



23 January, 2017

VIA DIGITAL SUBMISSION

Illinois Department of Financial & Professional Regulation
100 W. Randolph, 9th Fl.
Chicago, IL 60601

Re: IDFR Request for Comment: Digital Currency Request for Comment

CME Group Inc. ("CME Group") appreciates the opportunity to comment on the recently issued Illinois Department of Financial and Professional Regulation ("IDFR") Request for Comment: Digital Currency Regulatory Guidance ("Request for Comment").¹ CME Group operates the world's leading and most diverse derivatives marketplace. We are headquartered in Chicago, Illinois. Our exchanges bring together buyers and sellers, including individuals, companies and institutions, that need to manage risk or that want to profit by accepting risk. We also operate one of the largest central counterparty clearing services in the world.

CME Group sincerely appreciates IDFR's efforts to address this rapidly evolving segment of the marketplace and we commend it for a thoughtful Request for Comment. IDFR has a clear interest in attempting to establish sound regulatory guidance relating to digital currencies and assets in Illinois. We also understand that there are many other state agencies that have already adopted regulatory frameworks in this area or that are currently considering similar actions for similar reasons.

In our view, this new and innovative sector of the financial industry has the potential to deliver jobs and significant investment dollars to our economy. Because of this, we believe a primary regulatory policy objective at this stage should be to avoid stifling technological innovation and to encourage continued growth. We have consistently urged relevant regulatory authorities to focus on providing a regulatory environment and framework that will encourage these fledging businesses to take flight. The marketplace will surely gravitate to jurisdictions where there is certainty and rationality. It will avoid jurisdictions where these conditions are not present.

It is still early days for the digital asset industry, yet this initial stage of development is playing out on a global scale. We believe there is some reason to be concerned with whether the current regulatory approach developing in the U.S. in the digital asset space is adequately delivering on the goal of creating an ideal regulatory environment. Our concerns are not directly related to any specific aspects of IDFR's proposal. Rather, it is our experience that a state-by-state licensing approach in the U.S., no matter how well intended, creates a very challenging and inefficient regulatory environment for any business model and will not adequately serve the objective of fostering innovation and growth in an increasingly complex, yet important technological industry. For example, the mere fact that a new company looking to establish a foothold in the digital asset space might be required to pursue a license in fifty different regimes to do business across the U.S. creates a significantly increased legal and financial burden for these businesses that may serve to discourage or even prevent pursuit of their venture. It can be expected that some may

¹ See <http://www.idfpr.com/news/PDFs/IDFPRRequestforCommentsDigitalCurrencyRegulatoryGuidance2016.pdf>.

instead choose to do business in other jurisdictions overseas where there might be only one licensing regime to contend with. For those firms that do attempt to enter the U.S. market and get licensed in multiple states, there is the additional burden of dealing with the potential for differing rules and interpretations for the same products. This inevitably leads to additional and often unnecessary complexity and uncertainty, which in turn raises the general cost of doing business. The digital asset industry is at a critical phase of its development and the creation of a sensible, effective regulatory system in the U.S. marketplace is an important competitive objective in this global business environment.

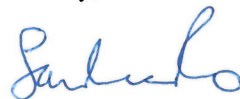
Although we have concerns with the multi-state licensing approach to digital currency regulation, we are not advocating for a lack of regulation in this space. There are strong reasons for sensible regulation of this industry and the absence of any regulation is a competitive issue itself. The key is to have clarity, consistency, and certainty, and it is very difficult to meet these objectives without a single unified scheme. Other financial markets in the U.S. are primarily regulated federally in no small part for these reasons. We believe that over the long term the development of an effective federal system that will apply to appropriate parts of the digital currency technology space is the most effective means of addressing the regulation of these businesses.

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To reiterate, CME Group commends IDFR in its effort to create a balanced and supportive regulatory environment for the development of a digital asset technology industry in the State of Illinois. This is a critical need and a very important goal. The proposal set forth by IDFR is, in our view, a rational and sensible package that takes a better approach toward regulating this immature industry than other state jurisdictions we have reviewed. However, we still believe the best way to cultivate growth in this important sector is to strive for a uniform set of regulations that can be applied across the U.S. markets consistently. It may take time to develop that system, but it is inevitable that it should be developed and it is important in the short term to avoid any steps that would stifle the steep curve of innovation we are currently experiencing.

CME Group would like to thank IDFR for the opportunity to provide these comments. We would be happy to further discuss and clarify any of the above issues with agency staff. If you have any comments or questions regarding this submission, please feel free to contact Sandra Ro by telephone at 347-244-9361 or by e-mail at sandra.ro@cmegroup.com.

Sincerely,

A handwritten signature in blue ink, appearing to read "Sandra Ro".

Sandra Ro, Executive Director,
Head of Digitization
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