



Christopher Bowen  
Managing Director and Chief Regulatory Counsel  
Legal Department

December 7, 2012

**VIA E-MAIL**

Ms. Sauntia Warfield  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

**RE: Modifications to CME Commodity Trading Advisors/Hedge Fund Incentive Program  
CME Submission No. 12-408**

Dear Ms. Warfield:

Chicago Mercantile Exchange Inc. ("CME" or the "Exchange") hereby notifies the Commodity Futures Trading Commission ("Commission") of certain modifications to an existing incentive program for commodity trading advisors ("CTAs") and hedge funds in support of certain Foreign Exchange ("FX") products traded on the CME Globex® Platform ("Program"). The proposed modifications will become effective on January 2, 2013.

Exhibit 1 sets forth the terms of the Program. The modifications appear below, with additions underscored and deletions ~~overstruck~~.

CME business staff responsible for the Program and the CME legal department collectively reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodities Exchange Act ("CEA"). During the review, CME staff identified the following Core Principles as potentially being impacted; Prevention of Market Disruption, Execution of Transactions, Protection of Market Participants, Compliance with Rules, and Record Keeping.

The Program and proposed modifications do not incentivize manipulative trading or market abuse and do not impact the Exchange's ability to perform its trade practice and market surveillance obligations under the CEA. The Exchange's market regulation staff will nevertheless continue to monitor trading in the Program's products to prevent manipulative trading and market abuse. The Program does not impact the Exchange's order execution. Participants in the Program will be selected by the Exchange's staff using criteria as further stated in Exhibit 1. Chapter 4 of the Exchange rules includes prohibitions against fraudulent, non-competitive, unfair or abusive practices. The Program is subject to these rules. The Program is subject to the Exchange's record retention policies which comply with the CEA.

CME certifies that the Program and proposed modifications comply with the CEA and the regulations thereunder. There were no substantive opposing views to this Program or proposed modifications.

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 regarding this submission, please contact Robert Lev at 312-930-3019 or via e-mail at [robert.lev@cmegroup.com](mailto:robert.lev@cmegroup.com), or contact me at 212-299-2200. Please reference our CME Submission No. 12-408 in any related correspondence.

Sincerely,

/s/ Christopher Bowen  
Managing Director, Chief Regulatory Counsel

Attachment: Exhibit 1

# EXHIBIT 1

## CME CTA/HEDGE FUND INCENTIVE PROGRAM

### Program Purpose

The purpose of this Program is to incentivize CTAs and hedge funds to trade FX products on the CME Globex® Platform. The resulting increase in central limit order book liquidity for FX products on the CME Globex® Platform benefits all participant segments in the market.

### Product Scope

All FX futures and options contracts that are traded on the CME Globex® Platform (“Products”)

### Eligible Participants

There is no limit to the amount of participants that may be selected in the Program. All approved CTAs and hedge funds may participate. Hedge funds will only receive the fee discounts for trades made in accounts 100% percent managed by the hedge fund. CTAs will only receive fee discounts for trades made in accounts comprising of pooled investment vehicles and managed accounts 100% managed by the CTA (i.e., individual managed accounts for whom the CTA has power of attorney for the sole purpose of trading.) Additionally, CTAs and hedge funds must meet the following criteria to qualify:

- Have more than ~~\$1 billion~~ \$250 million in assets under management (including both pooled investment vehicles and managed accounts); and,
- Have a relationship with a CME clearing member.

### Program Term

Start date is December 23, 2011. End date is ~~December 31, 2012~~ December 31, 2013.

### Hours

The incentives will apply to all trades made in the Products by all participants regardless of the execution time.

### Program Incentives:

Once accepted into the Program, participants will be eligible to receive the following incentives:

*Fee Discounts.* All participants that trade the Products will be entitled to participate in progressive ~~have their~~ Globex® execution and clearing fee volume discounts for discounted trades executed in the Products on Globex. The applicable rates charged will be based on each respective participant's average daily volume in the Products on Globex, measured over an applicable calendar month in accordance with the following: so that:

- (i) For ADV that is less than or equal to 2500 sides, the all-in fee per side (clearing fee + Globex execution fee) charged for will be ~~sixty-four cents (\$0.64)~~ seventy cents (\$0.70).
- (ii) For ADV that exceeds 2500 sides, the all-in fee per side (clearing fee + Globex execution fee) charged for will be sixty cents (\$0.60).

### Monitoring and Termination of Status

The Exchange shall monitor trading activity and participants' performance and shall retain the right to revoke Program participant status if it concludes from review that a Program participant no longer meets the eligibility requirements of the Program.