

November 3, 2003

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Ms. Jean A. Webb
Secretary
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st Street, N.W.
Washington, D.C. 20581

Reference File #2366.02
Rule Certification

Dear Ms. Webb:

Pursuant to Commission Regulation 40.6, the Chicago Board of Trade (CBOT[®]) hereby submits the following:

- **Amendments to Regulation 450.02D per the attached texts (additions underlined; deletions bracketed and struck through).**

The referenced amendments concern the designation of "passive investor entities" for Exchange transaction fee purposes by member firms registered under Categories (1) and (2) of CBOT Regulation 230.02. The amendments represent a reformatted version of changes which the CBOT previously submitted by letter dated October 7, 2003 (CBOT Reference File #2366.01).

The amendments allow Category (1) and (2) member firms which have four Full and two Associate Memberships registered to designate, for member firm transaction fee treatment, up to five "passive investor" entities where the member firm exercises trading control over, or is under common trading control with, such entities.

The CBOT intends to implement these amendments one day after the Commission's receipt of this filing.

There were no opposing views concerning these amendments.

The CBOT certifies that these amendments comply with the Commodity Exchange Act and the rules thereunder.

Sincerely,

Paul J. Draths
Vice President and Secretary

ATTACHMENT

Additions underlined; deletions bracketed and struck through.

450.02D(i) Affiliates of Member Firms - For purposes of this regulation, the term “member firm affiliate” shall mean a non-Futures Commission Merchant entity which is wholly owned by one or more member firms, which wholly owns a member firm, or which is wholly owned by the same parent company(s) as a member firm. For purposes of this regulation, the term “member firm” shall refer only to a firm registered with the Exchange pursuant to registration categories (1a), (1b), (2a) or (2b) of Regulation 230.02.

- A. A member firm affiliate may lease a Full or Associate Membership on its own behalf, thereby qualifying for delegate fee treatment (i.e., the applicable member firm fee plus the applicable delegate fee) with respect to its transactions on the Exchange.
- B. A member firm which owns one or more Full Memberships in addition to those required for its own registration under Rule 230.00, and/or any Associate Membership(s), (hereinafter “non-qualifying memberships”) may designate such a non-qualifying membership to make its member firm affiliate eligible for member firm transaction fee treatment. Such designations shall be subject to the following provisions:
 - (1) In order to become effective, the designation must be documented with, and approved by, the Exchange in such manner as the Exchange prescribes.
 - (2) A non-qualifying membership may not be designated for more than one member firm affiliate at any given time.
 - (3) Upon such designation, the member firm affiliate shall be subject to the Exchange’s jurisdiction and to all duties and obligations imposed upon members, member firms, or other approved persons under the Rules and Regulations; provided, however, that the Exchange may exempt such member firm affiliates from any such duty or obligation which, in the Exchange’s sole judgement, is incompatible or in conflict with, or is unrelated to, the activities of the member firm affiliate.
 - (4) The Exchange may withdraw its approval of such designation for good cause.
 - (5) A non-qualifying membership will be subject to sale by the Board for the acts or delinquencies of the member firm for which it is registered and/or for the acts or delinquencies of the member firm affiliate.
 - (6) Upon the sale or transfer of a non-qualifying membership, claims may be filed pursuant to Rule 253.00 against the member firm for which the membership is registered and/or against the member firm affiliate.

~~[C. Notwithstanding the preceding provisions of this regulation, a member firm registered with the Exchange pursuant to registration category (3) of Regulation 230.02 may designate, as its member firm affiliates, up to five additional entities which are wholly owned by, or under common trading control with, such member firm.]~~

450.02D(ii) Member Firm Designation of Passive Investor Entities -

A. A member firm that is registered with the Exchange pursuant to registration categories (1a), (1b), (2a) or (2b) of Regulation 230.02, and that has at least four (4) Full Memberships and two (2) Associate Memberships registered on its behalf (including any Full Memberships that are required to qualify the member firm itself under Rules 230.00 and 703.00, as applicable), or a member firm registered with the Exchange pursuant to registration category (3) of Regulation 230.02, may designate, for member firm transaction fee treatment as set forth in Rule 450.00, up to five non-FCM, non-clearing passive investor entities, where the member firm exercises trading control over, or is under common trading control with, such entities, or in addition with respect to a category (3) member firm, which wholly owns such entities. For purposes of this regulation, a "passive investor entity" is defined as a commodity pool, hedge fund, or other collective investment vehicle.

If a Regulation 230.02, category (1a), (1b), (2a), (2b) or (3) member firm wishes to designate more than five passive investor entities as described in this paragraph A, it must have an additional four (4) Full Memberships and two (2) Associate Memberships registered on its behalf, in order to be eligible to designate up to six additional such entities.

B. All designations of passive investor entities, as described in paragraph A above, shall be subject to the following provisions:

- (1) In order to become effective, the designation must be documented with, and approved by, the Exchange in such manner as the Exchange prescribes.
- (2) Upon such designation, the passive investor entity shall be subject to the Exchange's jurisdiction and to all duties and obligations imposed upon members, member firms, or other approved persons under the Rules and Regulations; provided, however, that the Exchange may exempt such passive investor entities from any such duty or obligation which, in the Exchange's sole judgment, is incompatible or in conflict with, or is unrelated to, the activities of the passive investor entity.
- (3) The Exchange may withdraw its approval of such designation for good cause.
- (4) All of the four (4) Full Memberships and two (2) Associate Memberships registered on behalf of the qualifying Regulation 230.02, category (1a), (1b), (2a), (2b) or (3) member firm will be subject to sale by the Exchange for the acts or delinquencies of the member firm for which they are registered and/or for the acts or delinquencies of any passive investor entity that has been designated by the member firm under this regulation.
- (5) Upon the sale or transfer of any of such four (4) Full Memberships or two (2) Associate Memberships, claims may be filed pursuant to Rule 253.00 against the member firm for which the membership is registered and/or against any passive investor entity that has been designated by the member firm under this regulation.