

January 25, 2012

Via Electronic Mail: rule-comments@sec.gov

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

**Re: Market-Wide Circuit Breakers: Comments Regarding Release No. 34-66065; SR-FINRA-2011-054; SR-BATS-2011-038; SR-BYX-2011-025; SR-C2-2011-024; SR-CBOE-2011-087; SR-C2-2011-024; SR-CHX-2011-030; SR-EDGA-2011-31; SR-EDGX-2011-30; SR-ISE-2011-61; SR-BX-2011-068; SR-PHLX-2011-129; SR-NASDAQ-2011-131; SR-NYSE-2011-48; SR-NYSEAMEX-2011-73; SR-NSX-2011-011 and SR-NYSEArca-2011-68.**

CME Group Inc. ("CME Group")<sup>1</sup> appreciates the opportunity to comment on the Securities and Exchange Commission's ("SEC") recent Order Instituting Proceedings to Determine Whether to Disapprove Proposed Rule Changes Relating to Trading Halts Due to Extraordinary Market Volatility (the "Order").<sup>2</sup> The Order relates to a series of rule filings that have been submitted by the national stock exchanges (the "Exchanges") and the Financial Industry Regulatory Authority, Inc. ("FINRA") proposing rule amendments that would revise the existing program of market-wide circuit breakers to better address circumstances of extraordinary market volatility across the securities markets.

CME Group offers a broad suite of equity index futures and futures options on benchmark indexes such as the S&P 500, the Dow Jones Industrial Average and the NASDAQ 100, which are, of course, closely interconnected with the cash securities and related derivative markets. Given the degree of interconnectedness between these markets and the fact that economic events tend to be most rapidly reflected in futures market prices, there are important cross-market implications for how volatility mitigation tools such as market-wide circuit breakers are implemented and coordinated. Since the events of May 6, 2010, CME Group has consistently advocated for a recalibration of coordinated, market-wide circuit breakers which we believe are critical to promoting market stability, protecting the markets' infrastructure and sustaining investor confidence.<sup>3</sup>

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<sup>1</sup> CME Group is one of the world's largest and most diverse derivatives marketplaces. We operate four separate exchanges, including the Chicago Mercantile Exchange Inc. ("CME"), the Board of Trade of the City of Chicago, Inc. ("CBOT"), the New York Mercantile Exchange, Inc. ("NYMEX") and the Commodity Exchange, Inc. ("COMEX"). Our 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, metals, agricultural commodities and alternative investment products. Included among these offerings are a number of domestic and global equity index futures and futures options on key benchmark indexes, including, for example, the S&P 500, the Dow Jones Industrial Average and the NASDAQ-100.

<sup>2</sup> SEC Release 34-66065 (December 28, 2011).

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We appreciate that the Commission has carefully considered our prior comments in response to the Order and is seeking additional input from market participants with respect to a number of the concerns we raised. Our prior comment letter detailing our views on these issues is attached to this submission and we urge the Commission to disapprove the SRO proposals in order to fully consider the issues raised therein. In particular, we believe that the interaction between the single-stock circuit breaker pilot or proposed limit up/limit down mechanism and the market-wide circuit breakers is not well understood and poses potentially significant impediments to market participants' risk management capabilities, liquidity provision and operational capabilities in a macro-market event. Additionally, we believe the proposal to apply only the Level III (20%) circuit breaker after 3:25 ET is imprudent and that an unencumbered decline of that scale in a short time period would surely undermine investor confidence and put the market's infrastructure of trading, clearing and credit systems at risk. Absent addressing these issues, there is a significant risk that the proposed rules would serve to exacerbate rather than remediate conditions of extraordinary volatility.

We look forward to continued dialogue with staff at the SEC, CFTC and self-regulatory organizations to promptly implement recalibrated and coordinated market-wide circuit breakers in ways that most reliably promote investor confidence, support liquidity supply and mitigate systemic risk.

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We are happy to discuss any questions concerning the comments contained in this letter and are otherwise available to assist the Commission in its efforts to enhance the stability and integrity of the markets.

Please feel free to contact me at (312) 930-8275 or via email at [Craig.Donohue@cmegroup.com](mailto:Craig.Donohue@cmegroup.com), Bryan Durkin, Chief Operating Officer, at (312) 435-3687 or [Bryan.Durkin@cmegroup.com](mailto:Bryan.Durkin@cmegroup.com), or Dean Payton, Deputy Chief Regulatory Officer, at (312) 435-3658 or [Dean.Payton@cmegroup.com](mailto:Dean.Payton@cmegroup.com).

Sincerely,



Craig S. Donohue

cc: Chairman Mary Schapiro  
Chairman Gary Gensler  
Commissioner Bart Chilton  
Commissioner Jill Sommers  
Commissioner Scott O'Malia  
Commissioner Mark Wetjen

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<sup>3</sup> See, e.g., Letter from Craig Donohue, CME Group, Inc., dated October 25, 2011; Letter from Craig Donohue, CME Group, Inc., dated June 22, 2011; Letter from Craig Donohue, CME Group, Inc., dated June 23, 2010. These letters can be found on the SEC's website at:

<http://www.sec.gov/comments/sr-bats-2011-038/bats2011038-1.pdf>;

<http://www.sec.gov/comments/4-631/4631-7.pdf>;

<http://www.sec.gov/comments/sr-bats-2010-018/bats2010018-6.pdf>