



July 2, 2012

VIA ELECTRONIC MAIL

Scott D. O'Malia
Commissioner
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581
secretary@cftc.gov

Re: Comments on Proposed Compliance Schedule for Swap Regulation

Dear Commissioner O'Malia:

CME Group Inc. ("CME Group")¹, on behalf of its four designated contract markets ("DCMs"), appreciates the opportunity to provide comments on your proposed timeline ("Timeline") for implementing various rulemakings under Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"). The Timeline is included in Appendix 2 to the Commodity Futures Trading Commission's ("CFTC" or "Commission") proposal to extend its order on the effective date of certain Dodd-Frank provisions.²

According to the Timeline, the CFTC will finalize or propose nearly 30 rules, orders and interpretations between now and the end of the year, many of which will implement key

¹ CME Group, the world's largest and most diverse derivatives marketplace, consists of four separate DCMs: the Chicago Mercantile Exchange, Inc., the Board of Trade of the City of Chicago, Inc., the New York Mercantile Exchange, Inc. and the Commodity Exchange, Inc.. These DCMs offer the widest range of benchmark products available across all major asset classes, including futures and options based on interest rate, equity indexes, foreign exchange, energy, metals, agricultural commodities and alternative investment products.

CME Group also 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®.

The CME Group DCMs serve the hedging, risk management and trading needs of our global customer base by facilitating transactions through the CME Globex® electronic trading platform, our open outcry trading facilities in New York and Chicago, as well as through privately negotiated transactions.

² 77 Fed. Reg. 28819 (May 16, 2012).

components of Dodd-Frank's swap regulatory regime, including the definition of "swap," core principles and other requirements for swap execution facilities ("SEFs") and mandatory clearing determinations for swaps. CME Group shares your belief that the CFTC should do more to solicit the advice of market participants on the appropriate sequencing for the Commission's planned consideration of Dodd-Frank rules and to apprise market participants of proposed or planned compliance deadlines for Dodd-Frank rules.

The Securities and Exchange Commission ("SEC") recently published for comment a policy statement ("Policy Statement") regarding sequencing consideration and compliance dates for final rules applicable to security-based swaps ("SB swaps").³ The Policy Statement categorizes Dodd-Frank rulemakings applicable to SB swaps into five categories and explains to the public the SEC's plan for phased consideration of and compliance with each set of rules. This approach should allow SB swap market participants to understand their obligations and work with the SEC to develop a realistic compliance schedule.

The CFTC should be equally forthcoming about how it intends to phase in Dodd-Frank rules applicable to swaps. We view the Timeline as a similar step toward ensuring that market participants can anticipate the sequencing of upcoming rulemaking activity. We recommend that the Timeline be enhanced with additional detail. For example, the Timeline as proposed lists several proposed rulemaking items without estimating when these proposals will be finalized. We also believe that the Timeline may prove to be too ambitious, given the many rulemaking items that remain and the demands on the CFTC's resources. In June, the CFTC acted on only three of the ten items listed on the Timeline. The remainder have slipped into July, where they will add to the CFTC's burden of seven rulemakings. In August, the Timeline would have the CFTC adopt, on average, one rulemaking a week, which will leave little time to catch up on any remaining June and July items. Even if the CFTC is able to keep up with the Timeline, the accelerated pace of rulemaking activity may lead to unforeseen perils, such as the need to revise rules or postpone compliance dates.

In our view, the CFTC should revise the Timeline to include all rulemaking activity that it believes will be necessary to implement efficiently Dodd-Frank's swap regulation. Rulemakings should be sequenced in a logical fashion, with closely-related rules – like those addressing the clearing and exchange-trading mandates and the end-user exception – being finalized at or near the same time. The revised Timeline should set a rulemaking pace that allows market participants to comment thoughtfully on proposed rules while analyzing the practical implications of any compliance obligations in final rules.

³ See Statement of General Policy on the Sequencing of the Compliance Dates for Final Rules Applicable to Security-Based Swaps Adopted Pursuant to the Securities Exchange Act of 1934 and the Dodd-Frank Wall Street Reform and Consumer Protection Act, 77 Fed. Reg. 35625 (Jun. 14, 2012).

The CFTC's top priority should be to adopt rules further defining the term "swap" and to finalize its interpretive guidance on cross-border jurisdictional issues for swaps. Market participants will not know which of their transactions will be subject to Dodd-Frank until the CFTC completes its rulemaking activity in these areas. This uncertainty will impair their ability to develop an effective and comprehensive Dodd-Frank compliance plan. We urge the CFTC to finalize these rulemakings as quickly as possible and to provide market participants with sufficient time to study the rules before requiring compliance with other Dodd-Frank rulemakings.

After adopting the swap definition and finalizing cross-border guidance, the CFTC should focus on implementing the rules governing swap data repositories ("SDRs") and regulatory reporting of swap data. The sooner these rules take effect, the sooner the CFTC will begin collecting comprehensive data about the swap markets that can be used to inform and support other Dodd-Frank rulemakings, particularly those relating to block trades for swaps and clearing and exchange-trading of swaps.

When the CFTC adopted the SDR and reporting rules, it had hoped that compliance would begin in July, but that clearly will not be possible because the swap definition rules will not be considered until July. In order for these rules to serve their intended purpose, the reporting rules also should be adjusted to account for the differences between cleared and uncleared swaps.⁴ We assume this and other issues will be addressed when the CFTC "cleans up" its SDR and reporting rules. Compliance with the SDR and regulatory reporting rules should begin as soon as practicable after this "clean-up" occurs.

CME Group believes the CFTC should commit to giving market participants adequate time to bring their operations into compliance with new rules. Consistent with the principles proposed by the SEC, an appropriate compliance timeframe would grant market participants "adequate, but not excessive time to come into compliance with the final rules applicable to them, which includes (a) having an appropriate amount of time to analyze and understand the final rules..., (b) having an appropriate amount of time to develop and test new systems required as a result of the new regulatory requirements..., and (c) being subject to a phasing in of the requirements arising from the final rules to be adopted pursuant to Title VII, as appropriate." Policy Statement at 35630. Put differently, the compliance timeframe should be proportionate to the burdens imposed – rules that require market participants to make fundamental changes to their business, develop new software or systems or prepare and file applications with the CFTC should have a compliance date further in the future than rulemakings that do not require such changes.

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⁴ For example, the reporting rules will not allow the CFTC to effectively monitor systemic risk unless all of the swaps comprising a person's position in a cleared swap contract are reported to the same SDR.

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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 312-930-3488 or via email at kathleen.cronin@cmegroup.com.

Sincerely,

A handwritten signature in black ink that reads "Kathleen M. Cronin". The signature is written in a cursive style with a distinct dot over the 'i' in "Cronin".

Kathleen M. Cronin
Senior Managing Director
General Counsel and Corporate Secretary

cc: Chairman Gary Gensler
Commissioner Bart Chilton
Commissioner Jill Sommers
Commissioner Mark Wetjen