

March 29, 2011

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

Re: RIN Number 3038-AD21, Commodity Options and Agricultural Swaps

Dear Mr. Stawick:

CME Group Inc. ("CME Group") appreciates the opportunity to comment on the Commodity Futures Trading Commission's ("CFTC" or "Commission") notice of proposed rulemaking regarding the appropriate treatment of agricultural swaps and commodity options under the Commodity Exchange Act ("CEA") as amended by Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"). *See* Commodity Options and Agricultural Swaps, 76 Fed. Reg. 6095 (Feb. 3, 2011). CME Group supports the Commission's proposal to treat agricultural swaps and commodity options the same as all other swaps.

CME Group is the holding company for four separate exchanges or designated contract markets ("DCMs") subject to the CEA: the Chicago Mercantile Exchange Inc. ("CME"), the Board of Trade of the City of Chicago, Inc. ("CBOT"), the New York Mercantile Exchange, Inc. ("NYMEX") and the Commodity Exchange, Inc. ("COMEX"). Trading and clearing agricultural commodity products is an important part of our business. We offer trading in a wide array of agricultural commodities, including futures and options contracts on corn, wheat, soybeans, soybean meal, soybean oil, oats, rough rice, cattle, hogs, lumber, and dairy products. In addition, we make clearing available for numerous over-the-counter ("OTC") agricultural contracts on our CME ClearPort clearing platform and have petitioned the Commission for authorization to expand that service. *See* CME Group Letter to CFTC, Petition for an Exemption to Permit the Clearing of OTC Agricultural Swap Transactions and the Commingling of Customer Funds Used to Margin Such Transactions with Other Funds Held in Segregated Accounts and Participation by Registered CME and CBOT Floor Brokers and Traders as Eligible Swap Participants (June 4, 2010); *see also* CME Group Letter to CFTC, Agricultural Swaps ANPRM (October 28, 2011) (the "October Letter").

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The Commission's proposed rules would treat swaps in agricultural commodities and all commodity options, other than options on futures, the same as all other swaps. To implement this proposal, the CFTC would withdraw existing part 35 of its regulations and adopt a new part 35 to provide the primary authority for transacting agricultural commodity swaps. The Commission would also update and revise the existing framework for off-exchange options in part 32 and would affirm that all commodity options (other than options on futures) are swaps, subject to all provisions of the CEA otherwise applicable to swaps. As described in more detail below, CME Group believes this proposal will enhance certainty in the agricultural swap marketplace and encourages the Commission to adopt the proposal as a final rule.

### **Equal Treatment For Agricultural Swaps**

In the October Letter, CME Group urged the CFTC to exercise its discretion under Section 4(c) of the CEA to promulgate rules specifying that agricultural swaps will be treated the same as other types of swaps. In our view, applying a single, uniform set of rules to all swaps will advance the public interests that Dodd-Frank and the CEA are designed to promote and benefit the users of these products. We are pleased that the CFTC has adopted our suggestion.

We agree with the Commission's assessment that subjecting agricultural swaps to Dodd-Frank's regulatory regime would be consistent with the public interest. Permitting agricultural swaps to transact under the same terms and conditions as other swaps will provide greater certainty and stability to the agricultural swaps market and will advance many of Dodd-Frank's goals, including increased pre-trade price transparency, and the reduction of systemic risk through the use of central counterparty clearinghouses.

Applying the same rules to agricultural swaps as to all other types of swaps will also ensure that only appropriate persons enter into agricultural swaps. Under Dodd-Frank, only market participants that qualify as eligible contract participants ("ECPs") may trade swaps in the OTC market. All other market participants, must trade swaps on, or subject to the rules of a DCM, where they will have the full protections that all DCM users enjoy. *See* Dodd-Frank § 723(a) (to be codified at CEA § 2(e)). These provisions should limit participation in agricultural swaps to appropriate persons.

In addition, streamlining swap regulation so that agricultural swaps are treated the same as other swaps will enable the Commission and Commission-regulated markets to discharge their regulatory duties more efficiently. Moreover, under the current part 35 exemption, DCMs and the CFTC have developed appropriate levels of oversight for the trading and clearing of agricultural products. This experience demonstrates that agricultural swaps can transact in the same manner as other swaps without disrupting the market and suggests that special regulation for agricultural swaps is unnecessary.

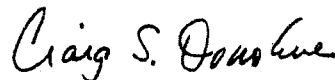
**Treatment of Commodity Options**

In the October Letter, we noted that Congress did not necessarily intend for the Commission to treat all options on commodities as "swaps." Several provisions in Dodd-Frank reference "commodity options" or "options on commodities." These references would be unnecessary if "options on commodities" were intended to be swaps. We also cited case law to support our view. The Commission has chosen, however, to interpret the statute differently by treating all options on commodities – including agricultural commodities – as swaps. We are not certain we understand the policy reasons for the Commission's decision, but we have no objection to this outcome.

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CME Group supports the CFTC's proposal to treat agricultural swaps and commodity options the same as all other swaps. We believe the proposed rules satisfy the criteria of CEA § 4(c) and we urge the Commission to act quickly to adopt its proposed rules as final. Expedious action will provide certainty and stability to this important market. We appreciate the opportunity to comment on this issue of importance to our business and to the agricultural community generally and look forward to working with the Commission throughout this rulemaking process.

Sincerely,



Craig S. Donohue  
Chief Executive Officer

cc: Chairman Gary Gensler  
Commissioner Michael Dunn  
Commissioner Bart Chilton  
Commissioner Jill Sommers  
Commissioner Scott O'Malia