



Timothy R. Elliott
Director and Associate General Counsel
Legal Department

February 22, 2012

VIA E-MAIL

Mr. David Stawick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: Regulation 40.6(a); Revisions to CME Rules to increase all month speculative position limits in S&P GSCI and S&P GSCI-ER contracts. Submission 12-056

Dear Mr. Stawick,

The Chicago Mercantile Exchange Inc ("Exchange") notifies the Commodity Futures Trading Commission ("CFTC" or "Commission") that it intends to increase single month futures equivalent speculative position limits in S&P GSCI futures, options on S&P GSCI futures and S&P GSCI Excess Return ("ER") futures. The increases will be made effective for all contract months beginning on the trade date of March 19, 2012.

Position limits for the S&P GSCI and S&P GSCI-ER contracts are currently set at 10,000 contracts for all months combined and there is no spot month or single month position limit. These limits have been in place since the initial listings. A recent analysis using weighting variables for the component commodities of the indexes determined that positions of 18,000 contracts in GSCI and 45,000 contracts in GSCI-ER could be held without exceeding any non-spot single month position limit or accountability level for the futures contract of any component. More information on this analysis and the component position limits/accountability levels is provided below. There is no spot month pricing for any component used in either index. The analysis is based on a method previously used to set position limits in the former DJ-AIG Commodity Index and Market Regulation staff has been advised of the increased position limits and has confirmed that these changes are acceptable from their standpoint.

The S&P GSCI is a production weighted index, with the weights based on the amount of the commodity produced worldwide. The weights are in the same units as the underlying component futures contracts (i.e., barrels of oil or bushels of grain). In calculating an Index value, the price of each component commodity is multiplied by a production weight (CPW) and divided by the normalizing constant (NC). The CPW/NC can be thought of as a weighting factor for each commodity. The CPW and NC factors are the same for both the S&P GSCI and the S&P GSCI-Excess Return (ER) Indexes. The S&P GSCI futures contract has a multiplier of \$250 while the S&P GSCI-ER futures contract has a multiplier of \$100. To identify how many units of a commodity are in the futures contracts the weighting factor defined above must be multiplied by 250 for the S&P GSCI and 100 for the S&P GSCI-ER.

To convert this to the number of component contracts, the product of the weighting factor multiplied by 250 or 100 is divided by the size of the relevant component contract. An example is given considering WTI crude oil:

CPW= 13,557.23
NC= 6,419.535
WTI Crude oil futures contract size =1,000 barrels

Therefore the number of WTI crude oil futures contracts in a single S&P GSCI futures contract is:
 $((CPW/NC)*250)/\text{futures contract size} = 0.527968$

And the number of WTI crude oil futures contracts in a single S&P GSCI-ER futures contract is:
 $((CPW/NC)*100)/\text{futures contract size} = 0.211187$.

Thus it can be seen that 18,000 contracts of S&P GSCI futures are weighted with 9,503 WTI crude oil futures contracts (18,000*.527968) while 45,000 S&P GSCI-ER futures contracts are also weighted with 9,503 WTI crude oil futures contracts (45,000*.211187).

The complete listing of component weighting factors, component futures contract sizes and component futures contract single month position or accountability levels is shown below.

Commodity-Exchange	CPW - 2012	NC 2012	S&P GSCI Multiplier	Index Futures	Contract Size	Units	Component Futures	Single Month Limit or Level
Aluminum-LME	42.530000	6419.535000	250	18000	25	metric tons	1192.516280	none
Zinc-LME	11.040000				25	metric tons	309.555131	none
Nickel-LME	1.352000				6	metric tons	157.955366	none
Lead-LME	7.872000				25	metric tons	220.726268	none
Copper-LME	17.140000				25	metric tons	480.595557	none
Gold-CME	76.583090				100	ounces	536.836243	6000
Silver-CME	665.520500				5000	ounces	93.304024	6000
Live Cattle-CME	92591.820000				40000	pounds	1622.637738	6300
Lean Hogs-CME	72823.440000				40000	pounds	1276.204118	4150
Feeder Cattle-CME	13596.460000				50000	pounds	190.618386	1950
Corn-CME	29648.150000				5000	bushels	4156.583771	33000
Soybeans-CME	8037.317000				5000	bushels	1126.808297	15000
Wheat-CME	18217.580000				5000	bushels	2554.051345	12000
Wheat-KCBOT	5004.071000				5000	bushels	701.556094	12000
Coffee-ICE	17406.220000				37500	pounds	325.373473	5000
Cocoa-ICE	4.116321				10	metric tons	288.548072	6000
Sugar-ICE	344724.800000				112000	pounds	2157.562814	10000
Cotton-ICE	53411.210000				50000	pounds	748.809517	5000
WTI Crude Oil-CME	13557.230000				1000	barrels	9503.419640	10000
Brent Crude Oil-ICE	6959.701000				1000	barrels	4878.648454	none
Heating Oil-CME	71569.800000				42000	gallons	1194.509082	5000
Rbob Gasoline-CME	73694.100000				42000	gallons	1229.963919	5000
Gasoil-ICE	359.274500				100	metric tons	2518.461618	none
Natural Gas-CME	28984.310000				10000	Mmbtu	2031.757674	6000
TOTAL							39497.00	

Commodity-Exchange	CPW - 2012	NC 2012	S&P GSCI-ER Multiplier	Index Futures	Contract Size	Units	Component Futures	Single Month Limit or Level
Aluminum-LME	42.530000	6419.535000	100	45000	25	metric tons	1192.516280	none
Zinc-LME	11.040000				25	metric tons	309.555131	none
Nickel-LME	1.352000				6	metric tons	157.955366	none
Lead-LME	7.872000				25	metric tons	220.726268	none
Copper-LME	17.140000				25	metric tons	480.595557	none
Gold-CME	76.583090				100	ounces	536.836243	6000
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TOTAL							39497.00	

Revisions to CME Rules 40102.D, 401A01.F, 41502.D and the Position Limit Table at the end of CME Rule Chapter 5 are attached.

The CME Commodity Research and Product Development and Legal Departments collectively reviewed the designated contract market core principles as set forth in the Commodity Exchange Act ("Act"). During the review, we identified that the revisions that are the subject of this filing may have some bearing on the following core principles:

Compliance with rules. Higher speculative position limits should not affect the exchange's ability to assure compliance with rules and conduct market surveillance obligations under the Act. The Exchange believes that it has appropriate systems, policies and procedures in place to address the new speculative position limits.

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Contracts not readily subject to manipulation. The speculative limits being affected are consistent with the single month limits already in place for the components underlying the Index. The Exchange believes the levels are appropriate given that the Commission has found that the levels in the underlying component futures contracts will not subject the markets to manipulation or excessive speculation. Further, the method of analysis used in calculating the limits for the Index has been applied in prior commodity index futures contracts. Commission staff are aware of the methodology and CME's plans for its use with the S&P GSCI contracts.

Prevention of market disruption. Increased all months combined speculative position limits will not affect market surveillance activities and all market participants will continue to be monitored to avoid abuse or market disruption.

Position limits or accountability. The Exchange is adopting speculative position limits that are consistent with and do not exceed CFTC referenced contract position limits for the underlying component futures contracts.

Trade information. Increased speculative position limits will not affect the Exchange's ability to record and store identifying trade information in order to assist in the prevention of customer and market abuses.

Protection of market participants. The Exchange will continue to monitor all market participants to prevent any abusive practices and to assure equitable trading for all users.

The Exchange certifies that the revisions that are addressed in this submission comply with the Act and regulations thereunder. There were no substantive opposing views to this proposal.

The Exchange certifies that this submission has been concurrently posted on the Exchange's website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

If you require any additional information, please contact me at 312-466-7478 or at Tim.Elliott@cmegroup.com. Please reference our submission #12-056 in any related correspondence.

Sincerely,

/s/ Tim Elliott
Director and Associate General Counsel

Attachment: Exhibit 1 – Revisions to CME Rules

EXHIBIT 1

Revision to CME Rules

(Additions underlined, deletions [bracketed] and ~~overstruck~~)

Chapter 401

S&P GSCI™ Commodity Index Futures

40102. FUTURES CALL

40102.D. Position Limits

A person shall not own or control more than [~~10,000~~] 18,000 contracts net long or net short in all contract months combined. For positions involving options on S&P GSCI Commodity Index Futures, this rule is superseded by the option speculative position limit rule.

Chapter 401A

Options on S&P GSCI™ Commodity Index Futures

401A01.F. Position Limits

No person shall own or control a combination of options and underlying futures contracts that exceeds [~~10,000~~] 18,000 futures-equivalent contracts net on the same side of the market in all contract months combined.

For the purpose of this rule, the futures equivalent of an option contract is 1 times the previous business day's IOM risk factor for the option series. Also for purposes of this rule, a long call option, a short put option, and a long underlying futures contract are on the same side of the market; similarly, a short call option, a long put option, and a short underlying futures contract are on the same side of the market.

Chapter 415

S&P GSCI™ ER Index Futures

41502. FUTURES CALL

41502.D. Position Limits

A person shall not own or control more than [~~10,000~~] 45,000 contracts net long or net short in all contract months combined.

Amendment to CME POSITION LIMIT, POSITION ACCOUNTABILITY AND REPORTABLE LEVEL TABLE in pertinent section at the end of Chapter 5, as follows (deletions overstruck, additions underlined):

CONTRACT NAME	OPTIONS	FIRST SCALE-DOWN SPOT MONTH	SECOND SCALE-DOWN SPOT MONTH	SPOT MONTH	SINGLE MONTH	ALL MONTHS COMBINED	POSITION ACCOUNT-ABILITY	REPORT-ABLE FUTURES LEVEL	REPORT-ABLE OPTIONS LEVEL
CME commodities									
S&P GSCI	Y					[*10,000] <u>*18,000</u>		25	25
S&P GSCI-ER						[*10,000] <u>*45,000</u>		25	

*Net futures equivalents (NFE) long or short