

January 31, 2011

VIA ON-LINE SUBMISSION

European Commission
Directorate General Internal Market and Services

markt-consultations-mifid@ec.europa.eu.

Dear Sirs,

CME Group Inc ("CME Group") appreciates the opportunity to comment on the questions posed in the European Commission Public Consultation on the Review of the Markets in Financial Instruments Directive. We support the principal that all responses to such consultative papers should enter the public domain and do not request confidentiality for this letter.

CME group is the holding company for four futures exchanges: 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 principal regulator in the United States is the Commodity Futures Trading Commission ("CFTC").

In the United Kingdom, CME, CBOT and NYMEX are recognised overseas investment exchanges and CME Clearing is a recognised overseas clearing house, the recognitions having been granted by the Financial Services Authority ("FSA"). In addition, CME Group has a wholly owned subsidiary, CME Clearing Europe Limited, which has recently been recognised as a clearing house by the FSA.

Introduction

We agree that MiFID has brought about significant changes in the structure of the European market during its relatively short existence and do not doubt that it will continue to do so. We also support the work of the Commission in reviewing MiFID for the purposes of updating it and adapting it to better regulate an increasingly more complex and diverse market. We appreciate the linkages between MiFID and the various other regulatory reforms including the legislative proposal on OTC derivatives, central counterparties and trade repositories.

Being a US based organisation, we are experiencing a parallel reform process in the United States and have therefore considered and experienced some of the issues on which the Commission's questions are based. In answering the Commission's questions, we have tried to share our experiences in this context in the hope that they might assist the European developments. We are particularly keen to ensure that reforms are as consistent as possible, not just within the EU but also between the EU and the US at least, and this is reflected in some of our answers. We believe that such efforts will better achieve the objectives of the measures, minimise opportunities for regulatory arbitrage, facilitate market participants in operating their businesses on a global basis and ease the burden of compliance across jurisdictions.

Some of the proposals discussed in the consultation paper are of greater relevance to CME Group than others. We have therefore responded to the questions relating to the proposals that are most relevant to us or might become more so as we develop our business in Europe. While we have set out our response according to the priority of the issues for CME Group, we have used the same numbering as the consultation paper for ease of reference. We would be pleased to provide any further information we can to the Commission on any of the areas we have discussed if they would find that useful.

Position limits

- [145] *If regulators are given harmonised and effective powers to intervene during the life of any derivative contract in the MiFID framework directive do you consider that they could be given the powers to adopt hard position limits for some or all types of derivative contracts whether they are traded on exchange or OTC? Please explain the reasons for your views.*

We do not believe that regulators should be given powers to impose position limits unless the exchange fails to act in a situation in which position limits are necessary. Where instruments are traded on exchanges, we believe that the exchanges are best placed to impose position limits where it is appropriate to do so. The exchange is in the best position to understand the dynamics of each particular market and the nature and motivation of its participants. The case would therefore have to be made that the exchanges either do not have sufficient powers or are not exercising them appropriately. Further, if the regulators were to be given such powers, we do not think they should be exercised in respect of a particular market unless it is considered necessary to achieve their specific objective (see our answer to question 146) and we believe that an analysis would have to be undertaken in each situation to determine whether this is the case. This is particularly important because position limits can have unintended consequences. For example, when improperly calibrated and administered, they can distort markets, increase the costs to hedgers and effectively increase costs to consumers.

Therefore, we think that giving competent authorities powers to adopt hard position limits should only be considered if it can be shown that: (i) exchanges are not able to control the relevant threat effectively through their own powers and procedures and (ii) competent authorities will be more effective at managing the threat than exchanges as a result of the powers being given to them.

In any event, we think that more market analysis should be undertaken to analyse the threats or risks to the market and the merits of different remedies to these before legislating on position limits.

- [146] *What is your opinion of using position limits as an efficient tool for some or all types of derivative contracts in view of any or all of the following objectives: (i) to combat market manipulation; (ii) to reduce systemic risk; (iii) to prevent disorderly markets and developments detrimental to investors; (iv) to safeguard the stability and delivery and settlement arrangements of physical commodity markets. Please explain the reasons for your views.*

We believe that each exchange should be allowed to establish rules consistent with the objectives of reducing the potential threat of market manipulation or problems arising from excessively large speculative positions and that position limits should not be needed for markets where the threat of market manipulation is non-existent or very low. We believe that an exchange is best suited to police activity in its market and set position limits as needed. For example, CME Group uses limits to mitigate potential congestion during delivery periods and a combination of position limits and position accountability levels (essentially reporting thresholds) to help us identify and respond in advance to any threat to manipulate our markets.

We do not believe that a credible case has yet been made to establish either the existence of excessive speculation or its likely future occurrence. Price volatility is an inherent aspect of derivatives contracts as markets respond instantaneously to new information concerning supply and demand. Although prices may fluctuate rapidly, such fluctuation does not necessarily mean that the price changes are unreasonable or unwarranted.

- [147] *Are there some types of derivatives or market conditions which are more prone to market manipulation and/or disorderly markets? If yes, please justify and provide evidence to support your argument.*

Date: 31 January 2011

Please see our response to Question 146.

[148] *How could the above position limits be applied by regulators:*

(a) *To certain categories of market participants (e.g. some or all types of financial participants or investment vehicles)?*

(b) *To some types of activities (e.g. hedging versus non-hedging)?*

(c) *To the aggregate open interest/notional amount of a market?*

Please see our response to Question 146.

Mandated on-platform trading

[8] *What is your opinion of the introduction of a requirement that all clearing eligible and sufficiently liquid derivatives should trade exclusively on regulated markets, MTFs, or organised trading facilities satisfying the conditions above? Please explain the reason for your views.*

We do not support the mandating of trading on particular trading venues and are aware that the UK Treasury has also voiced its concerns about this in their response to the EU consultation document on possible initiatives to enhance the resilience of OTC derivatives markets. As set out in its response to the CESR Consultation paper on standardisation and exchange trading of OTC derivatives contracts dated 16 August, CME Group does not believe this is the best way to reduce systemic risk. Rather, increased transparency and incentivisation for central counterparty clearing will have fewer unintended effects. While we believe that trading on exchanges and other platforms offers many benefits, we are also realists when it comes to whether such platforms can generate sufficient liquidity to make trading efficient and economical for the OTC swaps market. In the past, we have introduced many well designed contracts that have attracted no customer interest despite clear customer demand surveys and expert opinions that the contract was needed. We believe that, if participants are given a fair choice in relation to trading and clearing venues (including OTC trading), they will naturally gravitate towards the venues that provide them the most benefits. In the event that standardised trading is mandated, it is essential that such trading permits flexibility in developing the trading models that are acceptable in order to ensure an environment that is conducive to trading products with very little liquidity.

[9] *Are the above conditions for an organised trading facility appropriate? Please explain the reasons for your views.*

As CME Group does not support the mandating of trading on platforms, we have no comments on this question.

[10] *What criteria could determine whether a derivative is sufficiently liquid to be required to be traded on such systems? Please explain the reasons for your views.*

Notwithstanding the CME Group's view on mandatory on-platform trading, we welcome the fact that the Commission is no longer using standardisation alone as a proxy for determining whether contracts are appropriate for trading on a platform. However, we do not consider the fact that a contract has been deemed eligible for clearing to be a valid indicator that a contract is sufficiently liquid for trading. We agree that the frequency and average size of trades are relevant factors to be considered, but continue to support the proposition that the market will migrate to a trading venue when appropriate for a particular contract and if the trading venue has rules or protocols conducive

Date: 31 January 2011

to trading a particular instrument: forced trading risks undermining the usage and consequently the effectiveness of a particular instrument at reducing risk.

Finally, we understand that European law provides certain safeguards for this purpose (such as public consultation) but we think it is particularly important in relation to issues such as liquidity that participants across the market (and not just regulators) have an opportunity to give their views.

- [11] *Which market features could additionally be taken into account in order to achieve benefits in terms of better transparency, competition, market oversight, and price formulation? Please be specific whether this could consider for instance, a high rate of concentration of dealers in a specific financial instruments, a clear need from buy-side institutions for further transparency, or on demonstrable obstacles to effective oversight in a derivative trading OTC, etc.*

Notwithstanding the CME Group's view on mandatory on-platform trading, we would suggest that there would need to be a sufficient degree of competition between dealers of the OTC derivative and a regular and consistent price formation mechanism. It is also important that there is publicly available reporting on market size and transaction activity on a frequent and periodic basis and sufficient market transparency.

- [12] *Are there existing OTC derivatives that could be required to be traded on regulated markets, MTFs or organised trading facilities? If yes, please justify. Are there some OTC derivatives for which mandatory trading on a regulated market, MTF, or organised trading facility would be seriously damaging to investors or market participants? Please explain the reasons for your views.*

As set out in the response to question 8, we consider that mandating trading on platforms may neither achieve the overarching aim of reducing systemic risk, nor be in the interests of either trading platforms (which might not be able to make such business economic), nor customers, with whom the trading platforms will have to share the cost. In addition, customers will suffer a reduced choice of how they can trade, potentially reducing the attractiveness of a particular hedging instrument.

Consolidated Tape

- [51] *What is your opinion of the suggestion for the introduction of a European Consolidated Tape for post-trade transparency? Please explain the reasons for your views, including the advantages and disadvantages you see in introducing a consolidated tape.*

CME Group does not believe this is necessary. To the extent the marketplace signals a need for consolidated data products, we expect that proprietary data products will be developed by vendors.

- [59] *What is your opinion about the introduction of a consolidated tape for non-equity trades? Please explain the reasons for your views.*

CME Group supports the need for improved transparency but it does not consider it is necessary to introduce a consolidated tape for derivatives. At present, there is no such requirement in the United States for derivatives. To the extent the marketplace signals a need for consolidated data products, we expect that proprietary data products will be developed by vendors.

Commodity Derivatives

- [60] *What is your opinion about requiring organised trading venues which admit commodity derivatives to trading to make available to regulators (in detail) and the public (in aggregate) harmonised position information by type of regulated entity? Please explain the reasons for your views.*

Date: 31 January 2011

We support this proposal on the basis that it would improve transparency, but we would be concerned if it were to impose significant additional cost, especially if the regulatory authorities have much of the information already. CME Group already requires daily position reports of all positions that exceed a defined reportable threshold and such positions are also reported to the CFTC. The CFTC also uses this information to produce publicly available “Commitments of Traders” reports of aggregated and time-delayed position information by customer category. CME Group would prefer that any European requirements are aligned with these. We would also reiterate our concerns around providing information about the identity of end clients. These are set out in response to the answer to question 76 below.

- [63] *What is your opinion about requiring organised commodity derivative trading venues to design contracts in a way that ensures convergence between futures and spot prices? What is your opinion about other possible requirements for such venues, including introducing limits to how much prices can vary in a given timeframe? Please explain the reasons for your views.*

We are strongly opposed to a requirement of the kind described in the question. We think there are difficulties in defining what ‘convergence’ is and, depending on the definition, we do not believe that convergence can always be achieved through contract design. The proposal appears to have derived from problems which have arisen in particular commodity derivatives markets and we do not think it is safe to assume that the same solution will necessarily be effective in different markets. In our view, each market should be considered on a case by case basis. Fundamentally, we think that exchanges or platforms are best placed to monitor contracts and to make the necessary changes to meet their customers’ needs.

Regarding limits on how much prices can vary in a given time period, we agree that limits specified as circuit breakers or as a percentage of price levels can be effective tools to give market participants the time needed to accurately assess the reasons for rapidly changing prices. However, price limits should not be considered to be an effective tool to ensure convergence and, in fact, they could actually inhibit convergence if they remain in place during the expiration period of a contract. While CME Group specifies daily price limits for many of its futures contracts that are based on physical commodities (e.g., corn, wheat and soybeans), these limits are removed during the delivery month to ensure that futures settlement prices accurately reflect the value of the underlying commodity at the delivery location.

Access of third country firms to EU markets

- [138] *In your opinion, is it necessary to introduce a third country regime in MiFID based on the principle of exemptive relief for equivalent jurisdictions? What is your opinion on the suggested equivalence mechanism?*

We welcome the proposal to grant access to third country markets and support the concept of equivalence. However, the standards imposed on third country firms and markets should not be higher than those imposed on EEA firms and equivalence should not be used as a barrier to entry.

- [139] *In your opinion, which conditions and parameters in terms of applicable regulation and enforcement in a third country should inform the assessment of equivalence? Please be specific.*

Any equivalence test must be based on transparent, proportionate, fair and objective grounds. It must also recognise that other jurisdictions have different legal and regulatory structures and that equivalence may have to be judged in terms of effect rather than process.

- [140] *What is your opinion concerning the access to investment firms and market operators only for non-retail business?*

Date: 31 January 2011

We do not see why the tests for access by third country firms and markets should not work in the same way for all types of client, especially if the Commission proceeds with its proposals to amend the scope of the client categories. Proportionality would mean that a third country retail firm or market would have to demonstrate higher standards than one which only deals with the wholesale markets.

Ban on specific activities products or practices

[142] *What is your opinion on the possibility to ban products, practices or operations that raise significant investor protection concerns, generate market disorder or create serious systemic risk? Please explain the reasons for your views.*

We note that this proposal would extend Article 50(2)(g) and (k) of MiFID both in terms of scope and by giving these powers to ESMA as well as the member states. We believe that it should only be adopted if, on analysis, the current arrangements can be shown to have failed, rather than because they have been implemented inconsistently, because the powers could create uncertainty. We query whether the competent authorities are not in a better position than the Commission to make these decisions in relation to investment firms and regulated markets in their member states and, therefore, if this proposal is adopted, we support making the powers at EU level a back up only. Subject to our response to question 143, we are not opposed to the Commission having the powers to ban investment services and activities in financial instruments on the grounds identified in the consultation provided that the safeguards identified in the consultation are also required.

[143] *For example, could trading in OTC derivatives which competent authorities determine should be cleared on systemic risk grounds, but which no CCP offers to clear, be banned pending a CCP offering clearing in the instrument? Please explain the reasons for your views.*

We strongly believe that market participants are best placed to identify and manage risks and query whether it is appropriate that competent authorities make these decisions. We also think care should be taken to ensure that a CCP's decision not to clear a particular product is not taken as an indication that the CCP regards the trade as too risky since the decision may have been taken on a number of other grounds (e.g. profitability). Such an impression could have adverse consequences for market participants with exposure to the instrument. We also think that care should be taken to ensure that no political pressures are put on CCPs to clear particular instruments if the CCP has decided not to do so.

If the Commission were to adopt this proposal, we assume the ban would be on new contracts being entered into, rather than a requirement to unwind any existing contracts. In any event, we believe there would have to be a transitional period to allow participants which trade such OTC derivatives to take appropriate steps.

Automated and High Frequency Trading

[13] *Is the definition of automated and high frequency trading provided above appropriate?*

We believe the definition of automated trading as trading involving the use of computer algorithms to determine any or all aspects of the trade is appropriate, and that high frequency trading should be considered as a sub-category of automated trading. In our view, high frequency trading typically refers to trading activity that employs extremely fast automated programmes for generating, routing, cancelling and executing orders in electronic markets.

[15] *What is your opinion of the suggestions to require specific risk controls to be put in place by firms engaged in automated trading or by firms who allow their systems to be used by other traders?*

Date: 31 January 2011

We agree that firms engaged in automated trading or which allow other traders to use their systems for such purposes should be required to have risk controls and procedures in place that are reasonably designed to ensure financial integrity and to prevent market disruptions given the nature of the firm's business. However, while it may be useful for the regulators to give guidance on the types of controls that could be used to achieve identified risk mitigation goals, we do not believe regulators should be prescriptive in this regard. Instead, trading firms and the platforms on which they trade should determine the specific types of controls and parameters that are most appropriate to their business and reasonably designed to achieve the aforementioned objectives.

[16] *What is your opinion of the suggestion for risk controls (such as circuit breakers) to be put in place by trading venues?*

We believe that the risk controls at trading firm and clearing firm level should be complemented by risk mitigation and volatility mitigation functionality on the trading platform, as well as appropriate compliance and risk management procedures. Again, however, regulators should rely on principles rather than prescriptive rules in this regard to allow trading platforms to design functionality and procedures appropriately suited to their particular markets and market structure.

CME Group has implemented a variety of risk and volatility mitigation functionalities and procedures. These include, among others, the following:

- Stop logic functionality, which mitigates artificial market spikes by creating a momentary pause during which no orders are matched but new orders may be entered and orders may be modified and cancelled, allowing participants an opportunity to provide liquidity and allow the market to regain equilibrium.
- Excessive messaging controls which monitor for messaging above a certain rate per second on a particular connection and reject further messaging until the rate falls below the relevant threshold. CME Group also imposes fee surcharges on member firms that exceed product specific messaging volume to traded volume benchmarks that are tailored to the valid trading strategies of each market and designed to promote high quality and responsible messaging practices.
- Price banding, which prevents the entry of erroneously priced orders such as a bid at well above the market price that could trigger a sequence of market moving trades that would require subsequent cancellation.
- Protection points for market and stop orders, which are used to preclude the execution of certain types of order at extreme prices in situations where there is insufficient liquidity to support the execution of an order within an exchange specified parameter.
- Maximum order size functionality, which prohibits entry of an order which exceeds a pre-determined quantity and protects against "fat finger" quantity errors.
- Numerous CME Group products have price limits and/or circuit breakers that mitigate risks to the market infrastructure by allowing market participants time to assimilate information and mobilize liquidity during periods of sharp and potentially destabilizing price swings. Price limits allow trading to continue, but only within defined limits. Circuit breakers are calibrated at defined levels and completely halt trading for a defined period of time or for the balance of a trading session. However, we believe these tools need to be used in a coordinated way because unilateral market measures will not address the complex inter-market issues that exist. For example, CME Group exchanges have circuit breakers in place for equity index products which are consistent with the circuit breaker rules in the underlying equity markets.

Date: 31 January 2011

- Credit controls which provide automated pre-trade risk controls at the trading firm level without introducing additional order processing latency.
- Cancel on disconnect functionality, an opt-in service that allows for the automatic cancellation of resting day orders when a user's connection to the trading platform involuntarily drops.
- Kill button functionality which allows users to cancel all working orders.
- CME Group has also designed systems infrastructure, rules and applications to capture data on electronic trading activity at a very granular level including, among many other details, the identity of the executing firm, the unique order entry operator ID, the account number, and every order, modification, cancellation and market data message at the millisecond level. This data and corresponding sophisticated data query and analysis tools allow regulators to identify anomalies and transaction patterns that may be indicative of misconduct.

[17] *What is your opinion about co-location facilities needing to be offered on a non-discriminatory basis?*

We agree that co-location and proximity hosting services should not be offered on a discriminatory basis to only select market participants. CME Group has developed its own such services based on the principles that such services should be available to all qualified market participants that are willing to pay for the services and that such access should be equitable, open and fair. However, we also note that a trading platform offering co-location and proximity hosting services may at some time exhaust its available space and we do not believe that regulators should have authority to direct a trading platform to purchase more land and build a new collocation facility if demand were to exceed the available space. We believe that, if the available space were to be filled, a trading platform should be considered to have satisfied its obligations to the extent that space has been provided to third party hosting providers that offer their services to many market participants.

We also believe that fees for co-location and proximity hosting services should be equitable and not operate as a barrier to market access. We do not agree with preferential pricing or special treatment for certain market participants.

[18] *Is it necessary that minimum tick sizes are prescribed? Please explain why?*

Trading platforms rather than regulators are best equipped to determine the minimum tick sizes for the products they list that will best promote market liquidity and efficient trading.

[19] *What is your opinion of the suggestion that high frequency traders might be required to provide liquidity on an ongoing basis where they actively trade in a financial instrument under similar conditions as apply to market makers? Under what conditions should this be required?*

We do not think that high frequency traders should be required to provide liquidity on an ongoing basis under similar conditions as market makers. High frequency traders do not take on responsibility to act as market makers and are not incentivised as such. If uncompensated high frequency traders are required to put their capital at risk subject to defined parameters when it is unprofitable to do so, this will undoubtedly lead to the exit of market making capital and result in less liquid and more volatile markets, as well as less resilient markets as market making capital is depleted.

High frequency traders, like other participants, should quote responsibly based upon their ability to responsibly manage the risks associated with the orders they place. It would be irresponsible for a

Date: 31 January 2011

high frequency trader to continue to operate an algorithm under conditions that it is not designed for and put the firm at risk.

- [20] *What is your opinion about requiring orders to rest on the order book for a minimum period of time? How should the minimum period be prescribed? What is your opinion of the alternative, namely of introducing requirements to limit the ratio of orders to transactions executed by any given participant? What would be the impact on market efficiency of such a requirement?*

In today's global electronic markets, it is impossible to establish minimum order durations without substantially impacting both liquidity and risk. In a world where information flows are measured in milliseconds and microseconds, order duration limits would backfire and reduce liquidity and market depth rather than preserve it. Minimum order duration standards are basically an option granted to market participants who do not display their liquidity. Market makers will undoubtedly quote less size and widen spreads to compensate for the greater risk, especially so during times of market stress, and would likely hold more orders on their front-end systems rather than display them in the market.

CME Group employs messaging policies to deter irresponsible messaging, by assessing surcharges to firms which exceed a product-specific volume ratio that measures the number of messages relative to the executed volume. However, establishing such policies should be the responsibility of the trading platform, which is best positioned to understand its message flow, capacity and how messaging impacts its markets.

Transaction Reporting

- [67] *What is your opinion on the extension of the transaction reporting regime to transactions in all financial instruments that are admitted to trading or traded on the above platforms and systems? Please explain the reasons for your views.*
- [68] *What is your opinion on the extension of the transaction reporting regime to transactions in all financial instruments the value of which correlates with the value of financial instruments that are admitted to trading or traded on the above platforms and systems? Please explain the reasons for your views.*
- [69] *What is your opinion on the extension of the transaction reporting regime to transactions in depositary receipts that are related to financial instruments that are admitted to trading or traded on the above platforms and systems? Please explain the reasons for your views.*
- [70] *What is your opinion on the extension of the transaction reporting regime to transactions in all commodity derivatives? Please explain the reasons for your views.*
- [71] *Do you consider that the extension of transaction reporting to all correlated instruments and to all commodity derivatives captures all relevant OTC trading? Please explain the reasons for your views.*

In response to questions 67 to 71, CME Group generally supports the need for improved transparency for all trading markets. CME Group is generally open to reasonable transaction reporting, although it is very important that any requirements get applied equally and not burden one market center more than others based on the type of products offered for trading.

- [73] *What is your opinion on the introduction of an obligation to store order data? Please explain the reasons for your views.*

Date: 31 January 2011

CME Group already stores information about orders and trades on its multilateral Globex electronic system. However, some markets trade in more of a negotiated manner, and there may not be recording of order information per se.

- [74] *What is your opinion on requiring greater harmonisation of the storage of order data? Please explain the reasons for your views.*

CME Group opposes and harmonization of protocols for storing order data. CME Group stores its order data in a manner that facilitates its efficient use by numerous downstream systems that consume the data for regulatory, risk management and market analytic purposes. Requiring order data to be stored or submitted in a particular manner fails to recognize the substantial differences in the proprietary attributes of particular trading platforms, and consequently a one size fits all approach is unlikely to be feasible. Further, any effort to force standardization would limit the flexibility of trading platforms to store data in the manner that best meets its needs and would negatively impact innovation and customer service as, at best, any changes would require coordination with and lead time by third-parties.

- [76] *How do you consider that the use of client identifiers may best be further harmonised? Please explain the reasons for your views.*

CME Group agrees that there should be some level of standardization in the submission of client identifiers. However, the amount of data required must also be reasonable, as trading systems generally have limited bandwidth, and any changes or additions to data elements may affect multiple systems and can be extremely expensive to implement. Also, it is important to require data points that are fairly standard across the world, as trading is increasingly an international business and not all jurisdictions record the same information.

In the U.S., the regulated derivatives exchanges have long had requirements to record a customer designation which provides valuable information about the ownership and control of a particular order or trade. The account number is a rich data field, and is already a fairly standard piece of data among investment and clearing firms, CME Group does not believe it is practical or desirable to identify "the person who made the investment decision" on each individual order message. The customer account number or customer designation refers to a relationship between an investment firm and its client. Investment firms which carry accounts on their books pretty much universally record an account name and other information about the account, such as whether control has been delegated to a third party. Further, some accounts are held as "omnibus" but contain information about the firm that carries the omnibus relationship.

If detail reference information is needed on specific investment firm accounts, the best way to obtain that information is by a separate reporting mechanism, and not through additional identifiers that are submitted on each and every order. Again, information submitted on an order must be minimized to ensure timely and efficient transmission of order messages to market centers. CME Group believes the investment firm customer account number is the best data point for customer identification.

- [78] *What is your opinion on the introduction of a separate trader ID? Please explain the reasons for your views.*

CME Group believes it is prudent to require a trader id, or as we call it the "operator or Tag 50 Id." Each order entered on CME Group's electronic trading platform must include the Operator ID, and will be rejected if the field is not populated. In the case of manually entered orders, the operator ID represents the natural person who entered the order into the system. In the case of orders entered by an automated trading system, the Operator ID identifies the person or team of persons who operate and/or administer the automated trading system. Operator IDs are required to be unique

Date: 31 January 2011

within a clearing firm. Registration of Operator IDs is required for individual members, employees of individual members, all employees or contractors of a clearing or corporate member and any other party receiving preferential fees in accordance with any fee incentive program offered by any of the CME Group exchanges. Additionally, the Market Regulation Department and the Globex Control Center ("GCC") are authorized to require registration of the Operator ID of any market participant which has entered a high volume of messages. In the case of Operator IDs that are not registered with the exchange, the clearing firm must be able to provide the identity of the individual or parties responsible for the automated trading system upon request.

[79] *What is your opinion on introducing implementing acts on a common European transaction reporting format and content? Please explain the reasons for your views.*

We believe that the reporting format required by the regulators in the US and Europe should be coordinated so as to minimize the operational challenges which those trading OTC derivatives under both regimes would otherwise encounter.

Non-equity Markets Transparency

[42] *Could further identification and flagging of OTC trades be useful? Please explain the reasons.*

While such an identification system would make it easier for regulators to reconstruct trading activity and systemic risk, we think that the cost and resulting benefits of such identification and flagging should be carefully considered before any extremely expensive and disruptive changes are forced on the market.

Conclusion

By way of conclusion, we would reiterate that, while we support the Commission's exercise in reviewing MiFID in light of market developments since its introduction, we have various thoughts about whether some of the specific proposals will achieve the Commission's aims and whether they are proportionate to the purpose. We believe that our experience as the operator of several exchanges and a clearing house in the US may be quite different from that of many other respondents so we have tried to reflect this in our answers where appropriate. We would also, again, emphasise the importance of achieving consistency with reforms in the rest of the world.

Sincerely,



Craig S. Donohue
Chief Executive Officer
CME Group