

March 8, 2013

**VIA E-MAIL**

Ms. Melissa Jurgens  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, DC 20581

**RE: Regulation 40.6(a) Rule Certification. Chicago Mercantile Exchange Inc., The Board of Trade of the City of Chicago, Inc., New York Mercantile Exchange, Inc. & Commodity Exchange, Inc.  
Submission # 13-078: Issuance of CME Group Market Regulation Advisory Notice RA1304-5**

Dear Ms. Jurgens:

Chicago Mercantile Exchange Inc. ("CME"), The Board of Trade of the City of Chicago, Inc. ("CBOT"), New York Mercantile Exchange, Inc. ("NYMEX") and Commodity Exchange, Inc. ("COMEX") (collectively, the "Exchanges") are notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that they are self-certifying the issuance of CME Group Market Regulation Advisory Notice RA1304-5 ("RA1304-5"). RA1304-5 is substantially similar to CME Group Market Regulation Advisory Notice RA1002-5 issued on January 11, 2010.

RA1304-5 has been updated and is being reissued as a reminder to market participants that they must exercise diligence and care in the creation of User-Defined Spreads ("UDS") on CME Globex. RA1304-5 informs the marketplace that an enhancement was made last year to the algorithm responsible for allocating futures on covered option strategies on CME Globex to ensure that resting orders are allocated an appropriate number of futures. It is impermissible to transact covered option spreads on CME Globex in a manner that is intended to result in an over- or under-allocation of futures, and the Exchanges have taken disciplinary action when that activity has been identified. As in RA1002-5, RA1304-5 advises market participants that knowingly creating and/or trading UDS instruments in a manner intended to deceive or unfairly disadvantage other market participants will result in disciplinary action.

RA1304-5 is set forth in Exhibit A, and will be disseminated to the marketplace on March 11, 2013.

The Market Regulation Department and the Legal Department collectively reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("Act"). During the review, we have identified that the changes described in this Submission may have some bearing on the following Core Principle:

**Compliance with Rules:** RA1304-5 advises the marketplace that knowingly creating and/or trading UDS instruments in a manner intended to deceive other market participants is an abusive trading practice disallowed across the Exchanges, and that doing so will result in disciplinary action. RA1304-5 is therefore in compliance with this core principle which requires a board of trade to establish rules prohibiting such abusive practices.

**Availability of General Information:** RA1304-5 concerns requirements attendant to the creation and execution of UDS transactions on CME Globex. As such, it contains regulatory guidance and is being broadly disseminated to the marketplace in order to ensure that market participants understand the requirements in this regard.

Protection of Market Participants: RA1304-5 is intended to caution market participants that the creation of UDS on Globex must be done with care and diligence and that the trading of such instruments must not be done in a manner intended to deceive or unfairly disadvantage other market participants. The Advisory Notice is intended to prevent market abuse and, as such, is in compliance with the requirements of this core principle.

The Exchanges certify that the issuance of RA1304-5 complies with the Act and regulations thereunder. There were no opposing views to the issuance of RA1304-5.

The Exchanges certify that this submission has been concurrently posted on the CME Group website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

If you have any questions regarding this submission, please contact Robert Sniegowski, Market Regulation, at 312.341.5991 or via email at [Robert.Sniegowski@cmegroup.com](mailto:Robert.Sniegowski@cmegroup.com). Alternatively, you may contact me at 312.930.8167 or via email at [Sean.Downey@cmegroup.com](mailto:Sean.Downey@cmegroup.com). Please reference CME/CBOT/NYMEX/COMEX Submission # 13-078 in any related correspondence.

Sincerely,

/s/ Sean Downey  
Senior Director & Associate General Counsel

Attachments: Exhibit A – RA1304-5

## Exhibit A

# MARKET REGULATION ADVISORY NOTICE

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<b>Exchange</b>	<b>CME, CBOT, NYMEX &amp; COMEX</b>
<b>Subject</b>	<b>Improper Conduct with Respect to User-Defined Spreads on CME Globex</b>
<b>Rule References</b>	<b>Rule 432</b>
<b>Advisory Date</b>	<b>March 11, 2013</b>
<b>Advisory Number</b>	<b>CME Group RA1304-5</b>

This Advisory Notice supersedes CME Group Market Regulation Advisory Notice RA1002-5 issued on January 11, 2010. It is being reissued to remind market participants that they must exercise diligence and care in the creation of User-Defined Spreads (“UDS”) on CME Globex.

A UDS is an option spread that a trader creates by defining the spread’s legs and ratios. Upon receipt of the spread details, Globex creates a tradable instrument that is disseminated to the entire market. If the spread being requested by the user is a known spread type (e.g., butterfly, straddle, condor), Globex will identify the spread as that spread type when disseminating it to the market. If the spread is not a standard Globex spread type (known as unrecognized or generic spreads), the spread instrument will be created exactly as requested by the user and notice of its availability will be distributed to the market.

Although the Globex system provides certain protections such as reasonability checks with respect to deltas and the futures price on covered instruments, the UDS functionality requires users to exercise diligence and care in the creation of option spread instruments, including the creation of covered option strategies. Last year, an enhancement was made to the algorithm responsible for allocating futures on such covered option strategies to ensure that resting covered combination orders are allocated an appropriate number of futures.

Market participants are reminded that knowingly creating and/or trading UDS instruments in a manner intended to deceive or unfairly disadvantage other market participants is considered uncommercial conduct detrimental to the welfare of the exchange and will result in disciplinary action for violation of Rule 432 (“General Offenses”). Additionally, the Global Command Center may price adjust or cancel trades that are deemed to negatively impact the integrity of the market pursuant to the provisions of Rule 588 (“Trade Cancellations and Price Adjustments”).

Questions regarding this Advisory Notice may be directed to one of the following individuals in Market Regulation:

Robert Sniegowski, Senior Director, Rules & Regulatory Outreach, 312.341.5991

Erin Schwartz, Sr. Rules & Regulatory Outreach Specialist, 312.341.3083

For media inquiries concerning this Advisory Notice, please contact CME Group Corporate Communications at 312.930.3434 or [news@cmegroup.com](mailto:news@cmegroup.com).