

May 24, 2012

VIA E-MAIL

Mr. David Stawick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

**RE: Regulation § 40.6 (a) Submission Certification
Introduce the Basis Trade at Index Close (“BTIC”) Block Trade Provision
for E-mini S&P Select Sector Stock Index Futures
CME Submission No. 12-152R**

Dear Mr. Stawick:

Chicago Mercantile Exchange Inc. (“CME” or “Exchange”) is notifying the Commodity Futures Trading Commission (“CFTC”) that it is self-certifying the Block Trade provision for the E-mini Standard and Poor’s (“S&P”) Stock Index futures known as Basis Trade at Index Close (“BTIC”). The ability to execute BTIC Block trades will become effective on Sunday, June 17, 2012 for trade date Monday, June 18, 2012.

This type of Block Trade methodology allows market participants to execute an E-mini S&P Select Sector Stock Index futures transaction as a basis trade relative to the underlying final daily index value for a S&P Select Sector index.

The two contra parties to the BTIC block trade will negotiate the basis level or price increment that will be applied to that trading day’s closing S&P Select Sector index value. Following the close of the primary securities market, the CME clearinghouse will wait 45 minutes after the close of the primary securities market and then reference the final daily cash index value disseminated by S&P for the relevant Select Sector index. The basis or price increment will be used to adjust the final daily S&P Select Sector index value to determine the cleared S&P Select Sector index futures price. The cleared futures price calculated from the BTIC block trade will approximate the end of day fair market value for the S&P Select Sector futures contract.

The S&P Select Sector BTIC block trade requires a smaller price increment than the standard price increment for the S&P Select Sector Index futures contract. A smaller price increment is required because the underlying stock price index is reported to a two decimal place level of precision. The standard price increment for the nine S&P Select Sector Index futures contracts is either 0.10 index points or 0.05 index points.

The minimum price increment for a BTIC transaction will be 0.01 index points. The change in the minimum price increment or tick size is referenced in the Commodity Specifications Table and can be found in the appendix to Rule 36901. A 0.01 tick increment for the BTIC futures price will eliminate a futures price rounding requirement that would introduce a positive futures price bias for one BTIC block trade market participant to the disadvantage of the other BTIC block trade market participant.

BTIC block trade transactions are required to comply with the Block Trade reporting requirement of CME Rule 526. As such, the market participants must meet minimum contract thresholds as well as report both the trade size and the futures contract basis within five minutes after agreeing to the terms of the BTIC block trade. The final futures contract price will be determined approximately 45 minutes after the close of the primary securities market when the closing value of the underlying equity index is available.

A Market Regulation Advisory Notice outlining the revisions to CME Block Trade practices to incorporate BTIC Block Trade transactions was previously submitted to the CFTC.

Revised Submission 12-152R is issued to add an additional requirement attendant to the price reporting and submission to clearing of Basis Trade at Index Close ("BTIC") block trades in CME E-mini S&P Select Sector™ Stock Index futures ("Select Sector futures"). Submission 12-152R clarifies that BTIC block trades in Select Sector futures may only be price reported and submitted to clearing via CME ClearPort as that is the only system of entry that will allow for the block trade price to be reported and cleared at a basis differential from the not-yet-known cash index closing price. Based on the revised Submission 12-152R, the launch date for BTIC block trades has been moved from June 11, 2012, to June 18, 2012.

The Research Department and the Legal Department collectively reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA"). During the review, we have identified that the new product may have some bearing on the following Core Principles:

- Contracts not readily subject to manipulation: The new Block Trade methodology is not readily subject to manipulation due to the deep liquidity and robustness in the underlying cash market, which provides diverse participation and sufficient spot transactions to support the final daily index value as calculated by S&P.
- Availability of General information: The Exchange will publish information on the size of the BTIC block trade as well as the basis associated with the BTIC transaction on its website, together with daily trading volume, open interest and price information.
- Daily Publication of trading information: Trading volume, open interest and price information will be published daily on the Exchange's website and via quote vendors.
- Trade Information: All required trade information is included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.
- Execution of Transactions: This core principle and Regulation 1.38 allow for certain transactions to be executed off the centralized marketplace. CME has historically allowed block trading in certain contracts as one form of allowable non-competitive transaction. Block trading is currently permitted in E-mini Select Sector Index futures.

Mr. David Stawick
Page 3
May 24, 2012

The changes to Chapter 369 codify the adoption of an alternative means of pricing the block trade, subject to certain requirements as set forth in the revised Rules. Additionally, these transactions, like all block trades, will be subject to review by the Market Regulation Department. For these reasons, the adoption of BTIC block trades is compliant with this core principle.

The Exchange certifies that these rule amendments comply with the CEA and regulations thereunder. There were no substantive opposing views to these rule amendments.

The Exchange certifies that this submission has been concurrently posted on the Exchange's website at <http://www.cmegroup.com/market-regulation/rule-fillings.html>.

A black lined copy of revised Chapter 369 is attached hereto as Appendix A. A black lined copy of CME Submission No. 12-152R is attached hereto as Appendix B.

If you require any additional information regarding this action, please do not hesitate to contact me at 312-930-8167. Please reference CME Submission No. 12-152R in any related correspondence.

Sincerely,

/s/ Tim Elliott
Executive Director and Associate General Counsel

Attachments: Appendix A – Chapter 369
Appendix B – CME Submission No. 12-152R (Black lined)

cc: Mr. Thomas M. Leahy and Mr. Philip Colling
CFTC Division of Market Oversight, Product Review & Analysis Section

APPENDIX A

Chapter 369 E-mini S&P Select Sector™ Stock Index Futures

(Additions are underlined)

36901. COMMODITY SPECIFICATIONS

Each S&P Select Sector Stock Index futures contract shall be constructed per the specifications included in the table below.

	S&P: Select Sector™ Stock Index	Trading Unit (Contract Multiplier) & Currency	Minimum Price Increment or Tick Size	Position Limit
1	Consumer Discretionary	\$100.00 (USD)	0.10 Index Points (\$10.00) <u>0.01 Index Points</u> <u>(\$1.00) for BTIC</u> <u>Block Trades only</u>	12,500 contracts
2	Consumer Staples	\$100.00 (USD)	0.10 Index Points (\$10.00) <u>0.01 Index Points</u> <u>(\$1.00) for BTIC</u> <u>Block Trades only</u>	12,500 contracts
3	Energy	\$100.00 (USD)	0.10 Index Points (\$10.00) <u>0.01 Index Points</u> <u>(\$1.00) for BTIC</u> <u>Block Trades only</u>	12,500 contracts
4	Financial	\$250.00 (USD)	0.05 Index Points (\$12.50) <u>0.01 Index Points</u> <u>(\$2.50) for BTIC</u> <u>Block Trades only</u>	12,500 contracts
5	Health Care	\$100.00 (USD)	0.10 Index Points (\$10.00) <u>0.01 Index Points</u> <u>(\$1.00) for BTIC</u> <u>Block Trades only</u>	12,500 contracts
6	Industrial	\$100.00 (USD)	0.10 Index Points (\$10.00) <u>0.01 Index Points</u> <u>(\$1.00) for BTIC</u> <u>Block Trades only</u>	12,500 contracts

7	Materials	\$100.00 (USD)	0.10 Index Points (\$10.00) <u>0.01 Index Points (\$1.00) for BTIC Block Trades only</u>	12,500 contracts
8	Technology	\$100.00 (USD)	0.10 Index Points (\$10.00) <u>0.01 Index Points (\$1.00) for BTIC Block Trades only</u>	12,500 contracts
9	Utilities	\$100.00 (USD)	0.10 Index Points (\$10.00) <u>0.01 Index Points (\$1.00) for BTIC Block Trades only</u>	12,500 contracts

36906. Basis Trade at Index Close (“BTIC”) Transactions

A Basis Trade at Index Close (“BTIC”) Transaction is a futures transaction on an E-mini S&P Select Sector Stock Index that is priced with reference to the S&P cash index close price for the specific index.

The futures price assigned to a BTIC Transaction shall be based on the current day’s S&P cash index close price, or the current day’s S&P cash index close price adjusted by any valid price increment (the “Basis”) higher or lower than the applicable S&P cash index close price. The Basis must be fair and reasonable, taking into account financing rates, expected dividend income, time remaining until the Equity Index futures contract expiration and any of the factors set forth in Rule 526.D., as applicable.

36906.A. BTIC Block Trade Requirements

BTIC Transactions in E-mini S&P Select Sector Stock Index futures may be executed as block trades pursuant to the requirements of Rule 526. Both the block trade quantity and the valid price increment (the “Basis”) for BTIC block trades must be reported within five minutes of the agreement of the parties to execute the trade in accordance with Rule 526.F.

In addition to complying with the reporting requirements set forth above, BTIC block trades for BTIC-eligible Equity Index futures must be reported to the Exchange at least 10 minutes prior to the scheduled close of the underlying primary securities market to establish the BTIC futures price on the current trading day. The BTIC futures price for BTIC-eligible Equity Index futures orders that are not reported to the Exchange at least 10 minutes prior to the scheduled close of the underlying primary securities market shall be based on the index close price for the next available trading day for the primary securities market.

39606.B. Price Assignment Procedure for BTIC Futures

The futures price of a BTIC Transaction will be determined by the Exchange at 3:45 p.m. Central time and the Exchange determined price will be deemed final at that time. In the event of an early scheduled close of the primary securities market, the futures price of a BTIC

Transaction will be determined by the Exchange 45 minutes after the early scheduled close time for the primary securities market and the Exchange determined price will be deemed final at that time.

36906.C. BTIC Orders Minimum Price Increment

(Refer to Rule 36901.- Commodity Specifications —Minimum Price Increment or Tick Size). The valid Basis or Price Increment applied to the index close price to establish the BTIC futures price must be stated in full tick increments, e.g. 0.10 index points for all E-mini S&P Select Sector Stock Index futures, except for the E-mini S&P Financial Select Sector Stock Index futures where the Basis or Price Increment applied to the index close to establish the BTIC settlement price must be stated in a full tick increments equal to 0.05 index points.

36906.C. BTIC Orders Prohibited on Last Day of Trading

BTIC orders for BTIC-eligible Equity Index futures may not be initiated on the last day of trading in an expiring contract.

36906.D. Market Disruption Events

In the event of an equity market disruption in the primary securities market, a BTIC-eligible Equity Index futures block trade order shall be cancelled. Equity market disruption events shall be declared at the sole discretion of the Exchange. Equity market disruptions may include, but are not limited to:

1. an unscheduled early closure for the day of the primary equity securities market, or
2. the occurrence of a Level 3 NYSE Rule 80B trading halt that requires an early closure of the primary securities market.

(CLEAN COPY)

Chapter 369
E-mini S&P Select Sector™ Stock Index Futures

36901. COMMODITY SPECIFICATIONS

Each S&P Select Sector Stock Index futures contract shall be constructed per the specifications included in the table below.

	S&P: Select Sector™ Stock Index	Trading Unit (Contract Multiplier) & Currency	Minimum Price Increment or Tick Size	Position Limit
1	Consumer Discretionary	\$100.00 (USD)	0.10 Index Points (\$10.00) 0.01 Index Points (\$1.00) for BTIC Block Trades only	12,500 contracts
2	Consumer Staples	\$100.00 (USD)	0.10 Index Points (\$10.00) 0.01 Index Points (\$1.00) for BTIC Block Trades only	12,500 contracts
3	Energy	\$100.00 (USD)	0.10 Index Points (\$10.00) 0.01 Index Points (\$1.00) for BTIC Block Trades only	12,500 contracts
4	Financial	\$250.00 (USD)	0.05 Index Points (\$12.50) 0.01 Index Points (\$2.50) for BTIC Block Trades only	12,500 contracts
5	Health Care	\$100.00 (USD)	0.10 Index Points (\$10.00) 0.01 Index Points (\$1.00) for BTIC Block Trades only	12,500 contracts
6	Industrial	\$100.00 (USD)	0.10 Index Points (\$10.00) 0.01 Index Points (\$1.00) for BTIC Block Trades only	12,500 contracts
7	Materials	\$100.00 (USD)	0.10 Index Points (\$10.00) 0.01 Index Points (\$1.00) for BTIC Block Trades only	12,500 contracts

8	Technology	\$100.00 (USD)	0.10 Index Points (\$10.00) 0.01 Index Points (\$1.00) for BTIC Block Trades only	12,500 contracts
9	Utilities	\$100.00 (USD)	0.10 Index Points (\$10.00) 0.01 Index Points (\$1.00) for BTIC Block Trades only	12,500 contracts

36906. Basis Trade at Index Close (“BTIC”) Transactions

A Basis Trade at Index Close (“BTIC”) Transaction is a futures transaction on an E-mini S&P Select Sector Stock Index that is priced with reference to the S&P cash index close price for the specific index.

The futures price assigned to a BTIC Transaction shall be based on the current day’s S&P cash index close price, or the current day’s S&P cash index close price adjusted by any valid price increment (the “Basis”) higher or lower than the applicable S&P cash index close price. The Basis must be fair and reasonable, taking into account financing rates, expected dividend income, time remaining until the Equity Index futures contract expiration and any of the factors set forth in Rule 526.D., as applicable.

36906.A. BTIC Block Trade Requirements

BTIC Transactions in E-mini S&P Select Sector Stock Index futures may be executed as block trades pursuant to the requirements of Rule 526. Both the block trade quantity and the valid price increment (the “Basis”) for BTIC block trades must be reported within five minutes of the agreement of the parties to execute the trade in accordance with Rule 526.F.

In addition to complying with the reporting requirements set forth above, BTIC block trades for BTIC-eligible Equity Index futures must be reported to the Exchange at least 10 minutes prior to the scheduled close of the underlying primary securities market to establish the BTIC futures price on the current trading day. The BTIC futures price for BTIC-eligible Equity Index futures orders that are not reported to the Exchange at least 10 minutes prior to the scheduled close of the underlying primary securities market shall be based on the index close price for the next available trading day for the primary securities market.

39606.B. Price Assignment Procedure for BTIC Futures

The futures price of a BTIC Transaction will be determined by the Exchange at 3:45 p.m. Central time and the Exchange determined price will be deemed final at that time. In the event of an early scheduled close of the primary securities market, the futures price of a BTIC Transaction will be determined by the Exchange 45 minutes after the early scheduled close time for the primary securities market and the Exchange determined price will be deemed final at that time.

36906.C. BTIC Orders Minimum Price Increment

(Refer to Rule 36901.- Commodity Specifications —Minimum Price Increment or Tick Size). The valid Basis or Price Increment applied to the index close price to establish the BTIC futures price must be stated in full tick increments, e.g. 0.10 index points for all E-mini S&P Select Sector Stock Index futures, except for the E-mini S&P Financial Select Sector Stock Index futures where the Basis or Price Increment applied to the index close to establish the BTIC settlement price must be stated in a full tick increments equal to 0.05 index points.

36906.C. BTIC Orders Prohibited on Last Day of Trading

BTIC orders for BTIC-eligible Equity Index futures may not be initiated on the last day of trading in an expiring contract.

36906.D. Market Disruption Events

In the event of an equity market disruption in the primary securities market, a BTIC-eligible Equity Index futures block trade order shall be cancelled. Equity market disruption events shall be declared at the sole discretion of the Exchange. Equity market disruptions may include, but are not limited to:

1. an unscheduled early closure for the day of the primary equity securities market, or
2. the occurrence of a Level 3 NYSE Rule 80B trading halt that requires an early closure of the primary securities market.

APPENDIX B



Timothy R. Elliott
Executive Director and Associate General Counsel
Legal Department

May 24, 2012

VIA E-MAIL

Mr. David Stawick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

RE: Regulation § 40.6 (a) Submission Certification
Introduce the Basis Trade at Index Close ("BTIC") Block Trade Provision for E-mini S&P Select Sector Stock Index Futures
CME Submission No. 12-152R

Dear Mr. Stawick:

Chicago Mercantile Exchange Inc. ("CME" or "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC") that it is self-certifying the Block Trade provision for the E-mini Standard and Poor's ("S&P") Stock Index futures known as Basis Trade at Index Close ("BTIC"). The ability to execute BTIC Block trades will become effective on Sunday, June 17, 2012 for trade date Monday, June 18, 2012.

This type of Block Trade methodology allows market participants to execute an E-mini S&P Select Sector Stock Index futures transaction as a basis trade relative to the underlying final daily index value for a S&P Select Sector index.

The two contra parties to the BTIC block trade will negotiate the basis level or price increment that will be applied to that trading day's closing S&P Select Sector index value. Following the close of the primary securities market, the CME clearinghouse will wait 45 minutes after the close of the primary securities market and then reference the final daily cash index value disseminated by S&P for the relevant Select Sector index. The basis or price increment will be used to adjust the final daily S&P Select Sector index value to determine the cleared S&P Select Sector index futures price. The cleared futures price calculated from the BTIC block trade will approximate the end of day fair market value for the S&P Select Sector futures contract.

The S&P Select Sector BTIC block trade requires a smaller price increment than the standard price increment for the S&P Select Sector Index futures contract. A smaller price increment is required because the underlying stock price index is reported to a two decimal place level of

precision. The standard price increment for the nine S&P Select Sector Index futures contracts is either 0.10 index points or 0.05 index points.

The minimum price increment for a BTIC transaction will be 0.01 index points. The change in the minimum price increment or tick size is referenced in the Commodity Specifications Table and can be found in the appendix to Rule 36901. A 0.01 tick increment for the BTIC futures price will eliminate a futures price rounding requirement that would introduce a positive futures price bias for one BTIC block trade market participant to the disadvantage of the other BTIC block trade market participant.

BTIC block trade transactions are required to comply with the Block Trade reporting requirement of CME Rule 526. As such, the market participants must meet minimum contract thresholds as well as report both the trade size and the futures contract basis within five minutes after agreeing to the terms of the BTIC block trade. The final futures contract price will be determined approximately 45 minutes after the close of the primary securities market when the closing value of the underlying equity index is available.

A Market Regulation Advisory Notice outlining the revisions to CME Block Trade practices to incorporate BTIC Block Trade transactions was previously submitted to the CFTC.

[Revised Submission 12-152R is issued to add an additional requirement attendant to the price reporting and submission to clearing of Basis Trade at Index Close \("BTIC"\) block trades in CME E-mini S&P Select Sector™ Stock Index futures \("Select Sector futures"\). Submission 12-152R clarifies that BTIC block trades in Select Sector futures may only be price reported and submitted to clearing via CME ClearPort as that is the only system of entry that will allow for the block trade price to be reported and cleared at a basis differential from the not-yet-known cash index closing price. Based on the revised Submission 12-152R, the launch date for BTIC block trades has been moved from June 11, 2012, to June 18, 2012.](#)

The Research Department and the Legal Department collectively reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA"). During the review, we have identified that the new product may have some bearing on the following Core Principles:

- Contracts not readily subject to manipulation: The new Block Trade methodology is not readily subject to manipulation due to the deep liquidity and robustness in the underlying cash market, which provides diverse participation and sufficient spot transactions to support the final daily index value as calculated by S&P.
- Availability of General information: The Exchange will publish information on the size of the BTIC block trade as well as the basis associated with the BTIC transaction on its website, together with daily trading volume, open interest and price information.
- Daily Publication of trading information: Trading volume, open interest and price information will be published daily on the Exchange's website and via quote vendors.
- Trade Information: All required trade information is included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.

Mr. David Stawick
Page 3
May 24, 2012

- Execution of Transactions: This core principle and Regulation 1.38 allow for certain transactions to be executed off the centralized marketplace. CME has historically allowed block trading in certain contracts as one form of allowable non-competitive transaction. Block trading is currently permitted in E-mini Select Sector Index futures. The changes to Chapter 369 codify the adoption of an alternative means of pricing the block trade, subject to certain requirements as set forth in the revised Rules. Additionally, these transactions, like all block trades, will be subject to review by the Market Regulation Department. For these reasons, the adoption of BTIC block trades is compliant with this core principle.

The Exchange certifies that these rule amendments comply with the CEA and regulations thereunder. There were no substantive opposing views to these rule amendments.

The Exchange certifies that this submission has been concurrently posted on the Exchange's website at <http://www.cmegroup.com/market-regulation/rule-fillings.html>.

[A black lined copy of revised Chapter 369 is attached hereto as Appendix A. A black lined copy of CME Submission No. 12-152R is attached hereto as Appendix B.](#)

If you require any additional information regarding this action, please do not hesitate to contact me at 312-930-8167. Please reference CME Submission No. 12-152R in any related correspondence.

Sincerely,

/s/ Tim Elliott
Executive Director and Associate General Counsel

Attachments: Appendix [A – Chapter 369](#)
[Appendix B – CME Submission No. 12-152R \(Black lined\)](#)

cc: Mr. Thomas M. Leahy and Mr. Philip Colling
CFTC Division of Market Oversight, Product Review & Analysis Section