Christopher Bowen
Managing Director and Chief Regulatory Counsel
Legal Department

March 31, 2014

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: CFTC Regulation 40.6(a) Certification. Modification to Settlement Methodology for S&P GSCI™ Commodity Index Futures.
CME Submission No. 14-099

Dear Ms. Jurgens:

Chicago Mercantile Exchange Inc. ("CME" or "Exchange"), pursuant to Commodity Futures Trading Commission ("CFTC" or "Commission") Regulation 40.6(a), hereby notifies the Commission that it plans to implement a modification to the manner in which S&P GSCI Commodity Index ("S&P GSCI") futures daily settlement prices are determined beginning on Monday, April 21, 2014. On that date, the daily settlement price determination will begin to incorporate activity from both the electronic and open outcry venues. The Exchange will notify the marketplace of the upcoming modification on April 1, 2014, via Special Executive Report ("SER") S-7059, a copy of which is included in Exhibit A.

Currently, S&P GSCI futures are settled with exclusive reference to activity occurring in the open outcry venue during the time period 13:39:30 – 13:40:00 Central Time ("CT"). Beginning on April 21, 2014, the volume weighted average price ("VWAP") of all trades executed in S&P GSCI futures on the trading floor and on CME Globex will be calculated for the designated lead month contract from 13:39:30 – 13:40:00 CT. The combined VWAP for the designated lead month will be rounded to the nearest tradable tick. The second contract month will settle to the combined VWAPs of the lead-month-second month spread using the same methodology described above. For all remaining contract months, the net change in the second contract month from the prior day's settlement price will be applied to the remaining contract months' prior-day settlement prices, with adjustments made to incorporate relevant market data including, but not limited to, transactions, bids and offers in relevant outright and spread markets, or other market information deemed relevant by the Global Command Center ("GCC").

Necessary changes to the settlement-related documents that are publicly available on the CME Group website appear in Exhibits B and C, with additions underscored and deletions ~~overstruck~~. These exhibits will be uploaded to the CME Group website on April 21, 2014, the day on which the revised settlement procedures will become effective.

The Exchange has reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA" or "Act") and has identified that the modification to the settlement procedures for deferred contract months may have some bearing on the following Core Principles:

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- Contracts Not Readily Subject to Manipulation: CME Group employs a variety of settlement methodologies across its product portfolio and has not observed that the execution venue from which the settlement price is derived impacts whether a contract is readily subject to manipulation. In S&P GSCI futures, the current methodology of settling the designated lead month contract based upon the prices and volume of activity in the open outcry venue has proven to yield reliable settlement prices. The modification to the settlement methodology for this product will begin to incorporate activity from both the open outcry and electronic venues into the settlement price calculations, thereby increasing the number and volume of transactions, as well as the number of participants, informing the settlement price determination.

- Prevention of Market Disruption: The Global Command Center, the CME Group Settlement team and the Market Regulation Department each have the capacity to identify abnormal price movements during the settlement period and to take remedial actions as appropriate relative to their respective functions. The applicable settlement methodology for a particular product has not impeded the Exchange's ability to effectively monitor trading and mitigate the potential for market disruptions. Incorporating electronic activity into the determination of the daily settlement prices in S&P GSCI futures will not diminish the Exchange's ability in this regard.

- Availability of General Information: The modification to the settlement procedure for S&P GSCI futures constitutes a change to the terms and conditions of the product. The Exchange will release the attached SER, providing the marketplace with a description of the modification to the settlement procedures and the effective date of the new settlement methodology. Additionally, the publicly available CME Group Settlement Procedures documents on the CME Group website will be modified as shown in Exhibits B and C to reflect the modifications to the settlement procedures and these revised documents will be posted upon the effective date.

- Daily Publication of Trading Information: CME will continue to publish daily settlement prices in S&P GSCI futures products without interruption.

The Exchange certifies that the modification to the settlement procedures described above complies with the CEA and regulations thereunder. There are no substantive opposing views to the proposed enhancement.

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 have any questions regarding this submission, please contact me at 212-299-2200 or via e-mail at Christopher.Bowen@cmegroup.com. Please reference CME Submission No. 14-099 in any related correspondence.

Sincerely,

/s/Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A – SER S-7059
Exhibit B – CME Group Daily Settlement Procedures
Exhibit C – S&P GSCI Futures Daily Settlement Procedures

Exhibit A

CME Group

Special Executive Report

S-7059 **April 1, 2014**

Modifications to Daily Settlement Methodology in CME S&P GSCI™ Futures Effective Monday, April 21, 2014

Pending all relevant regulatory review periods, effective on Monday, April 21, 2014, Chicago Mercantile Exchange Inc. ("CME") will modify the manner in which daily settlement prices are determined in CME S&P GSCI™ futures to incorporate activity from both the open outcry and electronic venues into the determination of the daily settlement prices.

Beginning Monday, April 21, 2014, daily settlement prices in S&P GSCI futures will be determined pursuant to the following methodology:

- The volume-weighted average price ("VWAP") of all trades executed on the trading floor and on CME Globex will be calculated for the designated lead month contract from 13:39:30 – 13:40:00 Central Time ("CT").
- The combined VWAP for the designated lead month will be rounded to the nearest tradable tick.
- The second contract month will settle to the combined VWAPs of the lead month-second month spread using the same methodology as described above.
- To derive settlements for all remaining contract months, the net change in the second contract month from the prior day's settlement price will be applied to the remaining contract months' prior-day settlements, with appropriate adjustments made to incorporate relevant market data, including, but not limited to, transactions, bids and offers in relevant outright and spread markets, or other market information deemed relevant by the Global Command Center.

Questions regarding this Special Executive Report should be directed to the CME Global Command Center at 800.438.8616, in Europe at 44.800.898.013, or in Asia at 65.6532.5010.

For media inquiries concerning this Special Executive Report, please contact CME Group Corporate Communications at 312.930.3434 or news@cmegroup.com.

Exhibit B

CME Group Daily Settlement Procedures

Equity Futures: For full-sized S&P and full-sized NASDAQ, the settlement price of the lead* month contract is the blended Volume Weighted Average Price ("VWAP") of the activity in the E-mini S&P and E-mini NASDAQ on Globex and the activity in the full-sized S&P and full-sized NASDAQ trading in the pit between 15:14:30-15:15:00 Central Time ("CT"). The settlement prices derived for the full-sized contracts are also the settlement prices applied to the E-mini S&P and E-mini NASDAQ. For all other equity indices, the VWAP of trades executed on Globex between 15:14:30-15:15:00 CT is used to determine the settlement prices for the lead month contracts. Back month contract months are settled to traded or quoted spread relationships.

Equity Options: Exchange staff identifies "seed strikes" that include the at-the-money straddle and several out-of-the-money calls/puts. The midpoints of the bid/ask quotes in the seed strikes on Globex are used to create an implied volatility skew. The skew is adjusted based upon the underlying settlement price to automatically generate the out-of-the money settlement prices, and the in-the-money options are settled automatically, using the method referenced on page 4 of this document. For longer dated options for which no Globex data exists, market participants provide bid/ask data for the seed strikes. Adjustments may be made to incorporate relevant pit data.

Non-Treasury Interest Rate Futures: Settlement prices in the front 12 quarterly Eurodollar contract months are based on Globex bid/ask activity between 13:59:00-14:00:00 CT. Settlement prices may be adjusted within the bid/ask range to accommodate calendar spreads and butterflies. Back month contract months are settled by Exchange officials based on market participant input, taking into account a CME-conducted survey for the last 5-year bundle as well as the additional Eurodollar futures settlement guidelines referenced on page 3 of this document. The Serial contract months settle to the VWAP of the prices on Globex between 13:59:00-14:00:00 CT or the midpoint of the bid/ask, with adjustments made to incorporate relevant spread activity. All other Non-Treasury Interest Rate contracts, excluding Fed Funds, are settled using Globex trades and bid/ask activity between 13:59:00 – 14:00:00 CT. Fed Fund settlements for months with more than 10,000 open interest settle to the mid-point of the bid/ask at 14:00 CT, provided that the quantity on both the bid and offer are 50 or more contracts, with adjustments made within those bid/asks to accommodate consecutive month calendar spreads of 100 contracts or greater. All other months settle to the net change of the previous month that was derived using the methodology described above, provided it does not violate the resting bid/ask of 25 contracts or greater.

Non-Treasury Interest Rate Options: Similar to the procedure used in equity options, settlements in the front year of expirations are generated based on the skew derived from taking the midpoint of the bid/ask quotes in Exchange-designated seed strikes from the pit and from Globex. The skew is adjusted based upon the underlying settlement price. The additional guidelines referenced on page 3 of this document are also utilized. All other contract months are settled by Exchange officials based upon input from market participants.

Treasury Futures: http://www.cmegroup.com/trading/interest-rates/files/U.S._Treasury_Futures_Settlement_Procedures.pdf

Treasury Options: Same as Equity Options

FX Futures: For the Australian Dollar, Canadian Dollar, Euro, Pound, Swiss, and Yen, please refer to this link:
http://www.cmegroup.com/trading/fx/files/daily-fx-settlements.pdf
For Peso and Kiwi, Globex trades in the lead month between 13:59:30-14:00:00 CT are used to derive the VWAP; back months are settled based on traded/quoted spread relationships. All other FX futures are settled based on cash market information, taking into account the forward rate, or any other information deemed relevant by staff.

FX Options: Same as Equity Options

Agricultural Futures: Livestock products are settled to the midpoint of the trades or the last valid price in the pit (including trades, higher bids, lower offers, or nominal close based on prior settle if no activity) between 12:59:30-13:00:00 CT. Dairy products are settled to the VWAP of the trades or the last valid price on Globex between 13:09:30-13:10:00 CT. Please refer to this link for Grain and Oilseed procedures: http://www.cmegroup.com/trading/agricultural/files/daily-grains-settlement-procedure.pdf

Agricultural Options: Market participants provide quotes in Exchange-designated seed strikes which are used to generate the implied volatility skew and the skew is adjusted to the underlying futures settlement price. Dairy products are settled using a flat volatility determined by the at-the-money straddle.

Agricultural Index Futures: S&P GSCI Excess Return futures settlements are based on trades that occurred on Globex or via Block during the settlement window (13:39:30 to 13:40:00). If no trades occur during the settlement window, this contract settles to the best Globex bid/offer closest to the forward rate calculation using the spot rate and dealer submitted cost of carry at 13:39:59. The forward rate calculation formula can be found under the contract specs on CMEGroup.com. ~~The S&P GSCI settlements for the front months are settled to the midpoint of the trades in the pit or the last valid price between 13:39:30-13:40:00 CT(including trades, higher bids or lower offers or nominal close based on prior settle if no activity). Back month contract months are settled to traded or quoted spread relationships.~~ The DJ UBS Commodity Index settlements are based on the VWAP of trades executed on Globex between 13:29:00-13:30:00 CT. Please refer to this link for the S&P GSCI futures daily settlement procedure: http://www.cmegroup.com/trading/agricultural/files/Standard-and-Poors-GSCI-Futures-Daily-Settlement-Procedure.pdf

Weather Futures: For outright monthly contract months, a combination of the last sale, higher bid, lower offer or midpoint of the bid/ask is used to derive settlements. For strips, if there is a Globex trade or a block trade, such trades are taken into account; if no such trades exist, the sum of the individual component months will determine the settlement. OTC market information is also referenced where appropriate.

Weather Options: Option trades are converted to “standard deviations” using a model based on Stephen Jewson’s model for pricing Weather. This standard deviation creates prices in the entire options series which is then applied to the open strikes.

Housing Futures and Options: The futures are settled to the last trade or better bid/offer on Globex. Absent a trade or better bid/offer, the prior day settlement is used. The options are settled using volatility skews derived from the midpoints of the bid/ask in a given strike, tied to a futures level.

Energy Futures: The front month in NYMEX WTI Crude Oil, Natural Gas, Heating Oil, and RBOB futures is settled at the VWAP of trades occurring on Globex between 14:28:00-14:30:00 Eastern Time (“ET”). The settlements of the 2nd through 6th contract months are determined based on Globex spread data. All other contract months are settled by Exchange staff, in consultation with market participants, based upon traded/quoted spread relationships.

Energy Options: Exchange staff, in consultation with market participants, establish the at-the-money volatility and create the volatility surface for the out-of-the money puts and calls for all option series based on traded/quoted outrights and spreads, which is input into an options pricing model to determine the settlements for all strikes. Settlements may be adjusted to accommodate relevant orders.

Metal Futures: The active contract month in the Gold, Silver, Platinum, and Palladium are settled to the VWAP of the trades executed on Globex during the defined settlement time period. All other contract months are settled based on traded/quoted spread relationships, as determined by Exchange officials, in consultation with market participants. The active contract month in Copper is settled based on the VWAP of all trades occurring on Globex and in the pit during the closing range. All other contract months are settled based on traded/quoted spread relationships, as determined by Exchange officials in consultation with market participants.

Metal Options: Exchange officials, in consultation with market participants, establish the at-the-money volatility and create the volatility surface for the out-of-the money puts and calls for all option series based on traded/quoted outrights and spreads, which is entered into an options pricing model to determine the settlements for all strikes. Settlements may be adjusted in accommodate relevant orders.

ClearPort Clearing: Unless otherwise specified in the contract terms or settled pursuant to one of the methods set forth above, Exchange staff will determine settlement prices based on relevant market data including, but not limited to, cleared prices, pricing data from market participants, the settlement prices of related products and any other pricing data from sources deemed reliable by staff.

Notwithstanding the foregoing, in the event the aforementioned calculations described in this advisory cannot be made or if staff, in its sole discretion, determines that anomalous activity yields results that are not representative of the fair value of the contract, staff may determine an alternative settlement price.

If you have any questions, please call the CME ~~Globex~~Global Command Center at ~~312.456.2391 or~~+1 800 438 8616, in Europe at +44~~.207.623.4708.~~ 800 898 013 or in Asia at +65 6532 5010.

***For settlement purposes, the "lead" month is defined as the contract month determined to be the most active or liquid, and may not always be the contract month closest to expiry. The method for making this determination varies by product.**

Eurodollar Futures: Back-Month Settlement Guidelines

The first twelve quarterly contract months are settled based on the bid/ask of both outright and spread trades, with all other quarterly months settling based on the following guidelines.

1. Outright Orders (including both single months and strips)
2. Packs (Years 4-10 Blues through Coppers)
3. 3-month Calendar Spreads
4. 6-month Calendar Spreads
5. Pack vs. Pack Spreads
6. 12-month Calendar Spreads
7. Calendar Spreads Beyond 12 months
8. Butterfly Spreads (monthlies)*
9. Bundles
10. Butterfly Strip Spreads

Notes:

- All orders must be actively bid or offered to the market in the Blues and Golds (years four and five) at least **2 minutes** prior to the close. Orders in the Purples through Coppers (years six through ten) must be actively bid or offered to the market at least **10 minutes** prior to the close.

- A daily survey of the pit community will be utilized to assist in the determination of the last five-year bundle settlement. The settlement price for the last five years will be based upon the average price levels obtained from three surveys conducted in the last 10 minutes prior 14:00 CT.

- In the event that the above guidelines are not followed for any reason, written documentation will be required, which will include information on who was involved and what orders went into the decision.

- *All Butterfly Spreads will be considered, with 3-months having higher priority than 6-months, 6-months more than 9-months, etc.

Eurodollar Options Settlement Guidelines

Orders Eligible for Settlement Consideration

1. Outright Options (out-of-the-money only)
2. Straddles (at-the-money only, no contingent futures)
3. Strangles (equidistant from the at-the-money only)
4. Call and Put Spreads (out-of-the-money and at-the-money only)
5. Butterflies/Iron Butterflies/Ratios (1X2 only)
6. Condors/Christmas Trees
7. Outright Options vs. Futures (market delta only)
8. Intermonth Straddle (at-the-money only) and Call/Put Spreads (out-of-the-money only)

Notes:

- Orders not part of these Settlement Guidelines will not be considered in the daily settlement process.
- Outright markets on EOS will be considered for settlement purposes.
- No spreads with 2 or more legs that are in-the-money will be considered.
- No spreads that include a leg that is CAB offered will be considered.
- Put-Call parity will not be violated but the cost of carry may be adjusted when appropriate.
- Customers are reminded that orders must be openly bid or offered at least two minutes prior to the close to be eligible for consideration.
- Daily settlements cannot be changed after 3:00 P.M. CT unless under consideration prior to that time.
- Settlements should reflect mid-market prices whenever possible.
- In-the-money options are settled automatically at parity as described below.

In-the-Money Options Put-Call Parity Equation (Excludes legacy NYMEX Products)

In-the-money options are settled automatically by the Exchange in accordance with the put-call parity equation, taking into account the appropriate cost of carry.

In-the-money options settlement = (Out-of-the-money settlement + Intrinsic Value) – (Cost of Carry + Early Risk)

Cost of carry = Intrinsic Value x (1 - e^ - (Interest Rate x Days to Expiration ~~- Risk of Early Exercise~~ /365))
~~360~~

The cost of carry is rounded to the nearest minimum increment of the underlying futures contract.

For all products except Eurodollar options, the interest rate used is the average of the Broker Loan Rate and the Fed Fund Target Rate. In Eurodollar options, the interest rate used will be a weighted average of the rates implied by the daily settlements of the Eurodollar futures contracts up to (but not including) the options expiration.

Exhibit C

CME S&P GSCI Futures Daily Settlement Procedure

~~Each Standard & Poor's Goldman Sachs Commodity Index Futures (GD) contract with open interest is settled by CME Group staff based on trading activity in the pit.~~

Normal daily settlement procedure

Daily settlement prices for the CME S&P GSCI Futures (GD) are settled by CME Group staff by incorporating both Floor-based and Globex-based trading activity.

Lead month

The lead month is the anchor leg for settlements and is the contract expected to be the most active.

- ~~If the lead month contract trades on in the pit between 13:39:30 and 13:40:00 Central Time (CT), then the contract settles to the midpoint of the trades in the pit during this period.~~
- The volume-weighted average price ("VWAP") of all trades executed in the lead month on the trading floor and on CME Globex, from 13:39:30 to 13:40:00 CT, will be calculated and rounded to the nearest tradable tick. If the VWAP is equidistant between two ticks, then it is rounded to the tick that is closer to the prior-day's settlement price.
- If there are no trades in the lead month ~~occur in~~on the ~~pit~~trading floor or on CME Globex between 13:39:30 and 13:40:00 CT, then the last trade (or prior settle in the absence of a last trade price) is used to determine whether to settle to the current bid or the current ask.

  If the current bid is higher than the last trade/prior settlement price, then the lead month settles to the bid. If the current ask is lower than the last trade/prior settle, then the lead month settles to the ask. The lead month settles to the last trade/prior settle if it is equal to or between the current bid and the current ask.

Second month

When the lead month is the expiry month, then the second month is defined as the calendar month immediately following the lead month. When the lead month is not the expiry month, then the second month is defined as the first expiring non-lead month.

- If the lead month-second month spread trades ~~in~~on the ~~pit~~trading floor or on CME Globex between 13:39:30 and 13:40:00 CT, then the spread VWAP is calculated~~,~~ and rounded to the spread's nearest tradable tick ~~and~~. If this value is equidistant between two ticks, then it is rounded to the tick that is closer to the prior-day lead month-second month settlement price. The spread differential is then applied to the lead month ~~settle~~settlement to derive the second month ~~settle~~settlement.

- If there are no ~~spread~~ trades in the ~~pit~~lead month-second month spread on the trading floor or on CME Globex between 13:39:30 and 13:40:00 CT, then the last spread trade price (or prior settle in the absence of a last trade price) is applied to the lead month ~~settle~~settlement to derive the second month ~~settle~~settlement.

If the last spread trade is outside of the spread's current bid and ask, then the bid or ask price that is closer to the last spread trade is applied to the lead month ~~settle~~settlement to derive the second month ~~settle~~settlement.

- If there is no spread market information available, then the prior-day spread relationship is used.

~~In each of these cases, after the spread differential is applied, the result is rounded to the outright's nearest tradable tick to derive the second month settle.~~

~~*Back month*~~

~~In the absence of market information, the lead month net change is applied to the back month contract's prior-day settlement to derive the daily settlement price.~~

Back months

To derive settlements for all remaining contract months, the net change in the second contract month from the prior day's settlement price will be applied to the remaining contract months' prior-day settlements, with appropriate adjustments made to incorporate relevant market data, including, but not limited to, transactions, bids and asks in relevant outright and spread markets, or other market information deemed relevant by the CME Global Command Center.

If you have any questions, please call the CME Global Command Center at +1 800~~-~~ 438~~-8618~~ 8616, in Europe at +44~~-~~ 800~~-~~ 898~~-~~ 013~~,~~ or in Asia at +65~~-~~ 6532~~-~~ 5010.

Note: In the event the aforementioned calculations cannot be made or if CME Group staff, in its sole discretion, determines that anomalous activity produces results that are not representative of the fair value of the contract, staff may determine an alternative settlement price.