



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

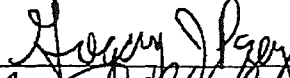
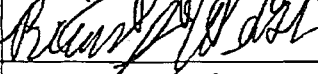
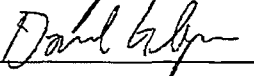
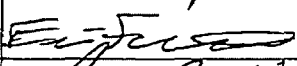
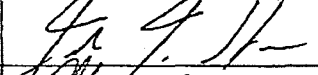
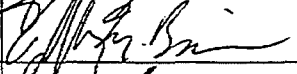

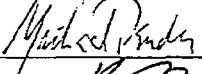
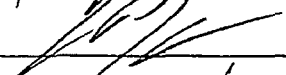
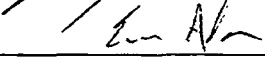
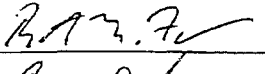
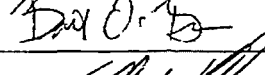

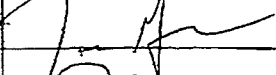

P. S. This letter has been circulated across the floor membership and is broadly supported by the 115 liquidity providers to whom we circulated the letter, as reflected on the enclosed Petition Signature Forms.

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

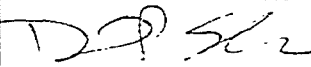
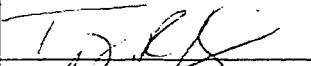

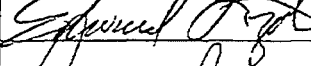
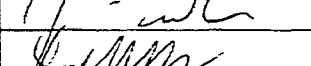
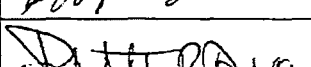
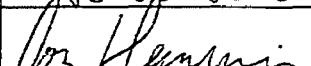


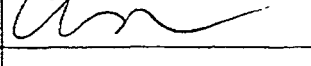
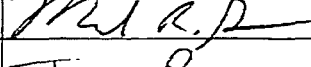
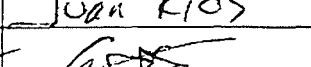
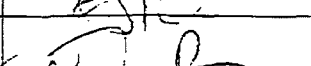
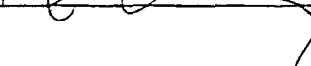

Enclosure: Petition to Amend Block Trading Rules

JR/jas

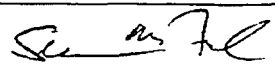


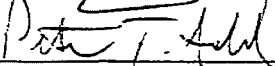
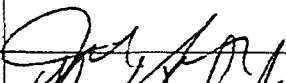
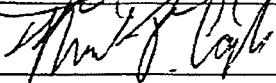
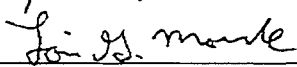
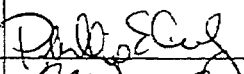
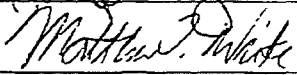
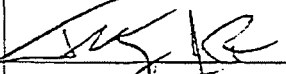
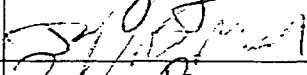
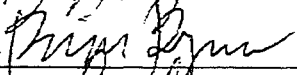
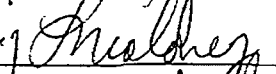
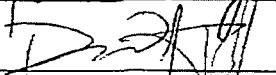
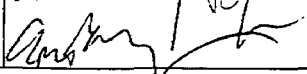
PETITION TO AMEND BLOCK TRADING RULES

| 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 RAGANIS |  | RAG | FP Brokerage Co | 1999 | |


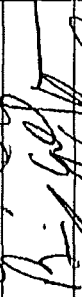

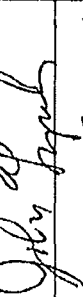




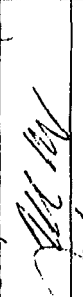






PETITION TO AMEND BLOCK TRADING RULES

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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 |
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| 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 | RCB | 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




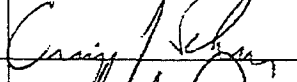
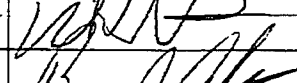
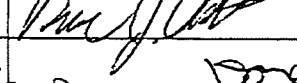
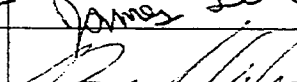
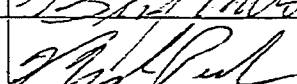
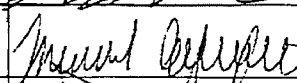
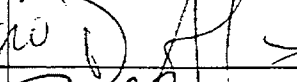

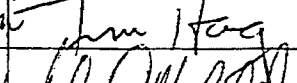
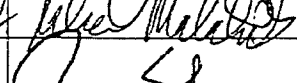
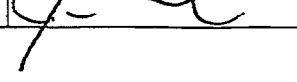

| Printed Name | Signature | Acronym | Company | Member since (Year) | DATE |
|-------------------|---|---------|---------------|---------------------|---------|
| Eugene Oberst |  | OB4 | RCG | 1988 | June 15 |
| Brian Gilman |  | BCA | CUNNINGHAM | 1992 | June 15 |
| Richard Yarb |  | Y4L | RCG | 1983 | 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 |  | MMK | RCG | 1995 | 6-15-09 |
| Paul Reichel |  | PLY | USA Trading | 2000 | 6-15-09 |
| Brian Houser |  | HUD | PRIME TRADING | 2002 | 6-15-09 |
| James Beck |  | BEC | FOFIS | 1997 | 6-15-09 |
| Joe Waterman |  | WST | CFI | 2004 | 6-15-09 |

PETITION TO AMEND BLOCK TRADING RULES

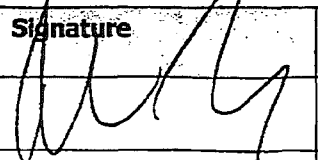






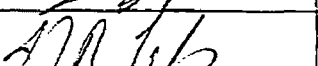
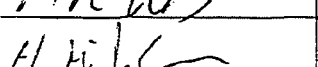

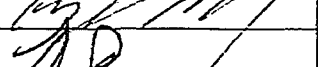
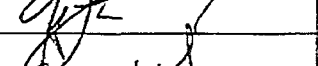


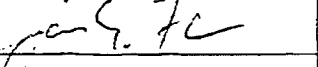
| Printed Name | Signature | Acronym | Company | Member since (Year) | DATE |
|---------------------------|----------------------------------|----------------|--------------|---------------------|--------------------|
| TOM CREWAND | <i>Tom O'Leary</i> | TOC | Roux Capital | 1990 | 6-15-09 |
| John Stack | <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> | DRD | | 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 SCHWIZ | <i>Thomas Schwiz</i> | THS | | 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. Brader |  | TAB | | 2002 | 6/15/09 |
| Richard Leake |  | BRL | | 2003 | 6/15/09 |
| Dan Weber |  | DNW | | 2007 | 6/15/09 |
| John Farcitor |  | 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