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Chicago Mercantile Exchange

December 3, 2004

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

**RE: Amendment to Rule 539.C Pre-Execution Discussions Regarding GLOBEX Trades
Submitted per Sec. 5c(c)(1) of the CEA and Regulation Sec. 40.6(a).
CME Submission # 04-116.**

Dear Ms. Webb:

Chicago Mercantile Exchange ("CME" or "Exchange") hereby notifies the Commission of amendment to Rule 539.C governing pre-execution discussions regarding GLOBEX trades. The Exchange certifies that these actions neither violate nor are inconsistent with any portion of the Commodity Exchange Act or of the rules thereunder.

Currently, Eurodollar Options on the Enhanced Option Platform ("EOS") are traded pursuant to Rule 585. GLOBEX Call Market Trading Algorithm. Pre-execution discussion of trades intended for execution on EOS is governed by Rule 539.C, subpart 4. Following a disclosure of intention to conduct a trade subject to the rule on EOS via a "Request for Quote," indicating the order size and identity of the option/option combination, opposing orders shall be entered in the requisite time frame in accordance with the rule. Following the amendment, the procedure of a trade subject to the pre-execution discussion rule remains unchanged. The name of the request, however, is changed to an explicit "Request for Cross Trade" from a "Request for Quote," thereby disclosing to the market more accurately the intention of the request. The orders will remain exposed to the competitive trading environment for the same amount of time.

The text of the amendment is as follows, with additions underlined and deletions bracketed and overstruck.

20 South Wacker Drive, Chicago IL 60606-7499, Tel. 312-930-1000

## 539. PRE-ARRANGED TRADES PROHIBITED

**539.C. Pre-Execution Discussions Regarding GLOBEX Trades**

Firms may engage in pre-execution discussions with regard to transactions executed on the GLOBEX system where the firm wishes to be assured that a contra party will take the opposite side of the order. One party may agree in advance with another party that the first party will take the opposite side of the first party's order, under the following circumstances:

1. Customers must consent to allow pre-execution discussions with other market participants.

2. GLOBEX terminal operators, who are solicited to participate in a GLOBEX transaction through pre-execution discussions shall not (i) disclose to another terminal operator the details of such discussions; or (ii) enter an order through GLOBEX to take advantage of information conveyed during such discussions unless the terminal operator has agreed during the pre-execution discussions to participate in the transaction in accordance with this Rule and the order is entered to implement that agreement.

3. A period of 5 seconds shall elapse between entry of the two orders in the case of futures orders; or, a period of 15 seconds shall elapse between entry of the two orders in the case of option orders. The order initially entered may be filled by a third party during the 5 or 15 seconds, as the case may be, that must elapse between the entry of the two orders.

4. GLOBEX terminal operators shall not knowingly enter into a transaction on behalf of a customer in which the member or GLOBEX terminal operator, an entity of which the member or GLOBEX terminal operator is a partner or officer, or any officer or partner of an entity of which the member or GLOBEX terminal operator is an officer or partner, assumes the opposite side unless the member or GLOBEX terminal operator first enters the customer order into the GLOBEX system and then waits for the requisite reasonable period of time before entering an opposite order for any of the above persons or entities.

Pre-execution discussion of a trade intended for execution pursuant to Rule 585. GLOBEX Call Market Trading Algorithm shall be initiated with a [Request For Quote ("RFQ")] Request for Cross Trade ("Cross Request") for the specific contract or combination of contracts, with explicit reference to the anticipated order quantity. The order from the initiator of the [RFQ] Cross Request for the contract or combination of contracts must be entered within three (3) minutes of the entry of the Cross Request [RFQ]. The opposing order may not be entered until the requisite period of time as stipulated in Rule 539.C.3. has elapsed. Failure to enter the initiating order following the Cross Request [RFQ] within the requisite time shall be considered an abandonment of the pre-execution discussion. A new Cross Request [RFQ] entry is required to reconvene.

[The remainder of this chapter remains unchanged.]

The amendments shall become effective for the trade date of December 6, 2004. Please do not hesitate to contact Mr. Richard Co at 312-930-3227 or rco@cme.com if any questions arise during the processing of this submission. Please reference our CME Submission #04-116 on all future correspondence for this submission.

Sincerely,

John W. Labuszewski, Director
Research & Product Development

CC:     Mr. Clarence Sanders Jr., Mr. Steven B. Benton
        CFTC Division of Market Oversight