

December 17, 2003

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

Reference File # 2392.01  
Rule Certification

Dear Ms. Webb:

Pursuant to Commission Regulation 40.6, the Chicago Board of Trade (CBOT<sup>®</sup>) hereby submits the following:

- **Amendments to Rule 230.00 and Regulations 221.09, 230.02, 249.01, and 250.02 per the attached texts (additions underlined; deletions bracketed and struck through).**

These amendments will allow additional forms of member firm seat ownership as summarized below:

- A firm may own memberships solely for investment purposes and lease out all of its memberships; and
- A firm may own a membership to be used for registration on behalf of another firm with which the owner firm is affiliated.

In both instances, the firm owner of the memberships will not be eligible for member firm transaction fee treatment but will be subject to all other applicable Exchange rules and regulations.

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

There were no opposing views among the CBOT's Board of Directors 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

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Additions are underlined; Deletions are [~~struck through~~]

**221.09 Delegation of Firm-Owned Memberships and Membership Interests** - An eligible business organization registered as a member firm under Rule 230.00 may delegate the rights and privileges of a firm-owned membership or membership interest to an individual ("delegate") upon the terms and conditions set forth in Rule 221.00, but only if the membership being leased is not necessary to satisfy the requirements for registration as a member firm or, if applicable, as a clearing member firm, except as otherwise provided in Rule 230.00.

**230.00 Registration** - An eligible business organization as determined by the Exchange may be a member firm of the Exchange with respect to all contracts if one Full Membership, held in the name of any principal or employee thereof is registered on behalf of the firm.

Provided, however, that four (4) Full Memberships and two (2) Associate Memberships must be held in the name of any principals or employees thereof, and registered on behalf of the firm, in order for the eligible business organization to be a member firm under Regulation 230.02, Category (3) "other Non-FCM-Non-clearing".

An eligible business organization as determined by the Exchange, which is wholly owned by one or more members or member firms, which wholly owns a member firm, or which is wholly owned by the same parent company(ies) as a member firm, may be a member firm of the Exchange only with respect to those contracts in which Associate Members have trading privileges if one Associate Membership, held in the name of any principal or employee thereof is registered on behalf of the firm.

Those individuals who desire to register their memberships on behalf of an eligible business organization shall make application to the Exchange, giving therein such information as may be requested. If the application is granted, their memberships shall be registered for the benefit of the eligible business organization, and such eligible business organization shall be entitled to member firm privileges with respect to all contracts or only with respect to contracts in which Associate Members have trading privileges, as the case may be.

A member firm may be a CBOT Clearing Member and entitled to clearing privileges with respect to all contracts, pursuant to the membership registration requirements of Rule 703.00. All such memberships shall be registered hereunder in the manner described above, and under the criteria prescribed in Rule 703.00.

Member firms shall be subject to all requirements and prohibitions contained in the Rules and Regulations applicable to members, and in such cases, all registered members shall be subject to discipline and their memberships subject to sale by the Exchange for the acts or delinquencies of the firm for which they are registered. All such designations may be terminated at any time by the Exchange, or by the registered members with the written approval of the Exchange.

All memberships described above that are owned by a Regulation 230.02, Category (2b) or Category (3) non-FCM, non-clearing member firm: (1) may be delegated upon the terms and conditions set forth in Rule 221.00; or (2) may be held in the name of a principal or employee of, and registered on behalf of, another member firm which is wholly owned by such member firm, which wholly owns such member firm, or which is wholly owned by the same parent

company(ies) as such member firm. During the term of any such delegation or registration on behalf of another member firm, the Regulation 230.02, Category (2b) or Category (3) member firm owning the membership(s) will not be entitled to member firm transaction fees; however, it will remain subject to all applicable Exchange Rules and Regulations, including the disciplinary procedures set forth in Chapter 5, and the arbitration procedures set forth in Chapter 6.

**230.02 Registration of Membership for Eligible Business Organizations** - An individual desiring to register a membership for an eligible business organization under Rule 230.00 shall submit an application giving the name of the eligible business organization and the business in which it is engaged, and any other information requested by the Exchange. The application must also show that the member is a principal or employee of the eligible business organization. In addition, the application must designate the type of business activity, as measured by the following list, for which registration is requested:

- (1a) Registered Futures Commission Merchant ("FCM") – Clearing.
- (1b) Registered FCM – Non-clearing.
- (2a) Non-FCM – Clearing.
- (2b) Non-FCM – Non-clearing. (Must be wholly-owned by members or members and employees of the firm; or must have a business purpose deemed appropriate by the Exchange, including cash grain firms, financial institutions, market makers designated by the Exchange, proprietary trading firms or other forms of business approved by the Exchange.)
- (2c) Non-FCM – Non-clearing Associate Member affiliate of another member firm ("member firm affiliate").
- (3) Other Non-FCM-Non-clearing (Commodity pools, hedge funds, or other collective investment vehicles).
- (4) e-cbot member firm. (Solely for purposes of Chapter 9B, the owner of an Associate Membership or the delegate of a Full or Associate Membership shall be entitled to register under Rule 230.00 for an eligible business organization, solely to conduct non-clearing business on e-cbot. Except for firms which already were registered under this category as of September 1, 2003, e-cbot member firm status shall be available only to firms which are members of an exchange which is legally organized in a jurisdiction outside of the United States.)
- (5) Sole Proprietor - Clearing

If activity level (1a), (1b) or (2a) has been designated, the member shall submit the following financial information of the eligible business organization: a certified financial statement prepared by an independent Certified Public Accountant as of the most recent fiscal year end, and a financial statement (which need not be certified) which is current as of the most recent preceding calendar month end. If activity level (2b), (2c), (3) or (4) is designated, the member shall submit such financial information of the eligible business organization that may be required, in the discretion of the Exchange. A member who is applying to be a Sole Proprietor CBOT Clearing Member shall submit a financial statement in the form designated by the Exchange.

The Exchange may in its discretion waive or modify the foregoing requirements in the case of

changes in registration necessitated by reorganization of firms currently registered with the Exchange.

Approval is required for a registered eligible business organization changing or expanding its type of business to a higher level of business activity as set forth above. An eligible business organization requesting approval to operate as a type (1a), (1b) or (2a) firm which was previously registered as any other type firm must first submit the financial information required for approval as a type (1a), (1b) or (2a) firm as specified above.

The Exchange may in its discretion grant temporary approval in the case of changes in registration necessitated by reorganization of firms currently registered with the Exchange.

Upon receipt of an application for new firm registration for an eligible business organization, the Secretary shall, within fifteen days thereafter, make available to the membership the name of the eligible business organization, and shall post the same information on the bulletin board for a period of at least ten days after such notification to the Membership.

No member may register his or her membership for more than one eligible business organization.

Except as provided herein regarding e-cbot member firms, or as provided in Rule 230.00, no membership registered for any eligible business organization under [~~the~~] Rule 230.00 may be delegated under the provisions of Rule 221.00.

An eligible business organization which has been conditionally approved for member firm status shall have six (6) months after the date that it was notified of such approval, or within such extension of said period as may be granted by the Exchange, to satisfy any conditions or contingencies imposed on such approval. If the conditions or contingencies are not satisfied by the applicable deadline, the Committee's approval of the eligible business organization for member firm status shall be deemed void.

**249.01 Purchase and Sale or Transfer of Membership or Membership Interest -** Membership status in this [Association] Exchange is a personal privilege, not subject to sale or transfer except as herein authorized.

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(b) Transfer by member firm

- (i) A member firm may own a full or associate membership held in the name of an individual member, provided that (i) the individual member is a principal or employee of such member firm; and (ii) the principal or employee's membership is registered on behalf of such member firm pursuant to Rule 230.00, except as otherwise provided in Rule 230.00. Additionally, a member firm may own GIM, COM and IDEM membership interests held in the name of individual members who are full-time employees of such firm. In such circumstances, the member firm shall be entitled to transfer such membership or membership interest, and to receive the net proceeds from transfer of such membership or membership interest after satisfaction of all claims against the individual member, or against the member firm, in accordance with Rules 252.00 and 253.00.

- (ii) A member firm that owns a full membership, associate membership or membership interest may transfer such membership or membership interest to another principal or employee of the member firm, or of another member firm as permitted by Rule 230.00, by delivering to the Department of Member Services a report of intention to transfer upon such form as shall be prescribed by the Exchange. In addition, with respect to the transfer of a full or associate membership, the firm must deposit with the Department of Member Services an amount equal to the weighted average of all full or associate membership sales for the preceding calendar month, as appropriate. With respect to the transfer of a membership interest, the firm must deposit the greater of \$50,000 or an amount equal to the weighted average of all GIM, COM or IDEM sales, for the preceding calendar month, as appropriate. Such amount may be deposited in cash, treasury bills, or such other form as the Exchange may permit. All amounts deposited shall be available, without restriction, to satisfy claims against the departing individual member or against the member firm(s). In lieu of a deposit, a firm may file a clearing firm guaranty for the satisfaction of claims in an amount that accords with the formulas set forth in this sub-paragraph. Should the departing individual member be leaving the employ of the member firm, the application for membership or transfer documents of the transferee must be submitted to the Exchange within thirty (30) days from the termination date of the departing individual member. The Exchange may, in its discretion, grant extensions of this 30 day period. No such extension shall exceed 60 days total length for any individual.
- (iii) Nothing herein shall preclude or impair the right of the Exchange to impose discipline upon the member firm that owns the membership or for which the membership is registered, or upon the individual member, or to dispose of the membership or membership interest of any individual member, for the acts or delinquencies of the member firm that owns the membership or for which the membership is registered, or for the acts or delinquencies of the individual member, in accordance with the Rules and Regulations of the Exchange.
- (iv) An individual member whose only remaining membership or membership interest has been transferred in accordance with this paragraph (b) shall not make any Exchange contracts after the date of such transfer.
- (v) In the event that a member firm that owns a full or associate membership or membership interest is acquired by another member firm through the purchase of 100% of the partnership or limited liability company property or corporate stock, the acquiring member firm may transfer such membership or membership interest to another individual member who is an employee of the acquiring member firm pursuant to the procedures set forth in sub-paragraph (ii), above.

A member firm that owns a full or associate membership or membership interest may transfer such membership or membership interest to a principal or employee of another member firm which is its wholly-owned subsidiary, a parent entity which owns 100% of the member firm, or a sister entity that is 100% owned by its parent entity, pursuant to the procedures set forth in sub-paragraph (ii), above. Each such transfer of a GIM Membership Interest shall count toward the two transfers specified in Rule 296.00 (2).

- (vi) The parties to the transfer set forth in sub-paragraph (ii) of this paragraph may elect not to deposit a sum of money or file a clearing firm guaranty agreement as provided therein, in which case the transferee shall, for a period of time equal to that set forth in paragraph (e) of this Regulation, be ineligible to exercise any of the rights and privileges of the transferred membership or membership interest and, during this time and no other, all claims as set forth in sub-paragraph (ii) of this paragraph against the transferor shall be filed. If such claims are filed the transferee shall remain ineligible until the claims are satisfied or otherwise disposed. In order to satisfy claims set forth in sub-paragraph (ii), which have been properly filed and allowed by the Exchange, as provided by the Rules and Regulations, the transferred membership or membership interest may be sold by the Exchange. In the event of such sale and after the claims have been paid, the remaining surplus, if any, of the proceeds of sale shall be paid to the member firm upon execution by it of a release which is satisfactory to the Exchange. In order to preclude the sale of the membership or membership interest by the Exchange for the satisfaction of claims, and for the transferee to become immediately eligible to exercise the rights and privileges of the transferred membership or membership interest, the member firm may, in the alternative, deposit a sum of money or file a clearing firm guaranty as provided in sub-paragraph (ii) above.
- (vii) An individual member whose membership or membership interest status was terminated through a transfer in accordance with this paragraph (b), and who was a member or membership interest holder in good standing, not subject to any Exchange investigation, charges, suspension or disciplinary action at the time of such transfer, shall remain eligible, for a period of six (6) months following such transfer, to acquire another membership or membership interest. The Exchange may, in its discretion, grant extensions of this six (6) month approval period.

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**250.02 Memberships Held Under Regulation 249.01(b)** - The title and value of a membership procured under Regulation 249.01(b) is owned by the member firm acquiring it, but the personal privileges of that membership can only be exercised by one of the member firm's principals or employees who has been approved by the Exchange, except as otherwise provided in Rule 230.00. For that reason, the member firm may designate a qualified individual to exercise the personal privileges of that membership. Any such designation may be terminated by the member firm at any time. In that event, the individual's right to exercise the personal privileges of that membership terminates immediately and automatically. In the event that an individual wrongfully exercises any personal privilege of membership after termination, the member firm shall remain responsible for that individual's liabilities and actions until written notice of the termination has been posted on the bulletin board.