



June 15, 2009

Mr. Tony Saldukas
CFTC
525 W. Monroe Street, Suite 1100
Chicago, Illinois 60661

Dear Mr. Saldukas:

I am sending the attached letter to you which addresses the Chicago Mercantile Exchange's recent rule changes to allow firms to "cross" trades on the Exchange without having to go through the normal price discovery process. While the Staff at the CME feels that allowing these trades is critical to the success of their business model, most of the traders who make markets in these products feel that it will hurt the Exchange's position if such anti-competitive measures continue to be promoted. My hope is that by sending this letter out to various people such as you, who have an interest in the Exchange's continued success, that someone might be as outraged as the general trading population is at the CME's policy and their attempts to gain volume by going against their claim of being a "fair and transparent" marketplace.

I would appreciate any feedback regarding this subject that you may have. I can be reached at 312-244-5642 or by e-mail at james.rowoldt@ronin-capital.com. Thank you for your time.

Sincerely,

A handwritten signature in black ink that reads 'James Rowoldt'. The signature is written in a cursive, flowing style.

James Rowoldt
Ronin Capital, LLC

Enclosure: Letter and Petition to Amend Block Trading Rules

JR/jas



June 15, 2009

VIA MESSENGER

Mr. Bryan Durkin
Office of the President and COO
CME Group, Inc.
550 W. Washington, Floor 13
Chicago, Illinois 60661

RE: FINANCIAL OPTIONS BLOCK TRADING ACTIVITY

Dear Bryan:

After discussing with members of your Staff the recent block trading activity in the Financial Options, I am still not comfortable that the Exchange is ready to meaningfully consider opposing views regarding the propriety of the block trading rule as it is currently enforced. The purpose of this letter is to ask that a dialogue be opened between the Exchange staff and other interested parties in order to come up with a reasonable solution to a rule that is currently being exploited by some members of the Exchange to promote non-competitive business practices.

As has been described to me by your Staff, there seems to be a group of large customers who currently do not use the Exchange as much as they could due to their inability, as they claim, to get an adequate market on either the screen or the floor. This being the case, they argue that if they could negotiate a trade outside of the normal market mechanisms (I believe you call it the "central order book"), they could find another party to facilitate their need to trade a large amount of contracts at once. Based on this input from the handful of customers who in the past have probably performed their transactions in the OTC marketplace where the rules of transparency have traditionally been more lax than that of the CME, the Exchange has decided to change the rules of fair play that have stood basically intact for decades in order to facilitate what they think could be a substantial source of new revenue. A common argument I've heard from your people is that if the CME doesn't allow these bigger customers to do what they want, another Exchange such as the ICE will accommodate them.

The adverse effects of the CME's hasty policy change are already being felt by the majority of those trading these products. Since my primary field of expertise (for lack of a better word) is in the Financial Options, I can only personally speak of the few trades that have occurred in those products; but, through talking with several futures traders regarding the blocks in their products, I feel that their circumstances are similar to ours. Basically, it appears that the customers who are using the block trade functionality are doing so simply to direct business to a preferred counterparty. There's no other reason why a customer would choose to lose several hundreds of thousands of dollars on an execution in order to circumvent the deep liquidity pool that is found in both the pit and the electronic platforms. In the few trades we've seen thus far, the trades were executed so far away from the prevailing bid and offer that it allowed the counterparty to the customer's trade to turn around and immediately lock in a substantial profit on the floor by simply trading with their peers who didn't have access to the inside information. If the trade would have been quoted in the pit or on the screen the customer would have been the beneficiary of the better price that was routinely received by the counterparty. Your Staff's contention that a customer can't execute the size necessary by going through the normal price discovery process is insulting to the traders and groups who routinely trade similar sizes but are still governed by what you seem to think are outdated Exchange rules which were put into place to ensure a fair marketplace.

Again, without getting into a more in depth business analysis of the policy, what do you think is going to happen if you continue to be bullied by the bigger customers who simply want to use the Exchange's Clearing House because they have been mandated to do so? If you allow these firms to cross trades in this manner without any regard to the current market, why would someone working for a trading group such as ours continue to make liquid markets knowing that at any given time something might trade significantly through my bid or offer without my knowledge? Let me make this point clear, the primary strength of the CME is in the liquidity pool it provides in its various contracts. If you continue to allow firms to engage in dubious practices such as block trading without modifying the rules to make the transaction open to the entire marketplace, you are going to get rid of the liquidity providers that are essential to a contract's success. The volume growth the Exchange has enjoyed over the last several years has been directly related to their willingness to place their futures products on the screen allowing for a wider range of strategies to be employed by a new group of technology driven firms who found ways to make money through high frequency trading. In order for these strategies to work, however, the price discovery process has to be transparent and centralized so that these programs can use the information stored in the order book to ascertain the true value of a product and apply strategies accordingly. By creating a "shadow market" through the use of block/cross trades, the Exchange risks losing this substantial source of revenue as it becomes almost impossible to apply strategies based on tight bid/offer spreads when no one knows what the true market is due to the allowance of transactions away from the central order book.

Bryan, I don't want to give the impression that block trading does not have its place in our current trading environment if implemented in a way that gives access to the entire market. As stated earlier, the Staff of the Exchange has gone forward with these policies based on feedback from large customers who want their trades to be executed immediately at one price. If it were me trying to facilitate the customer's request, I would make the assumption that the "one price" stipulation did not mean "any price". Almost all of the participants in this industry are professionals and have a fiduciary responsibility to make sure that they are receiving the best prices on their executions. I find it hard to believe the Staff's argument that some of their bigger customers would prefer to execute a trade with a single counterparty at a price substantially worse than they could have gotten through the traditional floor route. I would guess that some of the intermediaries involved in these trades have a vested interest in directing a trade off floor. The Exchange shouldn't continue to be complicit in these types of transactions simply because they produce higher margins for the Exchange. At the end of the day it is still in everyone's best interest to provide a fair, open marketplace. By letting some of the bigger players get away with what has historically been looked upon as anti-competitive practices, the Exchange truly makes itself susceptible to competition from outside Exchanges as the CME threatens to lose their core strength of being able to provide significant liquidity. In the past, we have fended off threats on our products from other Exchanges by simply being able to provide tighter, more liquid markets. Our group has been asked to participate as a market maker in many of these competing products opened by upstart Exchanges but have declined because there is simply no way to get out of a trade once you get in. The CME is currently in an enviable position to build upon an already significant market base by promoting their products as being the most liquid in the world. I would hate to see them lose that position because they are trying to defend threats from other Exchanges trying to "copy" the CME's main contracts. The only way that these Exchanges will be a threat is if the CME continues to go backwards and promote trading practices that were a product of a bygone era.

Finally Bryan, given your history as a former regulator at the CBOT, let me make one more appeal to you based on the current CME rulebook. Realizing the rules have been changed recently to facilitate those trying to employ non-competitive practices, I hope the rule that I have taken from the CME's website is current. The rule governing block trading (Chapter 5, Section 525, paragraph D of the CME rulebook) states that the price in which a block trade is executed must be, among other factors, "fair and reasonable in light of the circumstances of the markets". Such vague language has thus far allowed the Exchange to avoid scrutiny by the CFTC since there supposedly is a price that could fall outside these parameters and

be disallowed by the Exchange. In practice, however, it appears as though there is a wide disparity between regulators at the CME and the majority of the Exchange's members over what constitutes a "fair and reasonable" price. If you were to ask the membership to consider the propriety of the last several block trades in the Financial Options in relation to the current rule, I would defy you to find anyone other than the party involved in the trades who would consider the trades either fair or reasonable. In the past, we have had rather clearly defined rules governing transactions on the Exchange and have required there be an audit trail throughout the trade execution process. With the new rules in effect and the manner in which they are being enforced by the CME's Regulatory Staff, is there any tactic that could be employed by an Exchange's customer that would be considered an actionable offense? If so, if you allow these deals to be struck outside of the normal market structure, how are you going to regulate possible rules violations if there is no audit trail to follow? Given the wide disparity in opinion between the Exchange and its members, isn't the policy as it currently stands worth taking another look at to see if there are ways to make the rules more palatable to all parties involved?

Unless there are changes made to the current rules to ensure the transparency of the various cross/block trades, I think you are doing a disservice to all parties as the process of price discovery is totally undermined by the allowance of these "back room" deals. I believe that there is a solution here that will benefit everyone and allow the Exchange to gain market share at the same time. In fact, the CME has gone through great lengths to strengthen its electronic trading platform (EOS) to allow customers to enter a Request for Cross order which is conceptually no different than a block trade except that the RFC functionality allows for any interested party to participate in the process by being able to see the market request. While this may not be the ultimate solution to resolve the issue, the point here is that the CME currently has the technology to facilitate block trading in a fair manner, someone just has to take the first step and realize that the current system is flawed. Thank you for your time.

Sincerely,



James Rowoldt
Ronin Capital, LLC

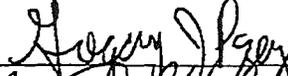
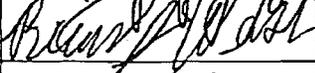
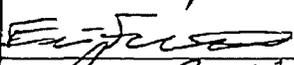
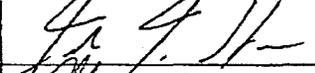
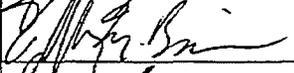
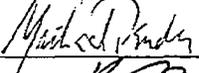
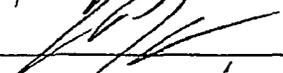
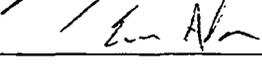
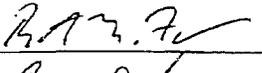
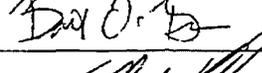
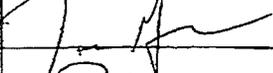
P. S. This letter has been circulated across the floor membership and is broadly supported by the 115 liquidity providers to whom we circulated the letter, as reflected on the enclosed Petition Signature Forms.

cc: Ms. Julie Holzrichter, Managing Director of Global Operations, CME Group, Inc.

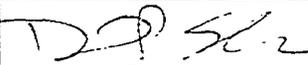
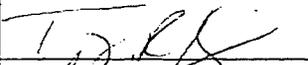
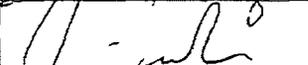
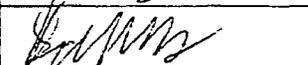
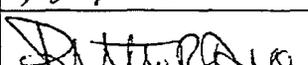
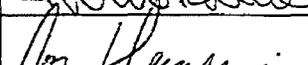
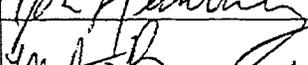
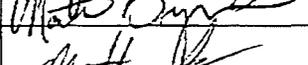
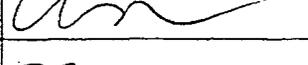
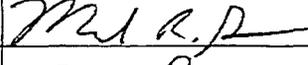
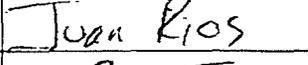
Enclosure: Petition to Amend Block Trading Rules

JR/jas

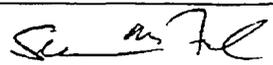
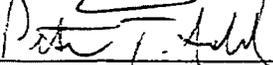
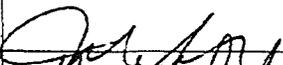
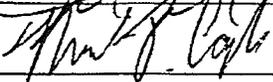
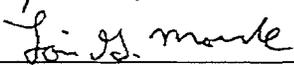
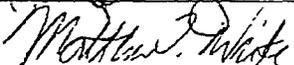
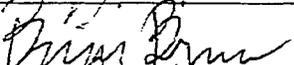
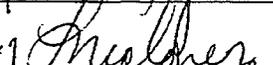
PETITION TO AMEND BLOCK TRADING RULES

Printed Name	Signature	Acronym	Company	Member since (Year)	DATE
Gregory J Posen		GSP	AC Trading	'94	6/15/09
Brian Welsh		LSH	BT PARTNERS	92	6/15/09
David Glyn		GLN	BT PARTNERS	01	6-15-09
Eric Fawcett		EF	BT Partners	03	6-15-09
Jac Stack		TKS	LSG Partners	94 94	6-15-05
Jeffrey Bridgeman		JBU	WESTRADE, LLC	95	6/15/09
Stephen Lavin		LAE	LAVIN, STACK	80	6/15/09
Michael Pender		MDP	LAVIN, STACK	94	6/15/09
CHRISTIAN TAUBER		CPT	CT Brokerage	93	6/15/09
EVAN ADAMS		EVN	PROGENY TRADING CO, INC	2002	6/15/2009
Robert Fugger		FUG	RTI	2003	6/15/09
Brett Benson		BXN	LEAGUE CORP	1997	6/15/09
Frank Phillips		FP	FP BROKERAGE CO.	1989	6/15/09
TOM GRAN		THG	SMG & ASC - INC.	1989	6/15/09
TOM RAGALSKIS		RAG	FP Brokerage Co	1999	

PETITION TO AMEND BLOCK TRADING RULES

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DANIEL P. SLAVIN		DVN			6-15-09
TIMOTHY R. KUNES		TYK		1999	6-15-09
KEVIN DONOVAN		KD			6-15-09
EDWARD LIZAK		EPL		2000	6-15-09
JAMES CORDES		CDS		1997	6-15-09
Scott Silberberg		SDS	Wolverine Trading		6-15-09
PETER DUNNE		PPD		1988	6-15-08
JOHN HENNING		JNH		2000	6-15-09
MARTIN BUGARIN		MXB		2003	6-15-09
MATT STROCLA		WL		2001	6-15-09
Chad Wilber		CCW		1996	6-15-09
MARK GORDON		INV		2003	6-15-09
Juan Rios		JRA		2003	6/15/09
EDRANKVIST		EDI	Citi	2001	6/15/09
Eric Brandt		EBB		1986	6/15/09

PETITION TO AMEND BLOCK TRADING RULES

Printed Name	Signature	Acronym	Company	Member since (Year)	DATE
SEAN FAUL		SME	ROXBOROUGH - COLLINS	1986	6/15/09
MATTHEW MURPHY		MTT	SMB ASSOC.	1989	6/15/09
Richard Youngfelt		RCK	SMB ASSO -	2003	6/15/09
PETER AULD		PTE	ACE	2004	6/15/09
John Lapetina		JEA	Hemingway Group	1984	6/15/09
MICHAEL COYLE		COY	CITI	2000	6/15/09
Louis Morande		LUE	DORMAN	1989	6/15/09
Phil Crosby		PCB	DORMAN	2006	6/15/09
Matthew White		MWH	Dorman	2003	6/15/09
Timothy Pender		TP	Dorman	1986	6/15/09
Sean Martin		...	DT
Brian Byrne		BBN	Prime Int'l Trading	1994	6/15/09
LAURENCE T. MALONEY		LTM	FORTIS	1986	6/15/09
DAVID TOFILON		DT	Prime	2004	6/15/09
ANTHONY MURRAY		BNY	R-C	1994	6/15/09

PETITION TO AMEND BLOCK TRADING RULES

Printed Name	Signature	Acronym	Company	Member since (Year)	DATE
Eugene Oberst		OB4	RCG	1988	June 15
Brian Gilman		BCA	CUNNINGHAM	1992	June 15
Richard Yarb		Y4L	RCG	1983	June 15
John Lazarich		ILZ	RCG	2008	June 11
MICHAEL SACANELLO		RACR	B5H BROKERAGE	1999	6/15/09
ARNOLD TORRELLI		TRN	TRCG	1992	6/15/09
MARK ARONSON		MXA	USA TRADING	1989	6-15-09
James Houser		HSR	Rock	1993	6-15-09
CHRIS MERNICKI		MER	DORMAN	1986	6-15-09
Marshall WELLS		WTZ	Susquehanna	2007	6-15-09
Tom Marshall		MAW	RCG	1995	6-15-09
Paul Reichel		PLY	USA Trading	2000	6-15-09
Brian Houser		AVD	PRIME TRADING	2002	6-15-09
James Beck		BEC	FORTIS	1997	6-15-09
Joe Waterman		WST	CFI	2004	6-15-09

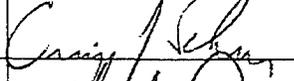
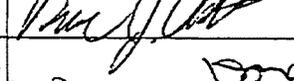
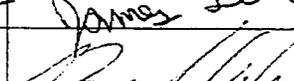
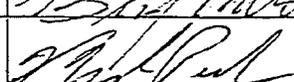
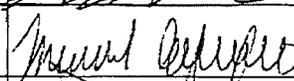
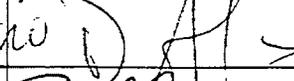
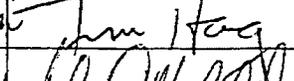
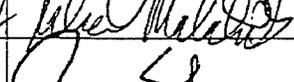
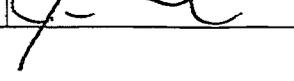
PETITION TO AMEND BLOCK TRADING RULES

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TOM CREWAND	<i>Tom O'Leary</i>	TOC	Roux Capital	1990	6-15-09
John Stack	<i>J. F. Stack</i>	SFS		1997	6-15-09
Kevin Barron	<i>Kevin Barron</i>	KTB		2003	6-15-09
Kris C. Gruner	<i>Kris C. Gruner</i>	KCC		1993	6-15-09
George Kakaris	<i>George Kakaris</i>	GOK		2004	6-15-09
Ryan Nelson	<i>Ryan Nelson</i>	NEL		2003	6-15-09
Brian Tiller	<i>Brian Tiller</i>	TIL		2004	6-15-09
Scott Keegan	<i>Scott Keegan</i>	JSK		1996	6-15-09
Scott Immekus	<i>Scott Immekus</i>	I		1989	6-15-09
Daniel Roberts	<i>Daniel Roberts</i>	DAR		1989	6-15-09
MARTY HARRIGAN	<i>Marty Harrigan</i>	HDM		1994	6-15-09
KEVIN SMALE	<i>Kevin Smale</i>	KDS		1993	6-15-09
BRIEN HODGEMAN	<i>Brien Hodgeman</i>	BHO		1986	6-15-09
Thomas Schwilz	<i>Thomas Schwilz</i>	TSW		2009	6-15-09
JASON BIANCO	<i>Jason Bianco</i>	XJX		2001	6-15-09

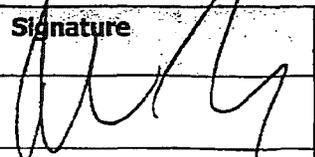
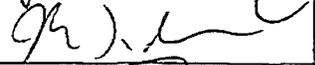
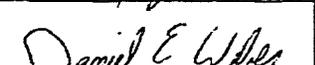
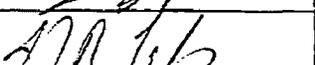
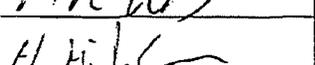
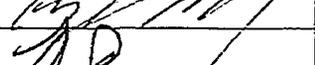
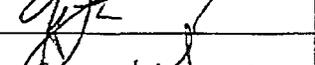
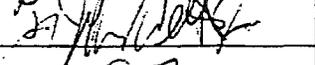
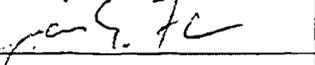
Park E. Cooney 1989 6-15-09

Robert H. Tobler Jr. 2008 6-15-09

PETITION TO AMEND BLOCK TRADING RULES

Printed Name	Signature	Acronym	Company	Member since (Year)	DATE
Walter Shields		WSE		1993	6/15/09
Robert Perkaus		RPP		2007	6/15/09
Russell Aronow		EXA		2005	6/15/09
Craig Schneider		CNS		1994	6/15/09
Robert Marciniak		RMK		1992	6/15/09
Bryce Anderson		ASN		1989	6/15/09
James Dore		JDE		1991	6/15/09
Brian Ambrosino		AM		1999	6/15/09
MARK PELUSO		MPL		1998	6-15-09
Mike Ambrosino		MJA		1996	6-15-09
DAN AMBROSINO		DNY		1993	6-15-09
Robert Quinn		RQ		1989	6-15-09
TIM HARRIGAN		TLH		1986	6/15/09
ROBERT MALUCHINI		RMX		1992	6/15/09
God Greco		GXE		1997	6/15/09

PETITION TO AMEND BLOCK TRADING RULES

Printed Name	Signature	Acronym	Company	Member since (Year)	DATE
MARTIN LEWIS		MFL		1987	6/15/09
Mark Bakowski		MBK		1994	6/15/09
GRANT SMALE		G		1990	6/15/09
Thomas A. Bradar		TAB		2002	6/15/09
Richard Leake		BRL		2003	6/15/09
Dan Weber		DNW		2007	6/15/09
John Farritor		JPF		2004	6/15/09
Nick Conti		NRC		1992	6/15/09
H. Michael Summer		SMM		2004	6/15/09
C. Chesney		CZM		1992	6/15/09
T. LINDSTROM		LND		1993	6/15/09
Eric McBuire		MGE		1997	6/15/09
Jeff Williams		FJW		1996	6/15/09
Jim Farmer		ESF		1987	06/15/09
Frank Serrino		FRC		1992	6/15/05

John Hiatt

From: j34padr@aol.com
Sent: Monday, June 15, 2009 1:16 PM
To: John Hiatt
Subject: Fwd: SIGNATURES FOR LETTER TO CME ON BLOCK TRADING

here they are.

-----Original Message-----

From: Gary Sagui <gsagui@templartrading.com>
To: Jim Dore (Jim Dore) <j34padr@aol.com>
Cc: Bob Dickey (Bob Dickey) <bddickey@templartrading.com>; Brian Avery <boaves@aol.com>;
dwagstaff23@gmail.com; don wheeler (don wheeler) <bigdwheel@hotmail.com>; ERIK KELLOGG
<ekellogg@templartrading.com>; Jiglets@aol.com; gary knight (gary knight)
<grknight@ameritech.net>
Sent: Mon, 15 Jun 2009 13:03:22 -0500
Subject: SIGNATURES FOR LETTER TO CME ON BLOCK TRADING

Jim,

The following people are full time traders on the CME electronic platform and have authorized me to contribute their signatures for the letter to the CME on Block Trading.

Gary Sagui , Former CBOT director

Bob Dickey

Brian Avery

Mark Jiganti

Don Wheeler Jr.

Gary Knight

Dan Wagstaff

Erik Kellogg

Thank you,

Gary Sagui