Chicago Mercantile Exchange

TRAKRS FAQ Supplement

July 11, 2002

Contents

This TRAKRS FAQ Supplement is intended to answer technical TRAKRS questions and has been compiled by Chicago Mercantile Exchange (CME) for general information purposes only. The Disclosure Document and the Disclosure Document Supplement available at www.trakrs.com and CME Rules available at www.cme.com should be reviewed prior to consulting this or any other document relating to TRAKRS and prior to establishing positions, trading or brokering in TRAKRS.

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I. TRAKRS Product Overview

1. What distinguishes TRAKRS from other futures contracts?

- Each TRAKRS Index is computed on a total return basis that includes declared dividends and other distributions in the calculation of the value of a TRAKRS Index.
- Long-dated contracts with a three year maturity will be typically listed.
- Performance bond requirements differ for institutional customers and non-institutional (retail) customers.
- *Broker-Dealers* notice registered with the National Futures Association (NFA) as limited purpose FCMs can market to and hold positions for non-institutional customers.
- TRAKRS have a daily interest rate pass-through feature from long positions to short positions.

2. What is the impact of a long-dated contract?

TRAKRS are long dated with a period of up to 3-years. Customers establishing long positions can effectively invest in a TRAKRS until expiration without having to roll the position.

3. Who qualifies as an institutional customer for TRAKRS?

- Qualified institutional buyers under Rule 144A promulgated under the Securities Act of 1933, as amended (QIBs) and certain CME members. QIBs include, but are not limited to, institutions or entities that in the aggregate own and invest on a discretionary basis at least $100 million in securities of issuers that are not affiliated with them.
- CME members registered with the NFA as floor brokers or as floor locals.

4. Who qualifies as a non-institutional customer for TRAKRS?

Non-institutional customers are customers that do not qualify as institutional customers. Non-institutional customers are generally retail customers.

5. How do TRAKRS differ for non-institutional customers and institutional customers?

Leverage	*Non-institutional:* Long customers must post 100% of the TRAKRS original trade price at the time of purchase. Long non-institutional customers will not be subject to margin calls or be able to realize gains until the liquidation of the position. Non-institutional short customers must post 50% of the TRAKRS original trade price at the time of purchase. *Institutional:* Customers' TRAKRS are leveraged like traditional futures contracts through the posting and maintenance of performance bonds that are a fraction of the notional value.

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Interest rate pass-through	*Non-institutional:* The FCM holding the position with the CME Clearing House is responsible for payment or receipt of the interest rate pass-through. *Institutional:* Customers must receive or pay the interest rate pass-through on a daily basis.
Holding a TRAKRS position	*Non-institutional:* Customers can hold TRAKRS positions either in a futures account or in a securities account. *Institutional:* Customers must hold positions in a futures account.

6. Can a non-institutional customer short TRAKRS?

Yes, if permitted to do so by his FCM or notice-registered broker-dealer.

When shorting TRAKRS, a non-institutional customer must post 50% of the original trade price.

- If the settlement price increases to such a level that a short non-institutional customer's performance bond is less than 30% of such price, the short non-institutional customer must make a payment to restore the performance bond of 50% of the settlement price.
- If the settlement price decreases to such a level that a short non-institutional customer's performance bond is more than 70% of such price, the short non-institutional customer can request a release, down to the performance bond of 50% of the settlement price.

7. What is the interest rate-pass through feature?

TRAKRS operate with an "interest rate pass-through" feature designed to cause the contract to more closely resemble the spot value of the stock portfolio represented in the Index than might be the case in the context of a traditional futures contract.

Specifically, TRAKRS require that clearing members holding open long positions make daily payments equal to the overnight Fed Funds Effective Rate less a Spread. Those payments are passed through the Clearing House to clearing members holding short positions. For example, suppose a Long-Short Technology TRAKRS daily settlement price is 25.50, the Fed Funds Effective Rate is 1.81% and the Spread is 150 basis points. The interest rate pass-through for a 100 Long-Short Technology TRAKRS from a long position to a short position is …

$$(1.81\%-1.50\%) \div (360 \text{ days}) \times 25.50 \times 100 \text{ TRAKRS} = 2.20¢$$

This feature reflects the fact that the contract is based upon a total return index reflective of both price fluctuations plus dividend accrual. The application of this interest charge to long positions is expected to cause the futures contract value in some instances to more closely resemble the spot value of the stock portfolio represented in the Index.

Traditional stock index futures tend to price at a premium to the spot value of the Index. This premium reflects the cost of buying and carrying (the "cost of carry") the stock portfolio until futures contract maturity. Thus, the futures price will be a function of the spot value

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adjusted upwards by finance charges associated with buying stocks on a leveraged basis less dividends received as a result of holding those stocks …

Futures Price = Spot Price + Finance Charges - Dividends

TRAKRS depart significantly from the standard model. First, the underlying Index is a total return index reflecting price fluctuations plus dividend accrual – thus, offsetting dividends from the equation. Secondly, the interest rate pass-through feature has the effect of offsetting a portion of the finance charges from the equation …

Futures Price = Spot Price + Finance Charges – (Fed Funds Effective Rate – 1.50%)

Thus, TRAKRS are expected to be valued at levels that more closely reflect the value of the underlying portfolio.

Finally, note that should the Fed Funds Effective Rate fall below 1.50%, then each clearing FCM that maintains short TRAKRS positions will be required to pay to the CME Clearing House a daily market rate of interest equal to the Spread less the Federal Funds Effective Rate. The CME Clearing House in turn will pay each clearing FCM that maintains long TRAKRS positions a daily market rate of interest equal to the Spread less the Federal Funds Effective Rate.

8. Are customers responsible for and do they receive the interest rate pass-through?

Institutional customers are required to pay or receive the interest rate pass-through via their FCMs. Non-institutional long customers are not required to make (and non-institutional short customers are not entitled to receive) interest payments under the interest rate pass-through feature.

9. Does T+3 apply to TRAKRS contracts?

No. TRAKRS settle like any other futures contract.

10. Will there be SIPC protection for TRAKRS?

SIPC does not cover TRAKRS held in securities accounts for non-institutional customers.

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II. Long-Short Technology TRAKRS Overview

11. What are the contract specifications for Long-Short Technology TRAKRS?

Contract Size	The contract is valued at $1 times the Long-Short Technology TRAKRS Index.
Ticker Symbol	MLT
Contract Months	July 2005 – One (1) listing with expiration date of July 27, 2005.
Trading Hours	8:30 a.m. to 3:00 p.m. (Chicago time) Mondays through Fridays on GLOBEX only
Minimum Fluctuation	0.01 Index Points or $0.01 per contract.
Trading Halts	Coordinated with trading halts on the primary securities market.
Position Limits	22,000,000 TRAKRS.
Reportable Positions	25,000 TRAKRS.
Final Settlement Date	Long-Short Technology TRAKRS shall be settled on July 27, 2005.
Last Trading Day	Trading in an expiring TRAKRS concludes on the final settlement date.
Final Settlement Price	Long-Short Technology TRAKRS Index as Calculated on the Close of the Final Settlement Date.

12. Are block trades allowed in Long-Short Technology TRAKRS?

Yes, with a minimum order quantity of 100,000 TRAKRS. Under CFTC rules, block trades may *only* be executed for institutional customers.

13. Are Exchange-For-Physical (EFP) transactions allowed in Long-Short Technology TRAKRS?

Yes.

14. Are options available on TRAKRS?

Not at this time.

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III. Trading

15. Where do TRAKRS trade?

TRAKRS trade on the GLOBEX electronic platform from 8:30 a.m. to 3:00 p.m. (Chicago time) each business day. Orders are matched continuously on a price-time priority basis (first-in, first-out).

16. How can I get access to trade TRAKRS products?

TRAKRS trade on the GLOBEX platform and will be available to all GLOBEX users, subject to approval from their clearing firm.

If you would like direct GLOBEX access, please contact one of the following CME GLOBEX access groups:

GLOBEX Interfaces (iLink, MD API)	Technology Marketing (312) 930-2397
GLOBEX Trader	GLOBEX Services (312) 634-8754

See www.cme.com/electronic_trading/trading_access/index.cfm for more information.

17. Can I test with the TRAKRS contract before launch?

GLOBEX Interface customers (on iLink, 2.3 Express or FIX API 2.3) may test the Long-Short Technology TRAKRS in the CME Certification Environment. Please contact your Technology Marketing Account Manager if you do not currently have Certification access.

18. What is the GLOBEX Contract Code for TRAKRS?

MLT

19. How will TRAKRS prices be distributed and available?

TRAKRS price data will be available through all CME market data vehicles including the MD API and Quote Vendors market data feed. Users should contact their front-end system providers or market data providers to ensure that they will receive TRAKRS market data. GLOBEX Trader will display the order book and trade data for TRAKRS.

20. Are there quantity limits for TRAKRS?

<u>GLOBEX will accept orders for TRAKRS only in increments of 99,999 TRAKRS or less.</u>

To submit an order of 100,000 TRAKRS or greater, multiple orders of 99,999 TRAKRS or less that sum to the desired size must be submitted to GLOBEX individually. At a future date, CME may increase the maximum order increment size limit accepted by GLOBEX.

You should check with your ISV or system provider to ensure they can accommodate 99,999 or larger in the order quantity field. ISVs and proprietary system providers have been contacted to begin expanding the quantity field as necessary.

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21. Can TRAKRS orders be crossed on GLOBEX?

Pre-arranged transactions or trade crossing are not permitted under CME Rule 539. However, please refer to PRE-EXECUTION DISCUSSIONS REGARDING GLOBEX TRADES in Chapter 5 of the CME Rulebook.

22. What is the error trade policy for the Long-Short TRAKRS?

The no bust range will be 10 cents. Please refer to Chapter 5 in the CME Rulebook.

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IV. Brokering

23. Who can market TRAKRS to non-institutional customers?

Non-institutional customers may establish positions, subject to a CME clearing firm guarantee, in TRAKRS with

- Registered introducing brokers ("IB")
- Futures commission merchants ("FCM")
- Securities broker-dealers ("BD") that are notice registered with the National Futures Association ("NFA") as limited-purpose FCMs
- Entities that are dually registered as a BD and FCM ("BD/FCM").

Non-institutional customers may place TRAKRS orders with

- An associated person ("AP") of an IB or FCM
- A registered representative ("RR") of a BD/FCM who is notice registered with the NFA as a limited-purpose AP.

24. Who can market TRAKRS to institutional customers?

Institutional customers may buy and sell TRAKRS through

- Registered introducing brokers ("IB")
- Futures commission merchants ("FCM")

25. Who has to notice register to market TRAKRS?

Securities broker-dealers and their registered representatives must notice-register with the National Futures Association as limited purpose FCMs and limited purpose associated persons respectively.

Please see www.nfa.futures.org for more information on the requirements and how to notice register.

26. How does a firm notice register with the NFA?

A broker-dealer that limits its futures activities to security futures and TRAKRS for non-institutional customers may notice register as an FCM or IB. Please contact the NFA or see www.nfa.futures.org.

27. If I am notice registered as a limited purpose associated person or a limited purpose FCM for single stock futures, can I market TRAKRS?

The CME requested a no-action letter from the CFTC to confirm that a person notice registered as a limited purpose associated person or a limited purpose FCM could market both TRAKRS and single stock futures. Confirmation of such no-action relief is pending. Those notice-registered as limited purpose FCMs for single stock futures will be required to notice register separately as limited purposes FCMs to market TRAKRS

28. What paperwork must I provide a non-institutional customer with regards to TRAKRS?

The TRAKRS Disclosure document and Supplemental Disclosure documents related to the individual indexes <u>must</u> be made available to a non-institutional customer prior to execution of a TRAKRS transaction on behalf the non-institutional customer, although there is no delivery requirement. The disclosure documents can be found at www.trakrs.com.

Standard futures risk disclosure documents do not need to be provided in addition to the TRAKRS disclosure documents.

29. What paperwork must a firm provide to its institutional customers with regards to TRAKRS?

An FCM or IB should make the TRAKRS Disclosure document and Supplemental Disclosure documents related to the individual indexes available to its institutional customers. Standard futures risk disclosure documents should be supplemented by the TRAKRS disclosure documentation. The disclosure documents can be found at www.trakrs.com.

V. Clearing

30. How will the clearing process work for TRAKRS?

TRAKRS will be processed in the CME's clearing system exactly like any other futures product, with only two exceptions:

- The handling of large trade quantities
- The handling of the interest rate pass-through

31. How will large trade quantities from GLOBEX be handled?

The largest single transaction trade quantity that may be submitted to and hence executed on GLOBEX is 99,999 TRAKRS. Fees will always be calculated based on this order size. Because of limitations in file formats used to exchange data between the clearing system and firms' bookkeeping systems, however, the largest trade quantity that can be supported in clearing and bookkeeping is 9,999.

Accordingly, if a trade is executed in GLOBEX for a quantity greater than 9,999, that transaction will be broken up in the clearing system into individual trades, each with trade quantity of 9,999 or less. Firms will receive TREX messages from the clearing system to be loaded into books for these individual trades, each with quantity less than or equal to 9,999.

32. How will block trades and EFPs be handled by clearing?

When entering block trades into the EFP and Block Trading System, if the trade quantity is larger than 9,999, firms will need to enter the trade in pieces, each with a trade quantity no larger than 9,999.

33. How will the interest rate pass-through work in the clearing system?

The interest-rate pass-through (called the **Daily Adjustment**) works exactly as it did for the Rolling Spot currency futures products formerly traded at CME.

For each TRAKRS future every day, a rate will be published called the **Daily Adjustment Rate**. This rate is determined from the Fed Funds Effective Rate less the Spread, and takes into account:

- The daily settlement price of the TRAKRS
- The number of calendar days to the next business day.

Effectively, the Daily Adjustment Rate is the price to roll one long TRAKRS position from the current day to the next day. To determine the Daily Adjustment cash flow for a particular position, the clearing system will multiply the **net** position quantity by the Daily Adjustment Rate for that TRAKRS contract.

In addition, if any as-of trades cleared, the system will calculate for each such trade the cash flow associated with rolling the trade from the trade date to the current date. This is done using a value called the **Cumulative Adjustment Rate**, which is defined for the particular TRAKRS future and for trades done on a particular date. This would be used if, for example, a TRAKRS trade was given up yesterday, but only accepted today. The total Daily Adjustment cash flow is the sum of the cash flow associated with rolling the net

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position from the current day to the next day, plus the cost of rolling each as-of trade from trade date to the current date.

The Daily Adjustment for each TRAKRS position will be shown on the Trade Register report and will be included in the Trade Register data file. It will be banked in the end-of-day settlement cycle together with normal settlement variation amounts.

34. How will bookkeeping systems handle TRAKRS for institutional customers?

For institutional customers TRAKRS are handled in bookkeeping and clearing like regular futures contracts, but with the Daily Adjustment cash flows added in with normal settlement variation.

So that bookkeeping systems can calculate the Daily Adjustment for TRAKRS positions, the current day's Daily Adjustment Rate for each TRAKRS will be published in the CME's SPAN files, on a new record type created for this purpose. The current day's rate, plus all cumulative adjustment rates, will also be published in a file called the Daily Adjustment History File, exactly as was done for Rolling Spot futures.

35. How will bookkeeping systems handle TRAKRS for non-institutional customers?

For non-institutional customers there are two differences:

- The calculation of the performance bond (margin) requirement
- The handling of Open Trade Equity.

36. How is the performance bond requirement calculated by the bookkeeping system for these non-institutional customers?

For TRAKRS positions held by these customers, the performance bond requirement needs to take into account the individual open trades.

For each open purchase, the requirement is equal to 100% of the original trade price, times the remaining open quantity.

For each open sale, the requirement is equal to 50% of the original trade price, times the remaining open quantity. If, however, the end-of-day settlement price has fallen so that the original trade price is now greater than 70% of the current settlement price, then the performance bond requirement is recalculated as 50% of the current settlement price. Similarly, if the end-of-day settlement price has risen so that the original trade price is now less than 30% of the current settlement price, the requirement is recalculated as 50% of the current settlement price.

So that this process can be handled within the mainstream of SPAN margining, and also so that it can be rule-driven, CME has introduced a new method for calculating the scan risk within SPAN. This new method is called the **value maintenance method** and is so named because it maintains the performance bond requirement as a specified percentage of the trade value. The application of this method to customer accounts holding positions in TRAKRS is driven in the SPAN calculation by the presence of the same new record type in the SPAN file that contains the daily adjustment rate.

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37. How is the handling of Open-Trade Equity affected for these non-institutional customers?

For open trades in TRAKRS held by these customers, Open Trade Equity (OTE) is calculated exactly as it is for any other futures product. However, OTE for TRAKRS is considered to be "locked-up" and will never result in either a call for more performance bond collateral or the ability to withdraw collateral.

For example, suppose a single TRAKR is purchased at a price of 25.00, and the contract is settled that day at 26.00. The position has a performance bond requirement of $25, and open trade equity of $1. Because this OTE is locked up, the full $25 worth of collateral must be posted.

Similarly, if the TRAKR had been purchased at 25.00 and settled at 24.00, the performance bond requirement would be $25 and the OTE would be a negative $1. Still, only $25 in collateral must be posted.

In other words, for non-institutional customers, the performance bond requirement for TRAKRS is determined by the original trade price and is not affected by subsequent movements in the contract's price, with the single exception being that for sales, the price used to determine the requirement is reset if the market price has moved too far in either direction. With this exception, changes in market price of TRAKRS will never result in either calls for more collateral or releases of collateral for these customer accounts.

38. Is there an easy way to calculate Daily Adjustments and to calculate performance bond requirements for either institutional customers or non-institutional customers?

The latest version of CME's **PC-SPAN®** software program, version 4.02, supports the calculation of the Daily Adjustment amounts, and the calculation of performance bond requirements for both institutional and non-institutional customers. Registered users of PC-SPAN can download version 4.02 without charge from the PC-SPAN software distribution website at www.cme-ch.com. New copies can be purchased at www.digibuy.com.

39. Where can more details be found?

A comprehensive description of clearing and bookkeeping processing for TRAKRS can be found in **Advisory Notice #02-49** published by the CME Clearing House, and available online at http://www.cme.com/risk_management/secure.cme.com/advisory_notices

File formats for SPAN files, including the changes associated with TRAKRS, and for the Daily Adjustment History Files, are available at the SPAN Information Pages at www.cme-ch.com.

VI. Special Opening Procedure

40. Why is there a Special Opening Procedure?

The Special Opening Procedure is designed to maximize participation at similar prices of initial long side interest in investing in Long-Short Technology TRAKRS. CME anticipates that the Special Opening Procedure will ensure an orderly and equitable opening of the market for the cumulative long interest established prior to the launch of Long-Short Technology TRAKRS.

41. How does the Special Opening Procedure work?

These Special Opening Procedures shall be conducted during a Special Marketing Period. This Special Marketing Period shall commence on the Commencement Date of July 8, 2002; and, shall culminate in a Special Opening at 3:00 p.m. (Chicago time) on July 31, 2002.

During the Special Marketing Period, FCMs and notice-registered BDs per Rule 36404.B. may solicit customer orders to buy or sell Long-Short Technology TRAKRS at a specified limit bid price or limit offer price, respectively.

The Special Marketing Period shall conclude at 9:30 a.m. (Chicago time) on July 31, 2002. Clearing Members shall report their limit buy and limit sell orders to the Exchange in a manner and format specified by the Exchange. The Exchange shall there upon match purchase and sale orders and report such matches to Clearing Members. CME anticipates notifying clearing members between 10:00 a.m. and 12 p.m. (Chicago time) of such matches.

The Initial Index Value shall be established at 3:00 p.m. (Chicago time) by Merrill Lynch, acting in its capacity as Index Compilation Agent, at 23.50 Index Points.

At 3:00:01 p.m. (Chicago time) all matches will be posted and reported over the market data feed.

42. How will trades be matched in the Special Opening Procedure?

The Exchange shall match buy orders to sell orders prioritized by sell price. At each sell price at which buy orders will be matched, buy orders with limit prices equal to or greater than the sell price shall be allocated on a pro rata basis. If multiple sell orders are received at the same limit price, and the total sell order quantity exceeds the total buy order quantity that may be matched at that price, the allocation of orders shall be made on a pro rata basis by reference to the quantities associated with such orders, subject to the restriction that any and all sell orders at that price are filled before a proprietary sell order of Merrill Lynch.

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Example:

	Bid	Price	Offer
Order A		9	3,000 TRAKRS
Order B	6,000 TRAKRS	10	
Order C		10	1,000 TRAKRS
Order D		10	2,000 TRAKRS
Order Merrill Lynch		10	5,000 TRAKRS
Order E	3,000 TRAKRS	11	

Bids are matched against offers first, beginning with the lowest offer. In this example the lowest offer is Order A of 3,000 TRAKRS at a price of 9. Order B and Order E are matched against Order A on a pro rata basis based on size. That is, because Order B's 6,000 TRAKRS represents 2/3 of the total 9,000 (6,000 + 3,000) TRAKRS bid at a price of 9 and above, Order B matches with 2,000 TRAKRS from Order A representing 2/3 of Order A's 3,000 TRAKRS. Similarly, Order E matches against Order A for the remaining 1,000 TRAKRS at a price of 9.

The updated book is

	Bid	Price	Offer
Order B	4,000 TRAKRS	10	
Order C		10	1,000 TRAKRS
Order D		10	2,000 TRAKRS
Order Merrill Lynch		10	5,000 TRAKRS
Order E	2,000 TRAKRS	11	

Bids are matched at a price of 10. Because the offers total 8,000 TRAKRS at a price of 10, the total of the buy side willing to pay a price of 10 of 6,000 TRAKRS can be filled completely. Because all other offers must be filled before Merrill Lynch at the same price, Order C for 1,000 contracts and Order D for 2,000 TRAKRS are filled first. Merrill Lynch is filled for the remaining 3,000 TRAKRS.

A summary of the filled orders is

Order A sell 3,000 at 9
Order B buy 2,000 at 9, buy 4,000 at 10
Order C sell 1,000 at 10
Order D sell 2,000 at 10
Order Merrill Lynch sell 3,000 at 10
Order E buy 1,000 at 9, buy 2,000 at 10

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43. How are special open orders submitted to CME?

CME will make available a form for submitting orders. Each order will specify:

- The clearing member firm number and name
- The position account and origin
- Whether the order is a bid to buy or an offer to sell
- The limit price
- The quantity

For the same position account and limit price, firms may submit no more than one buy order and no more than one sell order. Note that orders submitted as part of the Special Opening Procedure do not identify specific customer accounts. If, for example, a firm has several customers wishing to purchase TRAKRS at the same limit price, these must be aggregated together and a single order submitted.

Orders must be submitted by faxing them to the CME Clearing House at (312) 930-3187. Orders must be signed by an officer of the firm who is authorized to place such orders, and the order must provide the printed name, phone number, fax number, and email address of this officer.

Orders will be accepted beginning Tuesday July 30th, 2002, at 9:00 a.m. CDT. The cutoff time for receipt of orders is Wednesday, July 31st, at 9:30 a.m. CDT. Orders received after this time will not be accepted.

The acceptance of an order will be signified by its being marked, "Accepted by the CME Clearing House", and certified by the signature of an officer of the CME Clearing House. Such accepted orders will be faxed back to the submitting officer of the clearing firm. Clearing firms should not consider an order to be confirmed until they have received this faxed confirmation

44. Will the order book be open to market participants?

The order book for the special opening procedure will not be publicly available. Orders submitted to the CME Clearing House will be held in confidence. After orders are matched by the CME Clearing House, clearing firms submitting bids or offers will be advised only of their matches. Total execution size and execution prices will be reported on CME market data feeds at 3:00:01 on the day of the Special Opening Procedure.

45. Will the size of the initial offering be limited?

CME may in its sole discretion limit the TRAKRS open interest established through the Special Opening Procedure or delay the Special Opening Procedure if market conditions warrant.

46. Are there any limitations on orders?

Individual customers may not purchase more than 100,000 TRAKRS as part of the Special Opening Procedure. Because clearing firms must aggregate individual customer buy orders at the same limit price, a buy order submitted to the Clearing House as part of the Special Opening Procedure may have an order quantity greater than 100,000.

Sell orders are not subject to any size limitations.

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47. How does a clearing firm submit its executed trades to the CME Clearing House and how will a firm allocate its trades to individual customers?

The Clearing House will submit the Special Opening Trades to the clearing system on behalf of the clearing member firms on either side. Firms will not need to submit these trades. They will be identified with a customer account of "SPECIAL".

Once firms have been advised of their Special Opening Trades, however, they are responsible for using the Give-Up System (GUS) to sub-allocate the trade to specific individual customers. These sub-allocations must be completed by the normal cut-off time of 7:00 p.m. on July 31st.

48. Will CME enter orders that are not executed during the Special Opening Procedure into GLOBEX for regular trading?

No. Individual clearing member firms are responsible for managing orders not executed during the Special Opening Procedures. Trading of TRAKRS on GLOBEX will begin at 8:30 am (CT) August 1, 2002. TRAKRS orders may be submitted to GLOBEX beginning at 8:00 a.m. (CT) August 1, 2002.

VII. Fees

49. What are the CME fees for TRAKRS?

The all-in per side execution/clearing fees are calculated on a per TRAKRS basis *based on the total size of the order.*

Order Size	Customer	Member*
1 – 400 TRAKRS	1.0¢ per TRAKR	0.5¢ per TRAKR
401 - 4,000 TRAKRS	0.8¢ per TRAKR	0.5¢ per TRAKR
Greater than 4,000 TRAKRS	0.6¢ per TRAKR	0.5¢ per TRAKR

* Includes equity and lessee members.

Fees per order are rounded to the nearest cent. Fees per order are capped at $400 per customer order and at $200 per CME member order.

For example, fees for an executed customer order for 1,000 TRAKRS contracts would be:

1,000 TRAKRS * $0.008 per TRAKRS = $8.00

50. What qualifies as an order for the purposes of assessing fees for TRAKRS?

An order is the total quantity of traded TRAKRS that were executed on one CME trading day for the account of any Member or Non-member, where each trade bears the same order number, user identification number and executing firm identification number.

This document is intended to supplement TRAKRS disclosure documents and CME Rules. The disclosure documents available at **www.trakrs.com** and CME Rules available at **www.cme.com** are the primary resources and should be reviewed prior to consulting this or any other document relating to TRAKRS and prior to establishing positions, trading or brokering in TRAKRS.

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51. Is there a separate clearing or GLOBEX fee?

The fee schedule describes an **all-in** execution and clearing fee.

52. What happens to the fees if an order is executed in pieces?

Fees are based on the order size even if the order is executed on multiple pieces.

53. What membership classification are TRAKRS?

TRAKRS are IOM (B3) products. GEM member trading TRAKRS will be charged customer rates.

54. What are fees for EFPs & block trades?

In addition to the clearing fee, EFPs and block trades are subject to a surcharge of $0.0012 per contract side. The surcharge is capped at $400 for both customers and CME members.

For example, fees for an executed block trade of 200,000 TRAKRS contracts for an institutional customer would be:

Clearing/execution	200,000 TRAKRS * $0.0060/TRAKRS = $1200.00	Capped at	$400.00
Block surcharge	200,000 TRAKRS * $0.0012/TRAKRS = $240.00		$240.00
		Total	$640.00

55. What are the give-up fees for TRAKRS?

Initially, give-up fees will be waived for TRAKRS.

56. What are NFA fees for TRAKRS?

NFA fees are 0.02¢ per contract round-turn or 2¢ per round turn of 100 TRAKRS.

57. What are the TOPS fees for TRAKRS?

Initially, TOPS fees will be waived for TRAKRS.

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TRAKRS

www.trakrs.com

Chicago Mercantile Exchange

www.cme.com

For product-specific questions, please contact our Equity group in the Products & Services division at (312) 930-8233.

For GLOBEX access, please contact Technology Marketing at 312-634-8834.

For GLOBEX trading and production questions, please contact the GLOBEX Control Center (GCC) at (312) 456-2391.

National Futures Association

www.nfa.futures.org

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