cme
Chicago Mercantile Exchange

Kimberly S. Taylor
Managing Director and President
Clearing House Division

20 South Wacker Drive
Chicago, IL 60606-7499
www.cme.com

312/930.3156 *tel*
312/634.1553 *fax*
ktaylor@cme.com

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VIA ELECTRONIC DELIVERY

Ms. Nancy M. Morris
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: File Number S7-08-07; Amendments to Financial Responsibility Rules for Broker-Dealers

Dear Ms. Morris:

The Chicago Mercantile Exchange Inc. ("CME") welcomes the opportunity to comment upon the Securities and Exchange Commission's (the "SEC") rule amendments regarding the financial responsibility of broker-dealers (the "Proposed Amendments").

CME is the largest and most diverse financial exchange in the United States. As an international marketplace, CME brings together buyers and sellers on its CME Globex electronic trading platform and trading floors. CME offers futures and options on futures primarily in four product areas: interest rates, stock indexes, foreign exchange and commodities. CME is also the largest derivatives clearing organization in the world. In 2006, the CME Clearing House cleared more than 1.3 billion contracts, which represents 90% of all futures and options contracts traded on U.S. designated contract markets. While maintaining an average of $47 billion of performance bond collateral, we move approximately $1.6 billion up to $8.4 billion in daily settlement variation payments among market participants, depending upon market activity. We believe that CME's substantial experience and leadership in clearing and risk management will benefit the SEC with respect to the proposed amendments.

As part of the Proposed Amendments, the SEC proposes to extend certain customer protections to futures contracts held in portfolio margining accounts. Specifically, the SEC proposes to amend Rules 15c3-3 and 15c3-3a so that they are designed to provide the protections of Rule 15c3-3 and the Securities Investor Protection Act ("SIPA") to futures positions in a securities account under the portfolio margin rules. The proposed amendments, which would apply to futures and options on futures based on stock indices, would, according to the SEC, address questions as to how futures positions would be treated in the event of a broker-dealer failure. SIPC currently protects customer claims only for securities and cash and specifically excludes futures contracts from protection.

CME believes that the SEC's proposal is premature. Including futures in a portfolio margin account, which is a securities account in which assets are not subject to segregation in aggregate, would conflict with the segregation provisions of the Commodity Exchange Act. Accordingly, the Commodity Futures Trading Commission (CFTC) would have to issue an order that would permit futures to be held in a securities account. Because the CFTC has neither issued such an order nor prescribed the contours of any such arrangement, the SEC's Proposed Amendments are premature. At the same time, the proposal is premature because the Securities Investor Protection Corp. ("SIPC) has not determined that protection should be extended to futures. Absent such a declaration of applicability from the SIPC, the SEC should not proceed with the proposal.

In addition, CME continues to believe that the so-called "two-pot" approach is the most appropriate approach. As we have informed the SEC previously, a two-pot approach, in which positions in a portfolio margin account are held in a separate futures account, while securities are held in a securities account, promotes operational efficiencies and reduces regulatory uncertainties. At the same, such an approach alleviates bankruptcy concerns by ensuring that Part 190 of the CFTC's regulations will apply and thereby protect the assets of customers that use futures. (See Letter from Craig S. Donohue, CME, to Christopher Cox, SEC, and Reuben Jeffery, CFTC, dated August 24, 2006.) Indeed, it is unclear whether, under the Proposed Amendments, customers that choose not to move their futures positions to a securities account will be disadvantaged in connection with a *pro-rata* payout on a default. Before the Proposed Amendments are adopted, such futures customers should be given regulatory assurance that the funds associated with their positions cannot be jeopardized.

Finally, we would note that the proposal ignores any impact of the operational consequences of the Proposed Amendments. Based upon our experience, many securities bookkeeping systems are not equipped to handle the daily marking of futures contracts. As a result, these firms will have to use futures-style bookkeeping systems. If, in turn, many firms attempt to blend a futures-style bookkeeping system with a securities-style system, the operational impact, which will typically involve a manual blending of positions, is likely to be costly and burdensome and, from our perspective, presents an issue that has not been adequately addressed.

We thus believe that the SEC should not adopt the Proposed Amendments with respect to SEC Rule 15c3-3. If you have questions regarding this letter, please contact me at (312) 930-3156, or Matthew Kluchenek, Director and Associate General Counsel, at (312) 338-2861.

Respectfully submitted,

Kimberly Taylor