

November 4, 2011

VIA ON-LINE SUBMISSION

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

Re: Swap Transaction Compliance and Implementation Schedule (RIN 3038-AD60)
76 Fed. Reg. 58186

Dear Mr. Stawick:

CME Group Inc. ("CME Group"), on behalf of its four designated contract markets, appreciates the opportunity to comment on the Commodity Futures Trading Commission's (the "CFTC" or "Commission") Notice of Proposed Rulemaking ("Release") that was published in the Federal Register on September 20, 2011. In the Release, the Commission seeks comment on proposed rules to a phased in compliance schedule for the clearing and trade execution requirements.

CME Group is the world's largest and most diverse derivatives marketplace. CME Group includes four separate Exchanges, including 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"). The CME Group Exchanges offer the widest range of benchmark products available across all major asset classes, including futures and options based on interest rates, equity indexes, foreign exchange, energy, metals, agricultural commodities, and alternative investment products. CME includes CME Clearing, one of the largest central counterparty clearing services in the world, which provides clearing and settlement services for exchange-traded contracts, as well as for over-the-counter derivatives transactions through CME ClearPort®.

In the Release, the Commission is soliciting comment on what other rules, if any, should be taken into consideration when proposing an implementation schedule regarding the clearing and trade execution requirements. In the preamble to the Release, the Commission notes that there are several rules which need to be made final prior to the implementation of the clearing mandate, particularly, among others, the final rules defining the term "swap", "swap dealer" or "major swap participants", the rules defining the "end user" exemption as well as the final rules for protection of cleared swaps customer contracts and collateral. The Commission also notes that the trading mandate is predicated on the finalization of the rules pertaining to Designated Contract Markets (DCMs) and Swap Execution Facilities (SEFs).

CME Group agrees that the Commission has identified the major steps that will need to take place before implementation requirements. In this connection, we would additionally suggest that the Commission also consider finalization of the conflict of interest rules for Derivatives Clearing Organizations (DCOs). The market should be provided with final rules addressing these issues so that market participants can

make informed decisions as to where to clear swaps subject to the clearing mandate. Also, there may be clearing houses that would fail to comply with any final rules on conflicts of interest and that may be unable – either in the short term or long term – to come into compliance with these rules. It would be contrary to Congress' goals of reducing systemic risk and unfair to market participants to force them to move their positions to another clearing house (assuming that this is how the Commission would handle the open interest in the event that a clearing house did in fact violate final Commission rules) based on conflicts rules implemented after they cleared those positions.

There is another aspect of the proposal upon which CME Group would like to comment. In the Release, Proposed Regulation 37.12 states that a swap transaction would be subject to the trading mandate set forth in Sec. 2(h)(8)(A) of the Commodity Exchange Act (the "Act") upon the later of the implementation of the clearing mandate or 30 days after the swap is first made available for trading on a DCM or SEF. As part of this, the Commission further requested comment on the situation whereby a swap was initially subject to the clearing mandate and was subsequently made available for trading by a DCM or SEF. The Commission specifically asks whether the 30-day period in the proposed rule is sufficient for technological linkages to be established between DCOs, DCMs and SEFs. Given our recent experience in the development of our over-the-counter offerings, we believe that this 30-day window may not provide sufficient time for the establishment of these linkages. While over time, it may progress that the industry develops sufficient standardized protocols such that a 30-day window may be feasible, we do not believe that this is currently feasible on an industry-wide basis and may in fact inject unnecessary risk into the process. In our experience, it takes approximately 6 to 8 weeks to establish and test connectivity because an entity would need to test sufficiently and certify with us prior to the connection being formally enabled for use. Consequently, we would request that the Commission expand the 30-day requirement to a 60-day period at a minimum in the final rule.

Conclusion

CME Group thanks the Commission for the opportunity to comment on this matter. We would be happy to discuss any of these issues with Commission staff. If you have any comments or questions, please feel free to contact me at (312) 930-8275 or via email at Craig.Donohue@cmegroup.com, or Christopher Bowen, Managing Director, Chief Regulatory Counsel, at (212) 299-2200 or Christopher.Bowen@cmegroup.com.

Sincerely,



Craig S. Donohue

cc: Chairman Gary Gensler
Commissioner Bart Chilton
Commissioner Scott O'Malia
Commissioner Jill Sommers
Commissioner Mark Wetjen