A CME/Chicago Board of Trade/NYMEX Company

Craig S. Donohue
Chief Executive Officer

October 1, 2009

**VIA ELECTRONIC MAIL**
David Stawick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581
secretary@cftc.gov
cotchanges@cftc.gov

Re: Commitments of Traders Reports

Dear Mr. Stawick:

CME Group Inc. ("CME Group"), on behalf of its four designated contract markets ("DCMs"), appreciates the opportunity to respond to Commissioners Dunn and Sommers' solicitation for comments in their September 4, 2009 joint statement regarding the Commodity Futures Trading Commission's (the "CFTC" or "Commission") disaggregated Commitments of Traders (COT) reports.

CME Group is the parent of four DCMs: (1) Chicago Mercantile Exchange, Inc ("CME"); (2) the Board of Trade of the City of Chicago, Inc. ("CBOT"); (3) the New York Mercantile Exchange, Inc. ("NYMEX"); and (4) the Commodity Exchange, Inc. ("COMEX"). CME is also among the largest derivatives clearing organizations in the world, and CME Clearing includes CME ClearPort®, a set of flexible clearing services open to over-the-counter market participants to substantially mitigate counterparty risk and provide capital efficiencies across asset classes. The CME Group exchanges serve the risk management needs of customers around the globe. As an international marketplace, the CME Group exchanges bring buyers and sellers together on the CME Globex electronic trading platform and on trading floors in Chicago and New York. 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, emissions, agricultural commodities, metals, and alternative investment products such as weather and real estate.

CME Group supports the Commission's efforts to provide greater transparency to the public with respect to the composition of open interest in commodity futures markets. Clearly, there has recently been a significant degree of misinformation in the debate regarding the causes of price movements in commodity markets and, in particular, the role of swaps dealers and index funds. We believe it is a mistake to conflate traditional speculative positions with the positions held by swaps dealers and index funds. Moreover, there has been an abundance of sound empirical evidence and credible econometric analysis supporting the fact that supply and demand fundamentals and other macroeconomic factors, rather than “excessive speculation”, have been driving the changes observed in the prices of commodities. To the extent that appropriate disclosure of accurate data helps to inform the market regarding the participation of broad segments of market users and their respective roles in facilitating the price discovery and risk management functions of futures markets, the additional transparency will strengthen market confidence which is an appropriate public policy objective.

Inaccurate or misleading information, however, can negatively impact market confidence and impede rather than enhance transparency. CME Group therefore strongly concurs with Commissioners Dunn and Sommers’ statement regarding the importance of seeking public comment regarding the formulation of the Commitments of Traders (“COT”) reports prior to making changes to these reports. The public comment process will help to ensure that the reports are structured in a manner that effectively serves the public interest and that the data is calibrated in a way that does not compromise the confidentiality of participants’ positions or otherwise impose a competitive disadvantage on particular participants.

CME Group believes the new disaggregated COT report first released on September 11, 2009, is a useful complement to the suite of COT reports and provides additional information and greater transparency to users by further differentiating futures holdings among physical handlers, swaps dealers, managed money and other reportable traders, and doing so across the full spectrum of commodities markets. We also believe the Commission has taken a reasonable approach in segmenting positions based on the predominant activity of the reporting trader. Based upon our assessment of the new report, it appears that the use of the information supplied in the CFTC’s Form 40, supplemented by other information as required to accurately classify traders with more complex businesses, has allowed for appropriate classifications of market participants by the CFTC. The CFTC has announced that it intends to release three years of historical data for the new report and CME Group supports this initiative as it will provide significantly greater context to the data recently released.

Although some users seek still greater granularity in the COT reports, it is important to recognize that the COT report is intended to be a tool that informs market users and the public by providing, in appropriately broad brushstrokes, a picture of the composition of the futures markets. It is not designed as a surveillance tool for regulatory authorities who have access to detailed position data, as well as other information, for each reportable account, and who are able to obtain additional information regarding an entity’s positions in the futures, physical and OTC markets as necessary to effectively protect the integrity of the markets they regulate. The large trader reporting regime in U.S. futures markets is the envy of other regulators, and the level of information disclosed publicly regarding the activity in U.S. futures markets sets the standard for other markets and jurisdictions.

As we know the Commission appreciates, many market participants are engaged in complex multidimensional trading activities that cut across the various classifications of traders. The exposures of these market participants are typically netted internally, where possible, and residual risk is managed using any of a variety of hedging instruments. For example, swaps dealers’ futures positions may represent the hedging of OTC derivatives exposure with commercial participants who are hedging physical market exposure in a specific commodity, with hedge funds taking on speculative price risk, or with pension funds seeking commodity index exposure as part of an asset allocation strategy. Traders whose predominant business is swaps dealing may also transact in the physical market and use futures or OTC transactions to hedge that exposure. Likewise, market participants in the category of physical handlers use both the OTC and futures markets to manage their commercial risk and may also engage in proprietary trading activity in the OTC and futures markets that is tangential to their commercial business. Even hedge funds may have positions in the OTC, futures and physical markets.

Given this web of activity across markets and the internal netting that occurs, attempting to provide greater granularity by precisely parsing an entity's futures activity into different reportable accounts based upon the nature of the activity would be onerous and would likely add unnecessary complexity and inefficiency to companies' trading, operations and risk management functions. In light of the transparency that already exists regarding the composition of activity in the futures markets, it does not appear that initiatives which would require significant operational or reporting changes in order to provide still finer granularity to the COT reports would add sufficient value to justify the imposition of these burdens on market participants.

One area in which some market participants have sought greater granularity is in the context of commodity index activity. However, in addition to the CFTC's weekly Supplemental Commodity Index report, introduced in 2007, which breaks out the positions of Index Traders in the primary agricultural commodities, the CFTC has also recently begun publishing a Quarterly Index Investment Data report. This report reflects the scope of index investment activity in various commodity markets, including agriculture, energy and metals, based on the monthly data obtained from the CFTC's ongoing special call to swaps dealers and index traders. This new index data substantially improves the level of disclosure to the market and is a useful complement to the COT reports. The Commission has stated that its goal is to begin releasing this data monthly and CME Group supports this objective as the more timely dissemination will enhance the utility of the information. Further, there is additional information that is already being collected in connection with the special call data that would be useful for the CFTC to disclose, particularly the segmentation of the reporting swaps dealers' counterparties among the commercial, noncommercial and intermediary categories. This deeper view into the data will help to better inform market users and the public as to the nature of the underlying activity.

As noted above, the classifications in the COT reports are principally based on the information in the CFTC's Form 40 (Statement of Reporting Trader) and supplemented by additional information acquired by CFTC staff. The information in the Form 40 is primarily relied upon to inform the regulators of details about reporting traders, including their principal business, the type of account, and ownership and control relationships with other persons or accounts, in order that they may effectively protect the integrity of the markets. The Form 40 has not been updated since 2000, and given the changes in market composition and dynamics since that time, CME Group concurs that it would be useful to review the Form 40 and update it as warranted to enhance the quality of the information available to the regulators conducting market surveillance and also to improve the accuracy and consistency of the aggregated information that is disclosed to the public.

CME Group believes the CFTC should make the Form 40 electronic which, if designed effectively, will help to ensure more complete and efficient submissions that will improve the accuracy and timeliness of the data, while also allowing for greater efficiency and flexibility by regulators in utilizing the information provided in the forms. The Form 40 should also be updated to ensure that the categories of information used in the various public reports disseminated by the CFTC are consistent with categories captured in the form. Additionally, Schedule 1 of Form 40, which is a supplemental schedule required for traders who indicate that they are engaged in business activities hedged by the use of futures or options markets, should be updated to more effectively capture the categories of hedgers and the nature of their hedging activities.

CME Group appreciates the initiative to solicit comment on the disaggregated COT reports and encourages the Commission to put out for public comment any future changes that it considers implementing. We would, of course, be happy to discuss our views on this topic with Commission staff at any time. Should you have any comments or questions, please feel free to contact me at (312) 930-8275 or Craig.Donohue@cmegroup.com; or Thomas LaSala, Managing Director and Chief Regulatory Officer, at (212) 299-2897 or Thomas.LaSala@cmegroup.com.

Sincerely,

Craig S. Donohue

Craig S. Donohue

cc: Chairman Gary Gensler
Commissioner Michael Dunn
Commissioner Bart Chilton
Commissioner Jill Sommers