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September 4, 2003

Ms. Jean A. Webb
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

Re: Section 5c(c)(1), Regulation 40.6 Submission. Exchange Certification of amendments to CME Degree Days Index Futures and Options and CME Seasonal Degree Days Index Futures and Options. CME Submission # 03-68

Dear Ms. Webb:

At its Regular Meeting on Wednesday, September 3, 2003, the Board of Directors of Chicago Mercantile Exchange Inc. approved amendments to Options on CME Degree Days Index Futures rule **403A01.E** that increases the strike interval for HDD options from 10 to 50 points in a 250-point range for all listed months and applies a 10-point interval in a 100-point range for the 2 front months. In addition, the Board approved non-material changes to CME Degree Days Index Futures and Options and CME Seasonal Degree Days Index Futures and Options that clarify and make these rules consistent with other CME rule language.

The amendments are as follows, with deletions bracketed and overstruck and additions underlined.

CHAPTER 403 CME DEGREE DAYS INDEX FUTURES

40302. FUTURES CALL

40302.C. Price Increments

[~~The CME HDD Index futures contract shall be quoted in HDD.~~] The minimum price fluctuation [~~of~~] on the respective CME[~~-HDD~~] Degree Days Index futures shall be 1[~~.0~~] index point [~~(one cumulative HDD)~~] and have a value of $100.

[~~The CME CDD Index futures contract shall be quoted in CDD. The minimum price fluctuation of the CME CDD Index futures shall be 1.0 index point (one cumulative CDD) and have a value of $100.~~]

40302.H. Contract Modification

Specifications shall be fixed as of the first day of trading of a contract, except that all contracts [~~deliveries~~] must conform to government regulations in force at the time of final settlement[~~delivery~~]. If any U.S. governmental agency or body with jurisdiction over the trading of the contract or with jurisdiction respecting the trading or final settlement[~~delivery~~] of the CME Degree Days Index futures issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such governmental orders.

40303. SETTLEMENT PROCEDURES

[~~Delivery under the CME Degree Days Index futures shall be by cash settlement.~~]

40303.A. Final Settlement Price

All futures contracts remaining open at the termination of trading shall be settled using the respective CME Degree Days Index reported by [~~the~~] Earth Satellite Corporation for that city for that contract month, using the methodology in effect on that date, on the first Exchange business day that is at least two calendar days after the futures contract month. For example, on January 4, 1999, the December 1998 futures contract on the CME Chicago HDD Index would have been settled at 940.5 Heating Degree Days.

CHAPTER 403A OPTIONS ON CME DEGREE DAYS INDEX FUTURES

403A00. SCOPE OF CHAPTER

This chapter is limited in application to trading in put and call options on CME Degree Days Index futures contracts. The procedures for trading, clearing[~~, inspection, delivery~~] and settlement, and any other matters not specifically covered herein shall be governed by the rules of the Exchange.

403A01. OPTION CHARACTERISTICS

403A01.A. Contract Months[~~,~~] and Trading Hours[~~,~~][~~Trading Halts~~]

Options contracts shall be listed for such contract [~~periods~~]months and scheduled for trading during such hours[~~, except as indicated below,~~] as may be determined by the Board of Directors.

[~~There shall be no trading in any CME Degree Days Index option contract when the primary futures contract for that Degree Days Index futures contract is limit bid or offered.~~]

[~~For purposes of this rule, the primary futures contract shall be defined as the nearest futures contract.~~]

[~~For purposes of this rule during Electronic Trading Hours (ETH), the GLOBEX Control Center shall have the responsibility of determining whether the primary futures contract is limit bid or offered.~~]

403A01.C. Minimum Fluctuations

The price of an option shall be quoted in terms of the respective CME Degree Days Index. Each [~~HDD or CDD~~] index point represents $100. For example, a quote of 2 index points represents $200. The minimum fluctuation [~~should~~] shall be 1.0 HDD or 1.0 CDD (also known as one tick), equal to $100[~~)~~].

403A01.D. [Reserved][~~Underlying Futures Contract~~]

[~~The underlying futures contract is the futures contract for the period in which the option expires. For example, the underlying futures contract for an option that expires in January is the January futures contract.~~]

403A01.E. Exercise Prices

FOR HDD ONLY

Exercise prices shall be stated in terms of the respective CME Degree Days Index futures contract that is deliverable upon exercise of the option.

For all contract months, exercise prices shall be at intervals of [~~10~~]50 CME Degree Days Index points (e.g., 700, 750, 800, etc.). In addition, for options on the two contract months nearest to expiration, some exercise prices shall also be at intervals of 10 index points (e.g., 710, 720, 730, etc.). [~~For example, if the underlying CME Degree Days Index futures is trading at 700, this would be the at-the-money strike and the next strike higher would be at 710, then 720, etc.~~]

At the commencement of option trading in a contract [~~period~~]month, the Exchange shall list put and call options at intervals of 50 index points in a range of 250 index points above and below [~~the exercise price that is nearest~~] the previous day's settlement price of the underlying futures contract. Thereafter, when the settlement price in the underlying futures contract occurs at or passes through any exercise price, the Exchange shall list on the next trading day put and call options at the next higher (or lower) exercise price within a 250-point range above (or below) the settlement price.[~~In addition, for options on the CME HDD, all eligible exercise prices in a range of 250 HDD(350 HDD for October Chicago & October NYC) above and below the exercise price that is nearest that futures price shall be listed for trading. For options on the CME-CDD, all eligible exercise prices in a range of 200 CDD above and below the exercise price that is nearest that futures price shall be listed for trading.~~]

Furthermore, for options on the two contract months nearest to expiration, the Exchange shall list put and call options at intervals of 10 index points in a range of 100 index points above and below the previous day's settlement price of the underlying futures contract. Thereafter, when a settlement price in the underlying futures contract occurs at or passes through any exercise price, the Exchange shall list on the next trading day put and call options at the next higher (or lower) exercise price within a 100-point range [~~the 250 HDD (350 HDD for October Chicago & October NYC)~~ above (or below) the settlement price.[~~exercise price nearest the previous day's settlement price for options on the CME-HDD Degree Days Index, or with the 200 CDD above (or below) the exercise price nearest the previous day's settlement price for options on the CME-CDD Index.~~] New options may be listed for trading up to and including the termination of trading.

FOR CDD ONLY

Exercise prices shall be stated in terms of the respective CME Degree Days Index futures contract that is deliverable upon exercise of the option.

For all contract months, exercise prices shall be at intervals of 10 CME Degree Days Index points. For example, if the underlying CME Degree Days Index futures is trading at 700, this would be the at-the-money strike and the next strike higher would be at 710, then 720, etc.

At the commencement of trading in a contract period, the Exchange shall list put and call options at the exercise price that is nearest the previous day's settlement price of the underlying futures contract. For options on the CME-CDD, all eligible exercise prices in a range of 200 CDD above and below the exercise price that is nearest that futures price shall be listed for trading.

Thereafter, when a settlement price in the underlying futures contract occurs at or passes through any exercise price, the Exchange shall list on the next trading day put and call options at the next higher (or lower) exercise price within the 200 CDD above (or below) the exercise price nearest the previous day's settlement price for options on the CME-CDD Index. New options may be listed for trading up to and including the termination of trading

The Board may modify the provisions governing the establishment of exercise prices as it deems appropriate.

403A01.F. Position Limits

No person shall own or control a combination of options and underlying futures contracts that exceeds 10,000 futures-equivalent contracts net on the same side of the market in all contract [~~dates~~]months combined.

For the purposes of this rule, the futures equivalent of an option contract is 1 times the previous business day's IOM risk factor for the option series. Also for purposes of this rule, a long call option, a short put option, and a long underlying futures contract are on the same side of the market; similarly, a short call option, a long put option, and a short underlying futures contract are on the same side of the market.

CHAPTER 405 CME SEASONAL DEGREE DAYS INDEX FUTURES

40502. FUTURES CALL

40502.C. Price Increments

[~~The CME SHDD Index futures contract shall be quoted in HDD.~~] The minimum price fluctuation [~~of~~] on the CME [~~SHDD~~] Seasonal Degree Days Index futures shall be 1 index point [~~(one cumulative HDD)~~] and have a value of $100.

[~~The CME SCDD Index futures contract shall be quoted in CDD. The minimum price fluctuation of the CME SCDD Index futures shall be 1 index point (one cumulative CDD) and have a value of $100.~~]

40502.H. Contract Modification

Specifications shall be fixed as of the first day of trading of a contract, except that all contracts [~~deliveries~~] must conform to government regulations in force at the time of final settlement [~~delivery~~]. If any U.S. governmental agency or body with jurisdiction over the trading of the contract or with jurisdiction respecting the trading or final settlement [~~delivery~~] of the CME Seasonal Degree Days Index futures issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such governmental orders.

40503. SETTLEMENT PROCEDURES

[~~Delivery under the CME Seasonal Degree Days Index futures shall be by cash settlement.~~]

40503.A. Final Settlement Price

All futures contracts remaining open at the termination of trading shall be settled using the respective CME Seasonal Degree Days Index reported by Earth Satellite Corporation for that city for that contract period, using the methodology in effect on that date, on the first Exchange business day that is at least two calendar days after the last calendar day of the fifth month in the 5-month period (March, in the case of CME SHDD Index futures, or September, in the case of CME SCDD Index futures). For example, on April 3, 2001, the March 2001 [~~SHDD~~] futures contract on the CME Chicago SHDD Index would have been settled at 5660.0 Heating Degree Days.

CHAPTER 405A OPTIONS ON CME SEASONAL DEGREE DAYS INDEX FUTURES

405A00. SCOPE OF CHAPTER

This chapter is limited in application to trading in put and call options on CME Seasonal Degree Days Index futures contracts. The procedures for trading, clearing[~~, inspection, delivery~~] and settlement, and any other matters not specifically covered herein shall be governed by the rules of the Exchange.

405A01. OPTION CHARACTERISTICS

405A01.A. Contract Months and Trading Hours

Options contracts shall be listed for such contract [~~periods~~]months and scheduled for trading during such hours as may be determined by the Board of Directors.

405A01.C. Minimum Fluctuations

The price of an option shall be quoted in terms of the respective CME Seasonal Degree Days Index. Each [~~HDD or CDD~~] index point represents $100. For example, a quote of 2 index points represents $200. The minimum fluctuation shall be 1.0 HDD or 1.0 CDD ([~~,~~] also known as one tick), equal to $100[~~)~~].

405A01.D. Reserved[~~Underlying Futures Contract~~]

[~~The underlying futures contract is the futures contract for the period in which the option expires. For example, the underlying futures contract for an option that expires in March is the CME Seasonal Heating Degree Days (CME SHDD) Index futures, and the underlying futures contract for an option that expires in September is the CME Seasonal Cooling Degree Days (CME SCDD) Index futures.~~]

405A01.E. Exercise Prices

Exercise prices shall be stated in terms of the respective CME Seasonal Degree Days Index futures contract that is deliverable upon exercise of the option.

For all contract months, [~~E~~]exercise prices shall be at intervals of 50 CME Seasonal Degree Days Index points (e.g., 4500, 4550, 4600, etc.). [~~For example, if the underlying CME Seasonal Degree Days Index futures is trading at 4500, this would be the at-the-money strike and the next strike higher would be at 4550, then 4600, etc.~~]

At the commencement of options trading in a contract [~~period~~]month, the Exchange shall list put and call options at intervals of 50 index points [~~the exercise price that is nearest~~

~~the previous day's settlement price of the underlying futures contract. In addition, the Exchange shall list put and call options at exercise prices~~] in a range of 1000 points above and below [~~the exercise price that is nearest~~] the previous day's settlement price. Thereafter, when a settlement price in the underlying futures contract occurs at or passes through any exercise price, the Exchange shall list on the next trading day put and call options at the next higher (or lower) exercise price in a [~~range of~~] 1000-point[s] range above (or below) the [~~exercise price that is nearest the previous day's~~] settlement price. New options may be listed for trading up to and including the termination of trading.

The Board may modify the provisions governing the establishment of exercise prices as it deems appropriate.

405A01.F. Position Limits

No person shall own or control a combination of options and underlying futures contracts that exceeds 10,000 futures-equivalent contracts net on the same side of the market in all contract [~~dates~~]months combined.

For the purposes of this rule, the futures equivalent of an option contract is 1 times the previous business day's IOM risk factor for the option series. Also for purposes of this rule, a long call option, a short put option, and a long underlying futures contract are on the same side of the market; similarly, a short call option, a long put option, and a short underlying futures contract are on the same side of the market.

These revisions and amendments will take effect at the start of business on Monday, September 8, 2003 and will apply to existing and newly listed contracts.

The Exchange certifies that these actions neither violate nor are inconsistent with any provision of the Commodity Exchange Act or of the regulations there under.

If I or my staff can be of any assistance to you in this matter, please do not hesitate to call.

Sincerely,

/S/ John W. Labuszewski, Director
Research & Product Development