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Craig S. Donohue  
Chief Executive Officer

February 13, 2008

Mr. David Stawick  
Secretary  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, N.W.  
Washington, D.C. 20581

## COMMENT

Re: Proposed Revision of Federal Speculative Position Limits – 72 F.R. 65483  
(November 21, 2007)

Dear Mr. Stawick:

CME Group, Inc. ("CME Group") filed a comment letter with respect to the Commodity Futures Trading Commission's ("Commission") proposed revision of federal speculative position limits on February 1, 2008. This is a supplement to that letter.

CME Group was formed by the July 2007 merger of Chicago Mercantile Exchange Holdings Inc. and CBOT Holdings, Inc. CME Group is the parent of Chicago Mercantile Exchange Inc. and the Board of Trade of the City of Chicago, Inc. ("CBOT"). CME Group also owns Swapstream Operating Services Limited, an OTC trading facility, and owns an interest in FXMarketspace Limited, an FX trading platform that is authorized and regulated by the United Kingdom's Financial Services Authority. CME Group serves the global risk management needs of our customers and those who rely on the price discovery provided by the competitive markets maintained by CME Group. CME Group offers a comprehensive selection of benchmark products in most major asset classes, including futures and options based on interest rates, equity indexes, foreign exchange, agricultural commodities, energy, and alternative investment products such as weather and real estate. Additionally, CME Group offers order routing, execution and clearing services to other exchanges by means of our Globex® electronic trading platform and our clearing house. CME Group is traded on the New York Stock Exchange and NASDAQ under the symbol "CME."

### I. Overview

The primary focus of the Commission's Federal Register release was its proposal to increase speculative position limits for certain agricultural commodities enumerated in Regulation 150.2. CME Group responded to the Commission's recommended increases by stating its position that the Commission should eliminate all federally-mandated position limits and repeal Regulation 150.2, and that even if the Commission determines not to eliminate federal spot month limits, it should remove single month and all-months-combined limits from Regulation 150.2. Additionally, CME Group commented that if the Commission nevertheless retains federally-mandated single month and all-months-combined limits, the limits should be increased based on 2007 open interest data. CME Group believes that the Commission should proceed to take action with respect to this aspect of its Federal Register release.

The Commission also proposed to adopt an aggregation requirement, by means of a new footnote to the position limit chart in Regulation 150.2, which would:

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... aggregate traders' positions for purposes of ascertaining compliance with Federal speculative position limits when a DCM lists for trading a futures contract that shares substantially identical terms with a Regulation 150.2-enumerated contract listed on another DCM, including a futures contract that is cash-settled based on the settlement prices for a futures contract that is already enumerated.

Although CME Group commented on the Commission's aggregation proposal based on its understanding of the Federal Register release, upon further review, we believe that the Commission's description of its aggregation proposal leaves certain important questions unanswered. Because this makes it difficult to provide informed and thorough comments, CME Group requests that the Commission republish its aggregation proposal with the clarifications discussed below. However, such republication should not delay the Commission's consideration of position limit increases based on the CBOT's 2007 open interest data, if the Commission determines to retain federally-mandated speculative position limits.

II. The Commission should clarify the following aggregation issues.

Specifically, the Commission should consider and discuss the following issues in any republication of its aggregation proposal:

- Is the Commission's aggregation proposal an extension of federally-mandated position limits to markets that are not currently enumerated in Regulation 150.2 when they offer "substantially identical contracts," even in the absence of an amendment to Regulation 150.2 to identify those DCMs and products by name? In other words, is the Commission suggesting that it would have the authority to charge a market participant with a violation of Regulation 150.2, for example, if the participant held no positions in the CBOT Corn contract in a single month, but held 14,000 "substantially identical" Corn positions on another DCM in a single month?<sup>1</sup>
- The current single month and all-months-combined federal limits for the specified agricultural futures contracts are based on the application of the Commission's open interest formula, as described in Regulation 150.5, as applied to open interest data for those particular contracts on the identified DCMs. If another DCM were to list a "substantially identical" contract, and were permitted to share the position limits based on the specified DCM's open interest, how would future increases in the Commission's position limits be determined? Would the Commission propose to raise an aggregated limit based on the combined open interest of the market enumerated in Regulation 150.2 and the other DCM, or would any proposed increase only be based on the open interest on the enumerated market? If the latter, wouldn't this formula fail to account for any increased overall open interest on both markets combined?
- Regulation 150.5 provides guidance with respect to speculative position limit levels at designation for those products that are not subject to federally-mandated position limits. In particular, Regulation 150.5(b)(2) states that individual nonspot or all-months-combined levels should be no

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<sup>1</sup> For purposes of this example, we are assuming the applicability of the current position limit of 13,500 contracts in a single month for CBOT Corn contracts.

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greater than 1,000 contracts for tangible commodities other than energy products. Although Regulation 150.5 is not strictly applicable to DCMs, pursuant to Regulation 38.2, the Commission has referred to Part 150 as a guideline in its Acceptable Practices for compliance with Core Principle 5 of Section 5(d) of the Commodity Exchange Act ("CEA") (Position Limitations or Accountability) in Appendix B to Part 38. Does the Commission intend to supersede this guideline with respect to new contracts listed on other DCMs that are "substantially identical" to those contracts listed in Regulation 150.2? By permitting another DCM to list such "substantially identical" agricultural contracts, and immediately allowing that market to have the same position limits as an established market that has significant open interest, wouldn't the Commission be drawing an unjustified distinction between such new agricultural products and other new tangible commodity products, including agricultural products that are not subject to Commission-imposed limits? With respect to a tangible commodity product that is not listed in Regulation 150.2, if the product is listed by one DCM that has substantial open interest, and a "substantially identical" contract is listed by another DCM, would the second DCM be in compliance with Core Principles if it simply adopted the same position limits as the first DCM for that product? Would the Commission have the same interest in aggregation with respect to "substantially identical" contracts that are not subject to federal position limits?

We believe that the Commission should address these questions and republish a rule proposal that more fully describes how aggregation would work. By doing so, the Commission would give market participants and the public the ability to provide more meaningful comments.

We would be happy to discuss any of these issues with Commission staff. Please feel free to contact me at (312) 930-8275 or [Craig.Donohue@cmegroup.com](mailto:Craig.Donohue@cmegroup.com); Richard Lamm, Managing Director, Regulatory Counsel, at (312) 930-2041 or [Richard.Lamm@cmegroup.com](mailto:Richard.Lamm@cmegroup.com); or Anne Polaski, Associate Director and Regulatory Counsel, at 312-338-2679 or [Anne.Polaski@cmegroup.com](mailto:Anne.Polaski@cmegroup.com). Thank you for your consideration.

Sincerely,



Craig S. Donohue

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cc: Acting Chairman Walter Lukken  
Commissioner Bart Chilton  
Commissioner Michael Dunn  
Commissioner Jill E. Sommers  
Don Heitman  
Martin Murray  
Richard Shilts  
David Van Wagner