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Chicago Mercantile Exchange

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June 3, 2005

Ms. Jean A. Webb
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

**RE: CME Rule 526 ("Block Trades") and CME Rule 536 ("Recordkeeping Requirements for Pit, Globex, and Negotiated Trades")
Submission No. 05-60**

Dear Ms. Webb:

Chicago Mercantile Exchange Inc. ("CME" or "Exchange") hereby notifies the Commodity Futures Trading Commission ("CFTC" or "Commission") that the Exchange has approved changes to Rule 526 ("Block Trades") and Rule 536 ("Recordkeeping Requirements for Pit, GLOBEX, and Negotiated Trades") pursuant to the Commission's request. Subsequent to the comprehensive revisions to Chapter 5 ("Floor Privileges – Trading Qualifications and Practices") of the CME Rulebook that became effective on April 1, 2005, CME was contacted by the CFTC to discuss several of the changes. Upon further discussion with the Commission concerning Rule 526 and Rule 536, the Exchange revised these rules as described below.

Rule 526

The April 2005 revisions to Rule 526.I. added language allowing commodity trading and investment advisors exempt from registration to be considered the applicable entity in determining eligibility to participate in block trades. The CFTC asked that CME add additional language to Rule 526.I. clarifying that block trades made by these advisors be limited to appropriate customers. Additionally, the CFTC asked that CME consider clarifying that the \$25 million assets under management requirement applied to both commodity trading and investment advisors, not solely commodity trading advisors. CME revised the rule to reflect the changes requested by the CFTC and determined they should also be applicable to Section J. dealing with foreign Person's performing a similar role as the advisors described in Section I.

The amendments to Rule 526 are below, with additions underlined and deletions overstruck.

526. BLOCK TRADES

[Sections A. through H. of the rule are unchanged.]

(over)

- I. A commodity trading advisor ("CTA") registered (or exempt from registration) under the ~~Commodity Exchange Act~~, including, without limitation, any investment advisor registered (or exempt from registration) under the Investment Advisors Act of 1940, shall be the applicable entity for purposes of Sections A., B., C., and D., provided such advisors havewith total assets under management exceeding \$25 million, and the block trade is suitable for the customers of such advisors~~not the CTA's customers, shall be the applicable entity for purposes of Sections A., B., C., and D.~~

- J. A foreign Person performing a similar role or function to a CTA or investment advisor as described in Section I, and subject as such to foreign regulation, shall be the applicable entity for purposes of Sections A., B., C., and D., provides such Persons havewith total assets under management exceeding \$25 million, and the block trade is suitable for the customers of such Persons~~not the foreign Person's customers, shall be the applicable entity for purposes of Sections A., B., C., and D.~~

Rule 536

The first change was made to clarify the requirement that floor brokers record their trading symbol on the document used to record order executions. CFTC staff noted that the existing language did not explicitly include this requirement.

The second change concerned the recent modification in the clearing firm back office audit enforcement program threshold level from 15 to 25% for firms to pick up and timestamp cards used by brokers that record the execution of orders received from other members. In order to address the Commission's concern that the 25% threshold for non-compliance was excessively high, the Exchange approved lowering the threshold level to 20%, bringing it in line with the threshold level for the pick up and timestamping of local traders' sequenced cards.

The amendments to Rule 536 appear on the next page, with additions underlined and deletions overstruck.

536. RECORDKEEPING REQUIREMENTS FOR PIT, GLOBEX, AND NEGOTIATED TRADES

536.A. Member Open Outcry Pit Trades

1. General Requirements
 - a. At the time of execution, it shall be the duty of every member to record each trade made for an account the member owns or controls showing the date, price, quantity, product, expiration month, bracket symbol, opposite broker, opposite clearing member and, for options, put or call and strike price. Floor brokers executing an order shall record their trading symbol, price, quantity, bracket, opposite trader and clearing member.

[The remainder of Section A. through Section C. is unchanged.]

536.D. CTR Enforcement Program and Sanction Schedule

CTR Monthly Enforcement Program

[This section is unchanged.]

CTR Clearing Member Back Office Audit Enforcement Program

The Market Regulation Department will conduct audits of CME clearing members in order to verify the accurate recoding and submitting of required audit trail information. The CTR audit threshold levels for the various firm deficiencies are as follows:

<u>Deficiency Type</u>	<u>Threshold Level</u>
Failure to pick up documents in accordance with CME schedule for:	
Sequenced Cards	20%
Verbal Order Cards	250%
Floor Orders	10%

[The remainder of the rule is unchanged.]

The Exchange certifies that these revisions neither violate nor are inconsistent with any provision of the Commodity Exchange Act or of the rules and regulations thereunder.

If you have any questions regarding this matter, please call me at (312) 648-5422.

Sincerely,

/s/ Stephen M. Szarmack
Director and Associate General Counsel