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Division of Clearing and Risk
Division of Swap Dealer and Intermediary Oversight

Ananda Radhakrishnan
Director, DCR
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November 2, 2011

Tim Doar
Managing Director, Risk Management
Chicago Mercantile Exchange

Re: Notification of Post-Relief Transfer Pursuant to Commission Regulations 190.02(a)(2) and 190.06(g)(2)(i)

Dear Mr. Doar:

This letter is in response to your letter, written on behalf of the Chicago Mercantile Exchange (CME), dated November 2, 2011 (the CME Letter), notifying the Commission of the CME's intention to transfer certain customer positions as a result of the insolvency proceedings of MF Global Inc. (MF Global), one of its clearing members. The CME Letter is submitted pursuant to Commission Regulation 190.02(a)(2), which requires a clearing house, prior to transferring customer positions under Section 764(b) of the Bankruptcy Code, to notify the Commission of its intent. If the Commission is so notified and does not disapprove pursuant to Commission Regulation 190.06(g)(2)(i)(B), such transfer may not be avoided by the bankruptcy trustee.

The CME, in its letter, estimated that, at the close of business on November 1, 2011, MF Global's current segregated funds requirement was approximately $5,445,839,890, and that there was a customer segregated funds shortfall at MF Global of $633,027,696, or a deficiency of approximately 11.6%. In order to minimize disruption to the markets and to protect the integrity of the marketplace and market participants, CME has worked to find clearing members who will accept MF Global segregated positions. CME has identified potential transferee FCMs who are willing to accept the transfer of all of MF Global customer segregated account positions of retail customers and substantially all of MF Global customer segregated accounts of institutional customers, but has not yet located transferee FCMs for all MF Global customer accounts of "locals" who are members of an Exchange and act as liquidity providers. CME represents that a difficulty associated with transfer of such accounts is the somewhat unique risk profile they can present, that CME will continue to work diligently with potential transferee FCMs in an effort to facilitate the transfer of all MF Global customer segregated positions and that CME believes that confirmation from the Commission that it will not disapprove the proposed transfers will assist in this regard.

CME has proposed transferring such positions as have been accepted, and a portion of the related customer segregated collateral it is holding (an amount sufficient to margin those positions at the clearing firms receiving such positions). No funds that are at MF Global or in its customer accounts at banks will be transferred. The total amount of MF Global customer segregated funds on deposit at the CME is $2,434,265,227, and it is anticipated by CME that a proportionate share of the roughly $1,449,069,869, or approximately 60% of the MF Global customer segregated funds on deposit at the CME, would be transferred to the receiving clearing firms to margin the positions being transferred to them. That proportion would be based on the relationship of the SPAN risk plus short-option value less long-option value for the positions to be transferred for each transferee and the SPAN risk plus short-option value less long-option value for all of the MF Global customer positions cleared at CME. The balance of the MF Global customer segregated funds would be retained by CME pending further direction from the Commission and/or bankruptcy court.

CME anticipates that MF Global customer segregated account positions will be transferred to two or more of the following five clearing members in good standing: ABN AMRO Chicago Clearing, ADM Investor Services, Dorman Trading, FC Stone, R.J. O'Brian, and/or Rosenthal Collins Group.

The Division of Clearing and Risk (DCR) and the Division of Swap Dealer and Intermediary Oversight (together with DCR, the Divisions) have reviewed the CME Letter. Under Commission Regulation 190.06(g)(2)(i)(B), if the Commission does not disapprove the transfer, such transfer may not be avoided by the bankruptcy trustee. Acting pursuant to the authority delegated to them by Commission Regulation 190.10(d), the Divisions hereby notify you that the Commission does not disapprove the transfer of such positions set forth in the CME Letter and in the manner described therein.

On behalf of the Commission, the Divisions reiterate that customer segregation is the foundation of customer protection in the commodity futures and swaps markets. Segregation must be maintained at all times, pursuant to Section 4(d) of the Commodity Exchange Act (the Act) and Commission Regulation 1.20. As mentioned above, MF Global does not have sufficient funds in segregation to meet Commission requirements. The Commission intends to take any and all action afforded to it, within the purview of the Act and the Bankruptcy Code, to ensure that customers maximize their recovery of funds and to discover the reason for the shortfall in segregation.

This letter is based upon the representations of CME and applicable laws and regulations in their current form. If you have any questions concerning this correspondence, please contact Jon DeBord, Special Counsel, at 202-418-5478 or jdebord@cftc.gov.

Sincerely,

Gary Barnett
Director, DSIO

Ananda Radhakrishnan
Director, DCR