Sunil Cutinho
Senior Managing Director and President
CME Clearing

January 16, 2018

VIA ELECTRONIC MAIL

Mr. Christopher Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: Proposed Exemption from Certain Provisions of the Commodity Exchange Act Regarding Investment of Customer Funds and From Certain Related Commission Regulations, 82 Fed. Reg. 59586 (December 15, 2017)

Dear Mr. Kirkpatrick:

CME Group Inc. ("CME Group") appreciates the opportunity to comment on the Commodity Futures Trading Commission's ("CFTC'' or ''Commission'') proposal to issue an exemptive order under Section 4(c) of the Commodity Exchange Act ("CEA") which would: (x) permit the investment of futures and swap customer funds in certain categories of euro-denominated sovereign debt; and (y) expand the universe of counterparties and depositories that may be used in connection with these investments (the "Proposed Order").[1] CME Group is the parent of four U.S.-based designated contract markets ("DCMs") which offer a wide range of products available across all major asset classes, including: futures and options based on interest rates, equity indexes, foreign exchange, energy, metals and agricultural commodities. CME Group also includes the clearinghouse division of CME ("CME Clearing"), a derivatives clearing organization ("DCO") which provides clearing and settlement services for exchange-traded and over-the-counter derivatives transactions. CME Group supports the issuance of the Proposed Order with an expanded scope to include all registered DCOs.

As CME Group has previously noted, permitting registered DCOs to invest customer funds in high credit quality foreign sovereign debt would promote effective management of liquidity risk in two ways – by aligning collateral types with potential liquidity obligations and by diversifying risk in the investment portfolio.[2] Further, granting DCOs additional flexibility in selecting investment instruments in a risk prudent manner would allow them to better mitigate collateral concentration risk. These benefits are particularly apparent when the relative risk of different investment vehicles is driven by differing scenarios and market events. In addition, the ability to reinvest customer cash into the sovereign debt of the issuing jurisdiction would eliminate the potential exchange rate losses that would exist where customer cash is reinvested in a security denominated in a different currency.[3]

DCOs and other market participants face challenges in the placement of foreign currency cash due to the Basel III requirements such as the liquidity coverage ratio, which has resulted in commercial

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[1] See 82 Fed. Reg. 240 (December 15, 2017) (the "Proposing Release").
[2] See letter from Ms. Kathleen Cronin, Senior Managing Director and General Counsel, CME Group, to Mr. Christopher Kirkpatrick, Secretary, Commission, dated September 29, 2017.
[3] Id.

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banks significantly decreasing their appetite for holding cash, especially foreign currency. The reduced appetite by commercial banks to hold foreign currency cash deposits has coincided with an increase in foreign currency denominated OTC products being centrally cleared, increasing foreign currency cash posted at CCPs to meet performance bond requirements which exacerbates the Basel III driven challenges of depositing the foreign currency cash with commercial banks. Providing additional avenues to manage this foreign currency cash via direct purchases and repos of foreign sovereign debt would ameliorate these issues by allowing DCOs the appropriate level of flexibility to manage the foreign currency cash margin on deposit.

The risk management benefits that would be made available under the Proposed Order are not unique to any particular DCO. As a result, we strongly believe that the scope of the Proposed Order should be expanded to include all registered DCOs. As indicated in the Proposing Release, the purposes of the CEA in general and of exemptions in particular are to promote fair competition among market participants. Expanding the scope of the Proposed Order to include all registered DCOs would be consistent with this purpose and would thus ensure that all similarly situated market participants are treated in an equitable manner.

If you have any questions regarding this submission or if you require any additional information, please contact me at (312) 634-1592 or sunil.cutinho@cmegroup.com

Sincerely,

/s/ Sunil Cutinho
Senior Managing Director and President,
CME Clearing