



August 23, 2016

VIA ONLINE SUBMISSION

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

Re: Notice of Proposed Rulemaking on Exemption From Registration for Certain Foreign Persons [RIN 3038-AC46]

Dear Mr. Kirkpatrick:

CME Group Inc. ("CME Group") appreciates this opportunity to provide comments on the Commodity Futures Trading Commission's ("CFTC" or "Commission") Notice of Proposed Rulemaking on "Exemption From Registration for Certain Foreign Persons," which would amend Commission Regulation 3.10(c) (the "Proposed Rulemaking").¹

CME Group is the parent of four U.S.-based designated contract markets ("DCMs"): Chicago Mercantile Exchange Inc. ("CME"), Board of Trade of the City of Chicago, Inc. ("CBOT"), New York Mercantile Exchange, Inc. ("NYMEX") and the Commodity Exchange, Inc. ("COMEX") (collectively, the "CME Group Exchanges"). The CME Group Exchanges 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. The CME Group Exchanges 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. CME Group also operates a registered swap execution facility ("SEF") and CME Clearing, a registered derivatives clearing organization ("DCO"), which provides clearing and settlement services for exchange-traded and over-the-counter derivatives transactions.

CME Group commends the Commission for proposing to fine-tune Regulation 3.10(c). We believe the proposed changes to that regulation would improve market efficiency and increase liquidity by eliminating unnecessary regulatory burdens associated with accessing the U.S. markets that the Commission regulates. We therefore respectfully urge the Commission to finalize the Proposed Rulemaking as proposed, for the reasons discussed below.

¹ See Exemption From Registration for Certain Foreign Persons; Proposed Rule, 81 Fed. Reg. 51824 (August 5, 2016).

The Proposed Rulemaking is consistent with the concept of outcomes based mutual recognition which has been a stated goal of the Commission's Part 30 Exemption program and the Commission's and the European Commission's "Common Approach for Transatlantic CCPs."² In addition, we believe the Proposed Rulemaking is consistent with the spirit of Responsibility E of the "Responsibilities of central banks, market regulators, and other relevant authorities for financial market infrastructures" of the Principles for Financial Market Infrastructures ("PFMI") jointly issued by the Committee on Payment and Settlement Systems and the Technical Committee of the International Organization of Securities Commissions ("Responsibility E").³ Responsibility E sets the standards for cross-border cooperation between authorities by stating that authorities should establish cooperative arrangements to "minimise the potential duplication of effort and the burden on the FMIs or the cooperating authorities."⁴ Explanatory Note 4.5.1 of Responsibility E also states that the "objective of such arrangements is to facilitate the comprehensive regulation, supervision, and oversight and to provide a mechanism whereby the responsibilities of multiple authorities can be fulfilled efficiently and effectively." While Responsibility E deals with the supervision of financial market infrastructure such as central counterparties, we believe the policy underlying it is applicable to the supervision of intermediaries as well.

CME Group has long been a strong supporter of a global framework whereby jurisdictions have the authority to grant access to third-country markets under the concepts of equivalence and mutual recognition. In addition to the European Union, CME Clearing is recognized or exempted from recognition in many jurisdictions outside of the U.S. and permitted to provide clearing services in those jurisdictions pursuant to a recognition process.

By expanding the exemptions in Regulation 3.10(c) as proposed, the Commission would increase efficiency for non-U.S. market participants seeking to access U.S. markets, create an environment which would increase liquidity in the U.S., and also improve the likelihood of productive cooperation across jurisdictions going forward as the derivatives markets continue to globalize.

We therefore agree with what the Commission referred to as its "longstanding policy" regarding customer protection to "focus its customer protection activities upon domestic firms and upon firms soliciting or accepting orders from domestic participants."⁵ And we commend the Commission for recognizing that "[w]here a Foreign Intermediary's customers are located outside the U.S., . . . the jurisdiction where the customer is located has the preeminent interest in protecting such customers."⁶ This approach is similar to the regulatory deference provided by

² See "The U.S. Commodity Futures Trading Commission and the European Commission: Common Approach for Transatlantic CCPs," which may be accessed at http://www.cftc.gov/PressRoom/PressReleases/cftc_euapproach021016.

³ See "Responsibility E: Cooperation with other authorities," PFMI, which may be accessed at <http://www.bis.org/cpmi/publ/d101a.pdf><http://www.bis.org/cpmi/publ/d101a.pdf>

⁴ See Explanatory Note 4.5.1 to Responsibility E.

⁵ Proposed Rulemaking, 81 Fed. Reg. at 51826.

⁶ *Id.*



several other countries which permit foreign customers to rely on the protections afforded to them under the customer protection regime in their local jurisdictions.⁷

For these reasons we are supportive of the forward looking policy approach reflected by the Proposed Rulemaking as well as the benefits that will result from the increased flexibility offered to foreign brokers and their customers. We support the Commission's proposal to amend Regulations 3.10(c)(2)(i) and 3.10(c)(3)(i) and respectfully urge that the Commission finalize such amendments as proposed.

III. Conclusion

CME Group appreciates the opportunity to provide these comments on the Proposed Rulemaking. We would be pleased to further discuss and clarify the issues described herein with Commission staff. Should you have any comments or questions regarding this submission, please contact me at (312) 634-1592 or sunil.cutinho@cmegroup.com.

Sincerely,

A handwritten signature in blue ink, appearing to read "Sunil Cutinho".

/s/ Sunil Cutinho
President, CME Clearing

cc: Chairman Timothy G. Massad
Commissioner Sharon Y. Bowen
Commissioner J. Christopher Giancarlo
Eileen T. Flaherty, Director, Division of Swap Dealer and Intermediary Oversight
Frank Fisanich, Chief Counsel, Division of Swap Dealer and Intermediary Oversight
Andrew Chapin, Associate Chief Counsel, Division of Swap Dealer and Intermediary Oversight

⁷ Jurisdictions that offer this deference to local customer protections for foreign customers include, among others, major financial centers such as the United Kingdom, Germany, the Netherlands and Singapore.