

03-008
NC8
SELF-CERTIFIED

June 25, 2003

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

Reference File #2324.02
Rule Certification

Dear Ms. Webb:

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

- **Amendments to the following rules per the attached texts (additions underlined; deletions bracketed): 180.00, 230.00, 310.00, 330.00, 420.00, 500.00, 503.00, 509.00, 551.00, 563.00, 700.00 through 706.00, 720.00 through 729.00, 910.00, 911.00, 912.00 and 916.00.**

These changes relate to the Clearing Link between the CBOT and the Chicago Mercantile Exchange, Inc. (CME). The proposed amendments will update relevant terminology principally by replacing references to the "Board of Trade Clearing Corporation" and the "Clearing House" with the more generic term "Clearing Services Provider".

The CBOT intends to implement these amendments no sooner than one business day following the Commission's receipt of this filing.

These amendments were approved in a June 24, 2003 membership vote (546 3/6 "For" to 9 "Against") pursuant to the CBOT Charter, Exhibit A, Section 5.

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 [bracketed].

180.00 Emergencies

- (a) The Board, upon the affirmative vote of two-thirds of the members voting at a meeting where a quorum is deemed present and at least one-third of the full Board is physically present, may adopt an emergency Regulation or Resolution which shall supersede and supplant all contrary or inconsistent Rules, Regulations, Resolutions or Rulings. Notice of the adoption of an emergency Regulation or Resolution shall be posted promptly on the floor of the Exchange.

* * * *

- (c) All Exchange contracts shall be subject to the exercise of these emergency powers by the Board as well as the exercise by the Clearing [House] Services Provider of the powers reserved to it by its [charter, bylaws and resolutions] policies, Rules and Regulations.

* * * *

230.00 Registration - An eligible business organization, as determined by the Membership and Financial Compliance Committees may be a member firm of this Association with respect to all contracts by virtue of a Full Membership held in the name of one of its managerial employees. An eligible business organization as determined by the Membership and Financial Compliance Committees, which is wholly owned by one or more members or member firms, or which wholly owns a member firm, may be a member firm of this Association only with respect to those contracts in which Associate Members have trading privileges, by virtue of an Associate Membership held in the name of one of its managerial employees.

* * * *

A member firm may be a [member of the] CBOT Clearing [House] Member and entitled to clearing privileges [therein] 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.

310.00 Time and Place for Trading - Dealings upon the Exchange shall be limited to the hours during which the Exchange is open for the transaction of business, and no member shall make any transaction in securities with another member except at the post designated for the particular security in which the transaction is made and no member shall make any transaction for future delivery of a commodity except in the pit assigned to trading in such commodity, except as provided in Regulations 444.01, 444.03, and Chapter 9B. No member shall make, in the rooms of the Association, a transaction with a non-member, in any commodity or in any security admitted to dealing on the Exchange; but this Regulation shall not apply to transactions with an employee of the Association or

of the Clearing [House] Services Provider engaged in carrying out arrangements approved by the Regulatory Compliance Committee to facilitate the borrowing and lending of money.

330.00 Floor Brokers - A member, who executes orders for another member and who is not a [member of the] [C]clearing [House] member, must immediately give up the name of a clearing member. A floor broker trading for a member shall be liable as principal for the performance of the contract except that in the case of commodities his liability shall terminate when the transaction is accepted by the principal.

420.00 Trading by Employees - No member shall accept marginal accounts of any employee, whether member or non-member, of the Association or of the Clearing [House] Services Provider or of another member unless written consent of the employer be first obtained.

500.00 Inequitable Proceedings - It shall be an offense against the Association to violate any Rule or Regulation of the Association or any [By-Law or Resolution of the] policy, Rule or Regulation of the Clearing Services Provider to which CBOT Clearing Members are subject pursuant to a Clearing Services Agreement between the Exchange and such Clearing Services Provider [House], regulating the conduct or business of members, or any agreement made with Association, or engage in fraud, dishonorable or dishonest conduct, or in conduct or proceedings inconsistent with just and equitable principles of trade, or make default relating to the delivery of contracts traded for future delivery (unless such default was unintentional).

503.00 Misstatements - It shall be an offense against the Association to make a misstatement upon a material point to the Board, or to a Standing or Special Committee, or to the Executive Committee, or to the [Board of Governors of the] Clearing Services Provider [House], or on an application for membership.

If, after notice and opportunity for hearing in compliance with Regulations 540.02 and 540.03, the Hearing Committee finds that a member, prior to his application for membership, has been guilty of a fraudulent, dishonorable, or dishonest act and that the facts and circumstances thereof were not disclosed on his application for membership, the member may be expelled or suspended in accordance with this chapter.

509.00 Other Offenses

A. It shall be an offense against the Association to:

* * * *

(i) Accept an order or make a trade for [the Manager, Assistant Manager, or other] any employees of the Clearing [House] Services Provider except in the exercise of their official duties;

551.00 Financial Compliance Committee -

- (a) Membership. The Chairman of the Board, with the approval of the Board, shall appoint the members of the Financial Compliance Committee. The Committee shall consist of five Full Members, at least three of whom shall be an officer or partner of a member firm and who shall not be Directors or Officers of the Association. Initially, two members of the Committee shall serve for a term of two years. At the time this Rule becomes effective, three members shall be appointed to serve a term expiring February 1, 1992. Each year thereafter, beginning in 1992, the Chairman of the Board, with the approval of the Board, shall appoint two members of the Committee to serve a term of two years and one member to serve a term of one year. A vacancy in the Committee shall be filled for the unexpired term in the same manner as provided above, except that unexpired one-year terms may be left vacant at the discretion of the Chairman of the Board. [The President and Chief Executive Officer of the Board of Trade Clearing Corporation shall be a non-voting advisor to the Committee.]

* * * *

563.00 Trade Checking Penalties - The Floor Conduct Committee may assess a penalty not to exceed \$1,000.00 for each day that a member or registered eligible business organization fails to make adequate provisions for the checking of trades that have been rejected by the Clearing [House] Services Provider. Such penalty may be appealed to the Appellate Committee on the ground that it is excessive or unreasonable, and the Appellate Committee may thereupon revoke, modify, or impose a greater or different penalty.

700.00 Settlement by Clearance - All contracts, including contracts made by members upon behalf of non-members, shall be cleared through the Clearing [House] Services Provider selected by the Exchange, and all such contracts shall be subject to [the Charter, By-Laws, and Clearing Regulations of the Clearing House] those rules, policies, and procedures of such Clearing Services Provider that are specified by the relevant Clearing Services Agreement, or are otherwise specified by the Exchange]; except in security contracts unless otherwise stipulated in the bid or offer or it is otherwise agreed by the parties to the contract, or the Clearing House, either in the particular instance or in pursuance of its By-Laws and Resolutions, will not act in the matter].

701.00 [Rights of Board] Clearing Services - [During 1936 the Board, by the affirmative vote of fourteen Directors and thereafter by the affirmative vote of twelve Directors,] The Exchange may discontinue the clearance of [commodities and securities] futures and options contracts through [the Clearing House] a particular Clearing Services Provider, and [provide for] select and substitute [such other] another Clearing Services Provider or method of clearance [as may be selected].

[702.00 Clearing House By-Laws - The Clearing House may not change its By-Laws without the consent of the Board.]

703.00 Clearing Membership [in Clearing House] - The Clearing [House] Services Provider may prescribe the qualifications of [its own] CBOT Clearing Members that may be admitted as Special Clearing M[m]embers of the Clearing Services Provider, subject to the provisions of the relevant Clearing Services Agreement. However, no person, corporation, limited liability company, partnership, or any other type of eligible business organization (hereinafter collectively referred to as "Eligible Business Organization") shall become a CBOT Clearing M[m]ember [of the Clearing House] until approved by the [Membership Committee] Exchange, subject to the following conditions:

- (a) No Eligible Business Organization shall become a CBOT Clearing M[m]ember [of the Clearing House] for the purpose of clearing trades for others unless the chief executive officer of a corporation, the managing partner of a partnership, or the managing member of a limited liability company has registered his or her membership privilege for the use of the Eligible Business Organization pursuant to Rule 230.00 and the provisions of paragraph (d) below are met. For good cause shown, [and if approved by the Membership Committee] the Exchange, with the concurrence of the [Governors of the] Clearing Services Provider, [House, the] may permit the Eligible Business Organization [may] to designate its principal managerial employee instead of the individual referred to above. For the purpose of this Rule, a principal managerial employee shall be the highest ranking managerial employee in the Eligible Business Organization whose duties pertain to the management of the Eligible Business Organization or any division thereof, and who is in a position to influence the Eligible Business Organization's operations with respect to [commodities] its futures and/or options business on the Exchange. The ability to influence the [e]Eligible Business Organization's operations with respect to [commodities] its futures and/or options business includes, but is not limited to, the following:
- (1) the ability to commit the Eligible Business Organization's capital whenever required by the Exchange or the [Board of Trade Clearing Corporation] Clearing Services Provider[.];
 - (2) the ability to liquidate or otherwise adjust the Eligible Business Organization's commodity futures or options positions as directed by the Exchange; and
 - (3) the authority to appear before and respond to any committee of the Exchange on behalf of the Eligible Business Organization.
- (b) A[n individual member] Sole Proprietor [of the Association or a registered partnership or a limited liability company consisting of a husband and wife who are members,] may be a CBOT Clearing M[m]ember provided that [they] he clears trades exclusively for [their] his own account.
- (c) No Eligible Business Organization may be a CBOT Clearing M[m]ember [of the Clearing House] for the purpose of clearing its own trades exclusively unless one of its managerial employees, or in the case of an Eligible Business Organization that is solely owned, the sole owner, has registered his or her membership for the use of the Eligible Business Organization as provided in Rule 230.00.

[The provisions of the foregoing paragraph shall apply to an Eligible Business Organization which is solely owned provided that the sole owner is a member of the Association and has registered his or her membership for the use of the Eligible Business Organization with the approval of the Membership Committee under the provisions of Rule 230.00. In such a case, the Eligible Business Organization may be a member of the Clearing House for the purpose of clearing its own trades exclusively.]

- (d) An Eligible Business Organization may be a CBOT Clearing M[m]ember [of the Clearing House] and clear trades for others if it conducts a substantial and continuing business in commodity futures and/or options contracts on the Exchange [directly with the trading public] and if two memberships for the use of the Eligible Business Organization are registered under the provisions of Rule 230.00. One of the memberships to be registered must be that of the chief executive officer of a corporation, the managing partner of a partnership, or the managing member of a limited liability company, as applicable or, for good cause shown, the principal managerial employee, as described in paragraph (a) above. The second membership to be registered must be that of the second ranking [managerial] employee of the Eligible Business Organization who meets the definition of a “managerial employee” contained in Rule 230.00.

[The Membership Committee, in its discretion and for good cause shown, may allow an Eligible Business Organization to register a membership in the name of a managerial employee of the Eligible Business Organization other than the second ranking managerial employee in order to satisfy the requirements of this paragraph (d) when the second ranking managerial employee fails to meet the qualifications of the term managerial employee as defined in Rule 230.00.]

- (e) A lawfully formed and conducted cooperative association of producers having adequate financial responsibility and which is engaged in any cash commodity business, may [clear trades through the Clearing House] become a CBOT Clearing Member provided it meets the registration requirements for Eligible Business Organizations as set forth in this Rule.
- (f) A member firm which is also a clearing member firm of the Association or a managerial employee of such firm shall not be prohibited from owning, controlling, or being a shareholder, member or limited partner in one other clearing member firm provided that when both clearing members are corporations, the second clearing member is a 100% wholly owned subsidiary of the first clearing member corporation and further provided that each clearing member must, in its own right, meet all the conditions and requirements contained in this chapter.
- (g) An Eligible Business Organization which is not a clearing member of this Association shall not be prohibited from owning and controlling two clearing members, provided that each of the two clearing members is a 100% wholly-owned subsidiary of the Eligible Business Organization, and provided that each of the two clearing members meets all of the conditions and requirements contained in this chapter in its own right.

- (h) For the purpose of Rule 703.00 (c), (f) and (g), the registrant of a corporation shall be its chief executive officer or, for good cause shown, its principal managerial employee as defined in paragraph (a) above; the registrant of a partnership shall be its managing partner or, for good cause shown, its principal managerial employee, as defined in paragraph (a) above; and the registrant of a limited liability company shall be its managing member or, for good cause shown, its principal managerial employee, as defined in paragraph (a) above.

704.00 Substitution - Where a futures [delivery] or options contract is cleared through the Clearing [House] Services Provider, the Clearing [House] Services Provider shall be deemed substituted as seller to the buyer, and shall also be deemed substituted as buyer to the seller, and thereupon the Clearing [House] Services Provider shall have all of the rights and be subject to all of the liabilities of the original parties with respect to such contract.

705.00 Offsets - Where a Clearing M[m]ember buys and sells the same [commodity] futures or options contract for the same delivery, and such contracts are cleared through the Clearing [House] Services Provider, the purchases and sales shall be offset to the extent of their equality, and the Clearing M[m]ember shall be deemed a buyer from the Clearing [House] Services Provider to the extent that his purchases exceed his sales, or a seller to the Clearing [House] Services Provider to the extent that his sales exceed his purchases.

706.00 Trades for Customers[*] - Where a Clearing M[m]ember makes a futures or options trade [for future delivery of commodities] for a customer (member or non-member) and the trade is cleared through the Clearing [House] Services Provider, the Clearing [House] Services Provider becomes the principal who is liable to the customer and to whom the customer is liable, subject to the following: (a) the trade shall remain subject to the rules, policies and procedures of the Exchange and, as applicable, the [Charter, By-Laws, and Resolutions of the] Clearing Services Provider [House]; (b) the trade may be offset against other trades of the [c]Clearing [m]Member as provided in Rule 705.00; (c) if the trade is not offset and the Clearing M[m]ember being a seller, tenders a delivery notice to the Clearing Services Provider [House], the Clearing M[m]ember to whom such delivery is assigned[, under Rule 1048.00,] shall thereupon be substituted as buyer in lieu of the Clearing [House] Services Provider; (d) if the trade is not offset, and the Clearing M[m]ember, being a buyer, is assigned a delivery [under Rule 1048.00], the seller whose delivery is thus assigned shall thereupon be substituted as seller in lieu of the Clearing [House] Services Provider; (e) if the trade is offset, the Clearing [House] Services Provider shall be discharged, and the Clearing M[m]ember [him]itself shall be substituted for the Clearing Services Provider [House] as principal. For the purpose of this Rule, the first trades made shall be deemed the first trades offset.

[*See also Board of Trade Clearing Corporation By-Law 515.]

[720.00 **Amount Callable** - On future delivery contracts, buyers may require sellers and sellers may require buyers to deposit, as security for faithful performance, such percentage of the market price of the commodities bought or sold as shall not be in excess of the standing margin requirements of the Clearing House.]

[721.00 **Depositaries** - All such deposits shall be made with the Treasurer, or with a bank approved by the Board. Such bank must have at least one executive officer who is a member, and must file a bond, approved by the Board, conditioned to dispose of such deposits according to the Rules.]

[722.00 **Certificates** - The depositary shall issue a certificate of deposit in duplicate, giving the date and amount of the deposit and the name of the depositor and the beneficiary. It shall also state that the certificate is subject to the Rules of the Association.]

[723.00 **Disposition of Duplicate Certificates** - The depositor, within one hour after the call for the deposit, must deliver the duplicate certificate of deposit to the Clearing House or to the beneficiary.]

[724.00 **Existing and Future Exchange Contracts** - Unless otherwise provided all deposits shall constitute security for the performance of all existing or future Exchange contracts between the parties.]

[725.00 **Notice of Call** - Calls for deposits may be served personally upon the party called or upon his clerk or representative on Change, or by written notice left at his place of business. If he has no place of business and cannot be found, the call may be made by written notice left at the Office of the Secretary.]

[726.00 **Failure to Make Deposit** - Failure to make deposits for one hour after demand shall authorize but not obligate the other party to close out the trades for which security was demanded. If such trades are closed, the delinquent shall be immediately notified, whereupon any loss upon such trades shall be immediately payable through the Clearing House.]

[727.00 **Return of Deposits** - Upon performance or closing out of contracts secured by deposits, or upon the assumption of such contracts by the Clearing House, such deposits may be withdrawn upon the joint endorsement of depositor and beneficiary. If they cannot agree as to the disposition of the deposit, either party may apply to the Chairman of the Arbitration Committee, who shall appoint a special committee of three

arbitrators before whom the dispute shall be arbitrated. The Committee shall report their findings to the Chairman of the Arbitration Committee, and thereupon the Chairman of the Arbitration Committee shall endorse the original or duplicate certificate in accordance therewith. Such endorsement shall authorize the depository to pay the deposit as directed.]

[728.00 Release of Excessive Deposits - If, by reason of market fluctuations, any deposit becomes excessive, the excess shall be released, either by the joint action of the interested parties, or by the Chairman of the Arbitration Committee, as provided in Rule 727.00.]

[729.00 Deposits to Secure Clearing House - The foregoing provisions of this Chapter shall not apply as between clearing members and the Clearing House. Deposits to secure the Clearing House shall be pursuant to the By-Laws of the Clearing House.]

[910.00 Check Slips - Confirmation of trades between members, as defined in the By-Laws or Resolutions of the Clearing House.]

911.00 Clearing [House] Services Provider - [The Board of Trade Clearing Corporation, or such other corporation or agency as may be authorized to clear trades for members.] The Chicago Mercantile Exchange Inc., or any other entity with which the Exchange may enter into an agreement to provide clearing, settlement or any related services.

912.00 Clearing Member or CBOT Clearing Member - [A member of the Association who is also a member of the Clearing House] An Exchange member or member firm that meets the Exchange's requirements to clear any futures or options listed for trading on the Exchange.

916.00 Exchange Contracts and Members' Contracts - All contracts of members of the Association, or of firms or corporations registered under the Rules and Regulations, with other members of the Association, or firms or corporations registered under the Rules and Regulations, for the purchase or sale of commodities or for the purchase, sale, borrowing, loaning, or hypothecation of securities, or for the borrowing, loaning or payment of money, whether occurring upon the floor of the Exchange or elsewhere, are members' contracts.

* * * *

The provisions of all the Rules and Regulations of the Association shall be part of the terms and conditions of all Exchange Contracts and all such contracts shall be subject to the exercise by the Board, the Standing Committees, and the Clearing [House] Services Provider of the powers in respect thereto, vested in them by the Rules or Regulations. And all such contracts shall be subject to all Rules or Regulations subsequently adopted, where such Rules or Regulations are expressly made applicable to existing contracts.