferor) of the membership must be filed.

During the posting period, the Membership Department prepares a report on the qualifications of each applicant. Membership Services Department staff and an independent investigation agency interview each applicant, verify the information provided in the application, and review the applicant's credit history. The Membership Services Department staff checks the NFA database for any disciplinary actions taken against the applicant by the CFTC, NFA, or any futures exchange. In addition, the independent investigation agency may search court records for possible civil or criminal actions involving the applicant and also searches CFTC, NFA, SEC, and NASD records for disciplinary actions taken against the applicant.

Each membership applicant requesting floor access is required to apply for registration as a floor broker or floor trader with the NFA. If an applicant is a past member of the CME, all previous applications are reviewed, and the Market Regulation Department records are searched for prior rule violations or disciplinary actions. If an applicant is, or has been, a member of another exchange, applications from each such other exchange may be requested and reviewed.

All this information is collected by the Membership Services Department and summarized in a report that is reviewed by CME staff. Applicants should be prepared to fully discuss their applications.

If staff does not approve the application then the applicant appears before the Membership Committee for consideration. This appearance is scheduled after the expiration of the posting period.

The Membership Committee must satisfy itself with respect to the reputation and financial responsibility of the applicant, including any financial arrangement made in connection with the purchase of the membership. After a review, the Committee votes on whether the applicant meets the qualifications set forth in CME Rule 101 -- i.e., whether the applicant possesses the "good moral character, reputation and business integrity, with adequate financial resources and credit to assume the responsibilities and privileges of membership."

Applicants will have 30 calendar days after their approval to membership within which to acquire a membership by purchase or by lease. If the applicant fails to obtain a membership within the 30-day period, the applicant's approval will be vacated.

**Question:** **What is necessary before I can begin trading?**

**Answer:** QUALIFICATION TO TRADE: Before a member can execute a trade on the trading floor, he must be "qualified" to trade by a Class A clearing member. This means that the clearing member is responsible as principal to the Clearing House for all trades executed by that member.

An officer or partner of the clearing member must sign and file a written qualification with the Membership Services Department. With limited exception, traders and brokers must place all of their personal trades on the books of their qualifying clearing member.

A list of Class A Clearing Members is available in the Membership Services Department and on the CME's website; [www.cme.com](http://www.cme.com).

Additionally, registration as either a floor broker, floor trader, or a temporary license to act as such, must be granted by the NFA before a member can trade on the CME floor.

JACKET: All members wear a red jacket which is provided by the Exchange, or a jacket which is distinct in color or pattern and provided by the member or by the member's clearing firm. Members of the GEM division must wear a Seville Orange jacket which is provided by the Exchange.

BADGE: Members wear badges which show who they are and what they can trade. CME badges are gold, IMM badges are green, IOM badges are blue, and GEM badges are brown. Badges are attached to a trading jacket and display a unique set of alpha characters (trading symbol) which identifies the member. The trading symbol becomes the member's name on the trading floor. The trading symbol is ordered in the Membership Services Department. A member may choose up to three alpha characters which must be unique. The badge will not be received until the written qualification to trade is on file and evidence of having completed the mandatory Floor Orientation Programs is shown.

ACCESS CARD: Each member is given an "access card" which is a picture identification card. To access the trading floor, each member must use their access card to walk through security turnstiles located outside the trading floor entrance. GEM members must also use their access card to record the time they exit the trading floor. Access cards are made in the Processing Services Department located on the Seventh Floor, South Tower.

**Question:** **Is there a mandatory educational program that I must attend to prepare for membership?**

**Answer:** Yes, there is a mandatory Floor Orientation Program including a written examination for all members who wish to personally execute trades on the trading floor. The programs are approximately eighteen hours (five days) of combined classroom and floor time.

The Floor Orientation examination consists of true/false, multiple choice, matching and fill in the blank questions. The best preparation for the examination is an understanding of the written material presented during the Floor Orientation Program. Knowledge of the rules in Chapter 4 and 5 of the CME Rule Book is also necessary. Approximately 90% of the applicants pass the exam, and those who fail must retake an alternate version of the exam as soon as possible. Applicants who fail the exam a second time must attend the orientation program again.

A detailed knowledge of contract specifications is important, i.e., the size of individual contracts (trading units), minimum price fluctuations, value changes per tick, position limits, and daily price limits. This information will be provided in the Orientation Program.

Registration for Floor Orientation occurs at the time an application for membership is submitted. Other classes are offered through the CME Education Department at (312) 930-3330.

**Question:** **Am I allowed floor access during the application process?**

**Answer:** Yes, an applicant's trading badge and floor access card will be issued during the first orientation session. (The applicant must return these badges to the Trading Floor Department. Failure to do so will result in a \$250.00 fine.) During the application process, the applicant will also be instructed to select a trading symbol that will be reflected on the permanent trading badge.

**Question:** **What are the requirements to become a floor broker?**

**Answer:** Members intending to trade for accounts other than their own personal account must be registered as Floor Brokers with the Commodity Futures Trading Commission (CFTC). The National Futures Association (NFA) administers this process for the CFTC. Registration forms (Form 8-R) and fingerprint cards are available at the NFA office, 200 W. Madison, 14th Floor, Chicago, Illinois 60606.

A member may not execute trades for others until such time as a Floor Broker license has been granted. Additionally, a member may not trade for their own account as a floor trader, until registration or a temporary license to act as such, has been granted.

Rule 510 (Requirements for Floor Brokers, Traders, Floor Employees of Members and Out-Trade Clerks) describes the requirements for floor brokers and floor traders

All members seeking approval to act as floor broker or floor trader, non-member employees and all representatives authorized to resolve out-trades in accordance with Rules 535 and 809.I., shall complete such orientation programs required by the Exchange. Additionally, all members seeking approval to act as a floor broker or floor trader shall comply with the requirements of Rule 511 and all members seeking to act as a floor broker must be registered with the CFTC and such registration must not be suspended.

For changes to the NFA Registration Form (8-R), or changes to your status, all members who are floor brokers and floor traders shall promptly file with the Membership Services Department a copy of any Form 3-R required to be filed under CFTC Regulation 3.31.

The Exchange requires that a floor broker who is a member of a broker association shall not execute a trade on behalf of a customer unless that association is registered as a Floor Broker Association with the Exchange. A broker association shall include the following association, groups, and entities:

- A. A Clearing Member and its salaried or commissioned floor brokers;
- B. A floor broker and their employee brokers;
- C. Two or more floor brokers who share and/or allocate brokerage fees, revenues, expenses, profits, or losses;
- D. Two or more floor brokers who regularly share a deck (customer orders, including arbitrage) and/or employee salary expenses;
- E. Any other group deemed by the Board of Directors to be a broker association.

It is the responsibility of the principal or spokesperson of each broker association to insure that the association is registered with the Exchange. The information on the registration form must be accurate and kept up-to-date by informing the Exchange within two business days of any change.

Trading limits and restrictions on trading between members of broker associations for personal trading and filling customer orders will be set by the Board of Directors.

Additionally, participation in BPS (Broker Payment System), the Exchange's automated on-line brokerage fee system, is required of all traders filling customer orders. This system eliminates the use of checks by clearing firms when making brokerage payments. Once brokerage figures have been verified, debit instructions for monthly brokerage payments are transmitted to firms' banks. Credit instructions are then transmitted to brokers' banks. Payments are completed using the Automated Clearing House (ACH) transfer system.

If you have any further questions regarding floor broker registration, call the NFA office at (312) 781-1410. Questions about broker associations and floor broker registrations should be directed to Robert Sniogowski, Market Regulation Department, at (312) 648-5493.

**Question:** Is there additional information regarding the GEM Division?

**Answer:** GEM members with floor access must commit to be primarily engaged in trading or soliciting orders for GEM Division products. A member must hold a GEM seat. to be able to trade in a particular GEM product group before they will be allowed floor access as a GEM member. The products currently

assigned to the GEM Division are divided into four groups: 1) GEM currency products (Mexican Peso, Brazilian Real), 2) GEM equity and index products (Mexico-30 Stock Index, the Goldman Sachs Commodity Index™(GSCI), MMI, Russell 2000), and 3) GEM interest rate products (Brady Bond).

GEM members can trade and fill orders in all products assigned to the GEM Division. A lessee of a GEM seat may begin filling orders in GEM products immediately.

While on the trading floor, GEM members may not enter orders for their own account, an account in which they have a direct or indirect financial interest, or an account which they control for non-GEM Division products except for bona fide spread transactions involving GEM products. Additionally, while on the trading floor, GEM members may not solicit business in non-GEM products except for bona fide spreads involving GEM products.

**Question:** **What are a member's rights to GLOBEX®?**

**Answer:** As an individual member of the Exchange, they are entitled to direct access to GLOBEX® for their personal trading account, provided that each terminal is located in their residence or office.

A member is limited to one terminal per location. They may enter customer orders only if they are registered as a floor broker or associated person and such orders are entered from a terminal located in the office or a branch office of a clearing member. If they are registered as an associated person or floor broker, but employed as a clerk in the office or branch office of a clearing member, then they may enter customer orders subject to the same restrictions that apply to a clerk, except that they may enter their own orders.

#### **Cross-Exchange Trading Privileges**

Individual members of the CME may obtain cross-exchange access, for proprietary trading only, to the contracts listed on GLOBEX® by other domestic exchanges participating in cross-exchange trading through GLOBEX®. Individual members may also obtain cross-exchange access to the contracts listed on GLOBEX® by MATIF. Such members must (1) be authorized by the other participating exchange to enter orders in that exchange's contracts through GLOBEX®, (2) make an arrangement with a clearing member of each such exchange, and (3) abide by the GLOBEX® trading rules of the participating exchange.

A GLOBEX® Screen right must be obtained from the participating domestic exchange for each terminal through which the member will enter orders for contracts of the participating exchange.

For additional information regarding GLOBEX® or cross-exchange trading privileges, contact GLOBEX Account Management at (312) 634-8700.

**Question:** **If I have additional questions, who do I contact?**

**Answer:** General questions regarding membership should be directed to any of the following Membership Services Department staff at (312) 930-3480.