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Chicago Mercantile Exchange
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May 14, 2004

VIA FACSIMILE AND CERTIFIED MAIL

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

Re: The Clearing Corporation's Proposed Euro Link

Dear Ms. Webb:

Chicago Mercantile Exchange Inc. ("CME") has reviewed The Clearing Corporation's ("TCC") proposal to clear Euro-denominated futures contracts and options on futures contracts executed on Eurex AG ("Eurex") (the "Euro-Link"). The Euro-Link represents Phase I of the proposed two phase Global Clearing Link between TCC and Eurex Clearing Frankfurt, AG ("Eurex Clearing"). In Phase II, the clearing of U.S. dollar-denominated contracts traded on U.S. Futures Exchange LLC ("USFE") may be cleared at either TCC or at Eurex Clearing in addition to the listing on USFE of Euro-denominated products that are traded on Eurex with the option of clearing those products at either TCC or Eurex Clearing.

Under the Euro-Link, contracts executed on Eurex would be capable of being clearing by TCC's participants, as well as by members of Eurex Clearing. While CME does not object to the general notion of cross-border clearing, we believe that TCC's application contains many generalities and fails to address several important issues associated with a global clearing link. For example, based upon the filing, it not only appears that TCC has no control over and does not touch variation margin for Euro-Link contracts that are traded every day, but there is no mention as to whether TCC's guarantee fund has been increased to accommodate the new products that will be cleared by TCC.

Moreover, TCC misplaces its reliance on CME's Mutual Offset System established with the Singapore International Monetary Exchange ("SGX"), as well as CME's business relationship with MEFF Sociedad Holding de Productos Financieros Derivados, S.A. ("MEFF"). Notably, both of these arrangements require SGX and MEFF to fully collateralize the positions of their members at CME and participate in the pay/collects system. In its application, TCC also fails to provide a meaningful bankruptcy analysis in the event of an insolvency of a clearing firm in the U.S. and in Germany. The foregoing are examples of the generalities and lack of detail in the Euro Link application.

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Finally, CME requests, in the event that Phase II of the Global Clearing Link is offered to the public by TCC and Eurex Clearing, that the Commission provide the public with adequate time and information to review and analyze the details and implications of the proposal. Phase II of the Global Clearing Link will create unique derivative clearing organization registration issues, as well as novel bankruptcy issues in both the U.S. and in Germany. In order to ensure that the industry and the public that may use the Global Clearing Link are adequately protected, CME believes that the industry should have an opportunity to fully review all the details of Phase II of the Global Clearing Link proposal well in advance of its proposed implementation.

Thank you for the opportunity to respond to the Euro-Link proposal. If you have any questions or comments, please do not hesitate to contact me, Matthew F. Kluchenek, Director and Associate General Counsel, at (312) 338-2861, or Jerrold E. Salzman, at (312) 222-5131.

Respectfully submitted,

