



Christopher Bowen
Managing Director and Chief Regulatory Counsel
Legal Department

April 4, 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. Issuance of CME Market Regulation
Advisory Notice RA1401-2.
CME Submission No. 14-120**

Dear Ms. Jurgens:

Chicago Mercantile Exchange Inc. ("CME" or "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying CME Market Regulation Advisory Notice RA1401-2 ("RA1401-2") concerning CME Rule 515 ("Registration and Identification of Broker Associations").

RA1401-2 is being issued to provide updated information to CME members concerning the products and contract months subject to intra-association trading restrictions pursuant to Rule 515.E. ("Trading Restrictions") and to remind CME members of the longstanding requirements concerning the submission of best and only bid and offer documentation. With respect to the personal and customer intra-association trading restrictions, CME members are permitted to provide evidence to the Market Regulation Department that at the time a trade was made, the two members of the same broker association were the best and only bid and offer. Appropriate documentation is required in order for the Market Regulation Department to remove the volume associated with best and only bid and offer trades from a CME member's intra-association trading percentage for purposes of calculating compliance with the trading restrictions.

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 ("CEA"). During the review, we have identified that the issuance of RA1401-2 may have some bearing on the following Core Principles:

Compliance with Rules: The Market Regulation Advisory Notice being issued provides information to CME members on the existing broker association intra-association trading restrictions and the requirements concerning the submission of best and only bid and offer documentation. The Advisory Notice is intended to ensure that CME members have current regulatory guidance concerning those matters and are aware of the restrictions. Given that the guidance is intended to assist CME members in remaining in compliance with Rule 515.E., it is in compliance with this Core Principle.

Availability of General Information: As required by this Core Principle, the Exchange is publicly issuing RA1401-2 to ensure that CME members have updated guidance and information attendant to intra-association trading and the requirements concerning the submission of best

and only bid and offer documentation. The Advisory Notice will also be available on the CME Group website.

Disciplinary Procedures: The Advisory Notice reminds CME members that violations of the intra-association trading restrictions will result in summary sanctions in accordance with Section E of Rule 515 and includes the complete text of Rule 515 at the end of the Advisory Notice.

The Exchange certifies that the issuance of RA1401-2 complies with the Act and regulations thereunder. There were no substantive opposing views to this proposal. RA1401-2 appears as Exhibit A.

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. 14-120 in any related correspondence.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachment: Exhibit A – RA1401-2

Exhibit A

MARKET REGULATION ADVISORY NOTICE

Exchange **CME**
Subject **Registration and Identification of Broker Associations**
Rule References **Rule 515**
Advisory Date **April 7, 2014**
Advisory Number **CME RA1401-2**

This Advisory Notice supersedes CME Market Regulation Advisory Notice RA0902-2 from August 28, 2009. It is being reissued to provide updated information concerning the Eurodollar options and Eurodollar MidCurve options subject to trading restrictions pursuant to CME Rule 515.E. ("Trading Restrictions"). Additionally, page 2 of the Advisory Notice reminds CME members of the requirements concerning the submission of best and only bid and offer documentation to the Market Regulation Department.

The complete text of Rule 515 begins on page 3 of this Advisory Notice.

Current Trading Restrictions

Restrictions on the intra-association trading among members of CME broker associations currently apply to certain contract months in Standard & Poor's 500 Stock Price Index futures and Eurodollar and Eurodollar MidCurve options. The restrictions are as follows:

Standard & Poor's 500 Stock Price Index Futures

A. Contract Months Subject to the Restrictions

The lead contract month. The second contract month becomes restricted on the first business day that lead contract month becomes the spot month.

B. Restrictions

- a. Revenue Sharing Associations
 - i. A member is prohibited from trading for any account such member owns, controls or in which such member has a financial interest opposite other members of the association executing orders.
 - ii. Personal trading by a member opposite personal trading by other members of the association is limited to 15% per month.
 - iii. Order executions by a member opposite order executions by other members of the association are limited to 25% per month, except for associations and members primarily involved in the execution of spread orders where the limit is 30%.
- b. Non-Revenue Sharing Associations
 - i. Personal Trading by a member opposite other members of the association is limited to 15% per month, of which no more than 10% may be opposite order executions by other members of the association.

- ii. Order executions by a member opposite other members of the association are limited to 25% per month, except for associations and members primarily involved in the execution of spread orders where the limit is 30%.

Eurodollar Options and Eurodollar MidCurve Options

A. Contract Months Subject to the Restrictions

Eurodollar Options

- Quarterly Cycle: first and second contract months

Eurodollar MidCurve Options

- 1-Year Quarterly: first, second and third contract months
- 1-Year Serial: first contract month
- 2-Year Quarterly: first, second and third contract months
- 2-Year Serial: first and second contract months
- 3-Year Quarterly: first and second contract months
- 3-Year Serial: first and second contract months
- 4-Year Quarterly: first contract month

B. Restrictions

Order executions in restricted contract months by members of a broker association opposite other members of the same broker association are limited to 15% per month.

Best and Only Bid and Offer Documentation

In circumstances where two members of the same broker association trade opposite one another in a contract month subject to the trading restrictions set forth above, and at the time the trade is executed one member is the best and only bid and the other member is the best and only offer, the quantity associated with the execution will be removed from each member's monthly intra-association percentage restrictions provided that all of the following requirements are met:

1. A note is made on the trading document by one of the two members involved in the trade indicating that at the time the trade was executed, one member was the best and only bid and the other member was the best and only offer in the pit. Noting "B&O" on the trading document is sufficient for this purpose.
2. The time of the trade to the nearest minute is recorded on the trading document containing the B&O notation.
3. A signature of a member or Exchange official attesting to the fact that the members were the best and only bid and best and only offer at the time the trade was made is noted on the trading document. Members of the same broker association are not eligible to sign as a witness for this purpose.
4. Copies of the documentation are forwarded to the Market Regulation Department located in Suite 940A on the ninth floor of the CBOT Building marked to the attention of Jeffrey Nierman.

Properly documented best and only bids and offers will be removed from each member's intra-association trading volume and total trade volume in restricted contract months. If the removal of the volume associated with the best and only bids and offers results in the reduction of a member's intra-association trading percentage to below the violative level, the member will not be deemed to have violated Rule 515.E.

Questions regarding this advisory may be directed to Jeffrey Nierman, Data Investigator, Market Regulation Department, at 312.341.3195.

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

Text of CME Rule 515

REGISTRATION AND IDENTIFICATION OF BROKER ASSOCIATIONS

515.A. Definitions

1. Floor Brokerage Activity - The execution or pre-execution handling of orders on the trading floor.
2. Broker Association - A broker association shall include the following associations between two or more members with trading floor access privileges, at least one of whom is engaged in floor brokerage activity:
 - a. Revenue Sharing Association: Associations between members who:
 - i. share profits or losses associated with their brokerage and/or error account activity; and/or
 - ii. have an employer and employee relationship which relates to floor brokerage activity;
 - b. Non-Revenue Sharing Association: Associations between members who:
 - i. regularly share a deck of orders; and/or
 - ii. share employee salary expenses.
 - c. Any other group or combination deemed by the Exchange to be a broker association.
3. Principal of a Revenue Sharing Association – Each individual who has formal or de facto control over the affairs of, or has a ten percent or greater ownership interest in, a Revenue Sharing Association not owned by a clearing member firm.
4. Spokesperson of a Non-Revenue Sharing Association and Revenue Sharing Associations owned by a clearing member firm – An individual authorized to represent a Non-Revenue Sharing Association or Clearing Firm owned Revenue Sharing Association in connection with its registration obligations set forth in Section B.
5. Investor – An individual who has a direct beneficial interest in a Revenue Sharing Association but is not a principal as defined in A.3. above.

515.B. Registration Requirements

1. A member of a broker association shall not handle or execute an order unless that association has registered with the Exchange.
2. Members or Member Firms must have majority ownership interest in any broker association.
3. Principals involved in floor brokerage activity must have trading privileges in the membership division required for access to the products handled by the members of the association. Principals who are not involved in floor brokerage activity must own a membership in the membership division required for access to the products handled by the members of the association. Notwithstanding the above, principals not regularly involved in floor brokerage activity may hold a membership in any division in circumstances where the association is owned by a Member Firm and such Member Firm owns a membership in the membership division required for access to the products handled by the members of the association.
4. No registered broker association or member thereof shall permit a party to have any direct or indirect profit or ownership interest in a broker association unless such party is registered in the association in accordance with this rule.
5. Registration shall be accomplished by filing the appropriate registration forms with the Market Regulation Department.
6. It shall be the responsibility of the broker association and its principals or spokespersons to ensure that the association is properly registered. Any additions, deletions or other changes to the information already reported must be provided to the Market Regulation Department within two business days after the event giving rise to such changes.
7. The Exchange may request any additional information from a broker association as deemed appropriate.

515.C. Prohibition on Sharing of Personal Trading Profits

Registrants in a broker association may not share profits or losses associated with their personal trading activity by direct or indirect means, except for profits and losses related to brokerage errors.

515.D. Supervision

Each principal of a Revenue Sharing Association must diligently supervise the association's member registrants and non-member employees and may be held directly liable for violations of any rule of the Exchange by such registrants and employees. Regardless of whether the principal is held responsible for the act or acts constituting the violation, each principal is jointly liable for the payment of any fines assessed against another principal, registrant or employee of the association provided that the violation occurred while that person was functioning in his capacity with the association.

515.E. Trading Restrictions

The Exchange may impose limits on the percentage of personal trading and/or brokerage volume that members of a broker association may execute with one another. Violations of such restrictions will result in summary action according to the following schedule on a rolling 24 month period:

First Occurrence	Letter of Warning
Second Occurrence	\$1,000 fine
Third Occurrence	\$5,000 fine
Subsequent Occurrence	\$10,000 fine

The Exchange may restrict a member of a Revenue Sharing Association from trading for any account such member owns, controls or in which such member has a financial interest opposite other members of the association executing orders. Violation of such restrictions will result in summary action according to the following schedule on a rolling 24 month period:

First Occurrence	Letter of Warning
Second Occurrence	\$500 fine
Third Occurrence	\$1,000 fine
Subsequent Occurrence	\$5,000 fine

Actions taken pursuant to this section are final and may not be appealed; however members will have 15 days following receipt of notification of the action to present evidence to the Market Regulation Department that administrative, clerical or other errors caused the apparent rule violation.

Notwithstanding the provisions of this section, the Market Regulation Department may, at any time, refer matters that it deems egregious to the Probable Cause Committee.