CITADEL

December 6, 2013

**Via Electronic Submission:** http://comments.cftc.gov

Ms. Melissa Jurgens
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

Re: Industry Filing IF 13-009[1] - Amended Request from CME Group to Amend Rule 538 (Exchange for Related Positions)

Dear Ms. Jurgens:

Citadel LLC[2] ("Citadel") appreciates the opportunity to provide comments to the Commodity Futures Trading Commission (the "Commission") on the amended request from the CME Group[3] for approval of amendments to existing Rule 538 of its rulebooks (the "Rule Amendments") and the issuance of CME Group Market Regulation Advisory Notice RA1311-5 (the "Advisory Notice"). Rule 538 governs Exchange for Related Position ("EFRP") transactions.

For the reasons set forth below, we object strongly to the inclusion at this time of the following statement in Answer 3 of the FAQs accompanying the Advisory Notice:

> *A swap that is traded on or subject to the rules of a designated contract market ("DCM") or a swap execution facility ("SEF") is ineligible to be the related position component of an EFR or EOO transaction executed pursuant to Rule 538.*

Over the last two weeks, Citadel[4] and eleven other commenters[5] have highlighted the

[1] http://www.cftc.gov/stellent/groups/public/@rulesandproducts/documents/ifdocs/rul110113cmecbotnymexcomandkc2.pdf.

[2] Established in 1990, Citadel is a leading global financial institution that provides asset management and capital markets services. With over 1,100 employees globally, Citadel serves a diversified client base through its offices in the world's major financial centers including Chicago, New York, London, Hong Kong, San Francisco and Boston.

[3] Collectively the Chicago Mercantile Exchange Inc., the Board of Trade of the City of Chicago, Inc., New York Mercantile Exchange, Inc., Commodity Exchange, Inc., and the Board of Trade of Kansas City, Missouri, Inc.

[4] See http://comments.cftc.gov/PublicComments/ViewComment.aspx?id=59401.

[5] See comment letters from each of Alphadyne Asset Management, AQR Capital Management, Axonic Capital, the Federal Home Loan Banks, Fortress Liquid Markets, ISDA, Kepos Capital, MFA, MKP Capital Management, Ropes

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essential role that "package transactions"[6] play in ensuring efficient, deep and liquid markets. Meanwhile, the three SEFs/DCMs that have to date submitted made-available-to-trade ("MAT") determinations covering interest rate swaps have recognized the unique and important role of package transactions, and thus have taken care to carve out package transactions and their component legs from their MAT determinations.[7]

"Invoice spreads", which involve the execution of Treasury-note or Treasury-bond futures contracts vs. swaps and rely on Rule 538, are one such type of package transaction. The CME Group itself commented generally that package transactions ensure "efficient pricing" and provide an "effective means for allowing risk transfer and hedging across products", and specifically that invoice spreads provide benefits including "improved pricing, decreased transaction costs and more efficient risk transfer."[8]

Given the myriad benefits of package transactions, including invoice spreads, that have been well-documented by market participants in recent comment letters, further dialogue with the Commission is required in order to identify solutions that will allow for their continued execution, notwithstanding the transition of swaps trading onto SEFs/DCMs. While this remains an open topic of discussion, we believe it is premature to foreclose any potential solutions.

Unfortunately, we believe that CME Group is foreclosing certain solutions by including the language cited above in its proposed Advisory Notice. It states unequivocally that, once a swap is subject to a MAT determination, and is thereby required to be traded on or subject to the rules of a SEF/DCM, it can no longer be traded as part of an invoice spread.[9] Therefore, we ask the Commission to withhold its approval of the proposed Advisory Notice until the statement in question has been removed.

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& Gray and SIFMA AMG, available in the comment files for Industry Filings IF 13-004, IF 13-005 and IF 13-007 at http://comments.cftc.gov/PublicComments/ReleasesWithComments.aspx?Type=ListAll&Year=2013.

[6] See Section IV (pages 13-20) of the MFA comment letter for a definition and further discussion of package transactions, available at http://comments.cftc.gov/PublicComments/ViewComment.aspx?id=59381.

[7] For a summary of the SEFs/DCMs' respective statements on package transactions, see pages 3-4 of MFA's supplemental comment letter on the MAT determinations at https://www.managedfunds.org/wp-content/uploads/2013/12/MAT-Submission-Supplemental-Comment-Letter-Final-MFA-Letter.pdf.

[8] See http://comments.cftc.gov/PublicComments/ViewComment.aspx?id=59378.

[9] Once a swap is subject to a MAT determination, it is required to be traded on or subject to the rules of a SEF/DCM. Given CME Group's statement, it would then be ineligible to be the related position component of an EFR. Since invoice spreads are executed as EFRs, market participants could no longer execute invoice spreads that included a swap subject to a MAT determination.

We appreciate the opportunity to provide comments on the MAT determinations. Please feel free to call the undersigned at (312) 395-3100 with any questions regarding these comments.

Respectfully,

/s/ Adam C. Cooper
Senior Managing Director and Chief Legal Officer