CME Group

Craig S. Donohue
Chief Executive Officer

June 23, 2010

The Honorable Mary L. Schapiro
Chairman
U.S. Security Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

The Honorable Gary Gensler
Chairman
U.S. Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: Inclusion of Broad-Based Equity Index ETFs in Single-Stock Circuit Breaker Pilot Program

Dear Chairman Schapiro and Chairman Gensler:

I am writing on behalf of the CME Group Inc. to express our significant concern regarding the expansion of the pilot program implementing single stock circuit breakers to include broad-based equity index exchange-traded funds ("ETFs").

Equity ETFs, because they are made up of a basket of securities, have significantly different characteristics than single stocks. Circuit breakers applied to ETFs need to take these differences into account. The indexes underlying the most active ETFs are also the same indexes underlying the most active cash index options, index futures, and options on ETFs. The fact that ETF and the ETF options could have a different circuit breaker mechanism from the overall market wide circuit breakers, as well as a different circuit breaker than that applied to index futures and index options, will create inconsistencies across markets. Inconsistent treatment of the same underlying beta exposure is likely to add further stress to the markets during periods of turbulence and exacerbate risk management challenges. Additionally, large liquidity providers in both E-mini index futures and equity index ETFs use these products to hedge and trade out of the risk taken on as a result of their market making activity. Eliminating equity index ETFs as an effective risk management tool will negatively impact the trading and risk management capabilities of these market participants; this would result in them providing less liquidity across all markets.

We believe that equity index based ETFs should have a circuit breaker methodology that is consistent with both the methodology and levels of the market-wide circuit breakers[1]. Circuit breakers should be consistently applied across all exchange-traded and OTC forms in which the index product is traded (e.g. index futures, index options, ETFs, options on ETFs, swaps).

In our conversations with other market participants, including ETF sponsors that are part of the Investment Company Institute, we recognize ETF sponsors' desire, on behalf of the retail community to prevent a repeat of May 6th where a large number of the trades busted were in ETFs. While approximately seventy percent of the trades cancelled on May 6th were in ETFs, these trades were not in ETFs based on the most liquid domestic, large cap, index products. Overall, however, ETF activity is highly concentrated in a small number of domestic large cap index products; specifically, the SPY (based on the S&P 500), DIA (based on the DJIA) and the QQQ (based on the NASDAQ 100). Thus, we understand and appreciate that circuit breakers for ETFs may need to be differentiated based upon the underlying liquidity of a specific ETF and that there may need to be different percentage thresholds. However, due to the intra-market activity we believe that circuit breakers on market wide benchmark products based upon the S&P 500, the Dow Jones Industrial Average, and the NASDAQ 100, including Equity Index Futures, Equity Index Options, ETFs and options on ETFs, inclusive of leveraged and inverse products[2], should have a circuit breaker methodology that is consistent with both the methodology and levels of the market wide circuit breaker and which can be consistently applied across all exchange-traded and OTC forms in which the index product is traded (e.g. index futures, index options, ETFs, options on ETFs, swaps).

We respectfully request that the SEC and CFTC work with the relevant equity exchanges and FINRA to ensure that the methodology used with respect to these broad-based equity index ETFs is consistent with both the methodology and levels of the market-wide circuit breakers. In the alternative, if this cannot occur, we request that the broad-based equity index ETFs based

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[1] Today, the CME employs market-wide circuit breakers, but it also employs index-specific price limits for each index product. In each equity index product, a 10 percent limit, calculated using the same methodology as the market-wide circuit breaker 10 percent limit but based upon the specific index's price, is initiated if the lead month futures contract is limit offered. The limit remains in effect for 10 minutes, during which time market participants are precluded from trading below the limit, but can continue to trade at or above the limit.

[2] This would not include products that have the same constituent components but a different construction methodology than the benchmark index. For example, the DJIA is a price-weighted index so any product based upon either equal weighting or cap weighting would not be subject to the same circuit breakers.

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on the S&P 500, the NASDAQ 100 and the Dow Jones Industrial Average not be included in the second phase of the pilot program at this time.

Thank you for your consideration of our concerns. If you have any questions, or we can provide any additional information, please do not hesitate to contact me at (312) 930-8275.

Sincerely,

Craig S. Donohue

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