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October 7, 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 #2366.01
Rule Certification

Dear Ms. Webb:

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

- **Amendments to Rule 230.00 and Regulations 230.02 and 450.02D per the attached texts (additions underlined; deletions bracketed and struck through).**

The referenced amendments concern the designation of "affiliates" for Exchange transaction fee purposes by member firms registered under Categories (1) and (2) of CBOT Regulation 230.02. These amendments will have the following purposes and effects:

- 1) Discontinue the existing affiliate provisions, while allowing all affiliates currently qualified under these provisions to retain their status via a "grandfather" provision.
- 2) Allow Category (1) and (2) member firms which have four Full and two Associate Memberships registered to designate, for member firm transaction fee treatment, any number of affiliates as defined in Regulation 450.02D, plus 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 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

sb100703

Additions are underlined; deletions are bracketed and struck through.

230.00 Registration - An eligible business organization as determined by the Exchange [~~Membership and Financial Compliance Committees~~] may be a member firm of the [~~this~~] 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 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 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 Membership Committee, 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.

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) Sole Proprietor – Clearing.

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450.02D Affiliates of Member Firms - ~~{For purposes of this regulation, the term “member firm affiliate” shall mean a non-Futures Commission Merchant, non-clearing 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(ies) as a member firm. For purposes of this regulation, the term “member firm” shall refer only to 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.}~~

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, may designate any or all of its qualified affiliates for member firm transaction fee treatment as set forth in Rule 450.00. For purposes of this paragraph, the term “qualified affiliate” shall mean a non-Futures Commission Merchant, non-clearing 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(ies) as a member firm.

B. Notwithstanding the provisions of paragraph A above, a member firm registered with the Exchange pursuant to registration category (1a), (1b), (2a), (2b) or (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 B, 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.

C. All designations of qualified affiliates and passive investor entities, as described in paragraphs A and B 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) A non-qualifying membership may not be designated for more than one member firm affiliate at any given time.}~~

~~{(3)}~~² Upon such designation, the ~~[member firm]~~ qualified affiliate or 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 [member firm] qualified affiliates or 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 [member firm] qualified affiliate or passive investor entity.

~~{4}~~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 qualified affiliate or 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 qualified affiliate or passive investor entity that has been designated by the member firm under this regulation.

~~{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 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.]~~

D. The above provisions of this Regulation that define the number of memberships that must be registered for a Regulation 230.02, category (1a), (1b), (2a) or (2b) member firm, in order to qualify its affiliates for member firm fee treatment, will apply with respect to any affiliates that are designated after _____, 2003. Any firm that is already designated as a member firm affiliate as of that date will continue to qualify as such pursuant to, and will be subject to the terms of this Regulation as they existed prior to, these provisions. However, if a member firm changes its organizational structure after _____, 2003, these provisions will apply with respect to all of its affiliates.