

October 15, 2012

VIA E-MAIL

Ms. Sauntia Warfield
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

**Re: 40.6(a) Self-Certification. Notification Regarding the Proposed Amendments to the Daily Price Limits for Nonfat Dry Milk and Dry Whey Futures Contracts Listed for Trading on the CME Trading Floor and Globex
CME Submission 12-337**

Dear Ms. Warfield:

The Chicago Mercantile Exchange Inc. ("CME" or the "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is proposing amendments to the daily price limits for the Nonfat Dry Milk and Dry Whey futures contracts, which are currently listed for trading on the CME trading floor and Globex. The proposed amendments, attached hereto as Exhibit A, will be effective on October 30, 2012.

The proposed increases will meet market needs to manage increased volatility in Nonfat Dry Milk and Dry Whey prices in light of current tight supply and demand fundamentals. Limit price moves can present considerable issues for the Nonfat Dry Milk and Dry Whey markets. When a futures contract is locked at its price limit, the price discovery function of that futures contract is lost. Traders may look to the futures price implied by the option market in such locked limit situations, but that method can be cumbersome and non-exact. Some market participants may move business to the over-the-counter market during locked limit situations, negatively affecting Exchange volume and reducing price transparency.

In the first two quarters of 2012, Nonfat Dry Milk and Dry Whey futures contracts settled at their daily price limits a total of 32 times and 25 times, respectively. Assuming the same level of volatility and no change in the daily price limits, at least 64 Nonfat Dry Milk and 50 Dry Whey futures contracts are projected to settle at their daily price limits in 2012.

To address these issues, the daily limits for Nonfat Dry Milk is recommended to be modified to increase the initial limit to 4 cents per pound from 2.5 cents per pound, with the expandable limit increasing to 8 cents per pound from 5 cents per pound. Also, Dry Whey daily limits is being modified to increase the initial limit to 6 cents per pound from 4 cents per pound, with the expandable limit increasing to 12 cents per pound from 6 cents per pound. These increases are in line with the daily price limits for the Class IV and Class III milk contracts, which are used as inputs in manufacturing these products and are often traded together as part of the "dairy crush".

CME business staff responsible for the rule amendments and the CME legal department collectively reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act (the "Act" or "CEA"). During the review, CME staff identified that the amendments may have some bearing on the following Core Principles:

- Contracts Not Readily Subject to Manipulation: The contracts continue to not be readily subject to manipulation despite the proposed increase in daily price limits under this self-certification. The new

limits are based on formulas used by the United States Department of Agriculture (USDA) to determine Class and Component prices for all dairy in the United States. The data collected by (USDA) is mandatory and it is auditable to insure accuracy and reliability. Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.5(a), the Exchange hereby acknowledges that the proposed changes comply with the Act, including regulations under the Act. These amendments were vetted with a broad cross section of the dairy industry during a recent review of the performance and contract specifications for our dairy products, and there were no substantive opposing views to this proposal. These amendments shall become effective on trade date October 30, 2012, pending CFTC approval.

- Prevention of Market Disruption: Trading in these contracts will be subject to Rulebook Chapters 4 & 7 which includes prohibitions on manipulation, price distortion and disruptions of the delivery or cash-settlement process. As will all products listed for trading on one of CME Group's designated contract markets, activity will be subject to extensive monitoring and surveillance by CME Group's Market Regulation Department.
- Availability of General Information: The Exchange will publish information on the contracts' specifications on its website, together with daily trading volume, open interest and price information. In addition, the Exchange will notify the market of these proposed daily price limits by issuing a Special Executive Report on these changes.
- Protection of Market Participants: Rulebook Chapters 4 & 5 contains multiple prohibitions precluding intermediaries from disadvantaging their customers. These rules apply to trading on all of the Exchange's competitive trading venues and will be applicable to transactions in these products.

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

Should you have any questions concerning the above, please contact the undersigned at (312) 930-8167 or Sean.Downey@cmegroup.com.

Sincerely,

/s/Sean M. Downey
Director and Assistant General Counsel

Attachments: Exhibit A

EXHIBIT A

Amendments to Rules Relating to Nonfat Dry Milk & Dry Whey Futures

(Bold/underline indicates addition, strikethrough indicates deletion)

CHAPTER 54 Nonfat Dry Milk Futures

5402.D. Daily Price Limits

There shall be no trading at a price more than [~~\$0.025~~] \$0.04 per pound above or below the previous day's settlement price, except that there shall be no daily price limits in the spot month during the last 5 trading days in the spot month.

If any contract that is subject to a daily price limit settles on the limit bid or the limit offer, then the daily price limit shall be raised to [~~\$0.05~~] \$0.08 per pound for all contracts subject to a daily limit. If none of the contracts that are subject to a daily price limit of [~~\$0.05~~] \$0.08 settles at a limit bid or limit offer, the price, without regard to market direction, limits for all contracts subject to a daily limit shall revert to [~~\$0.025~~] \$0.04 per pound on the next business day.

[remainder of chapter unchanged]

CHAPTER 57 Dry Whey Futures

5702.D. Daily Price Limits

There shall be no trading at a price more than [~~\$0.040~~] \$0.06 per pound above or below the previous day's settlement price, except that there shall be no daily price limits in the spot month during the last 5 trading days in the spot month.

If any contract that is subject to a daily limit settles on the limit bid or the limit offer, then the daily price limit shall be raised to [~~\$0.060~~] \$0.12 per pound for all contracts. If none of the contracts that are subject to a daily price limit of [~~\$0.060~~] \$0.12 settles at the limit bid or offer, the price limits for all contracts shall revert to [~~\$0.040~~] \$0.06 per pound on the next business day.

[remainder of chapter unchanged]