



January 31, 2005

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

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2005 FEB -1 AM 10:10

RE: Section 5c(c) and Regulation §40.6(a) Submission, Exchange Certification for a Change to the Interpretation to Rule 135.A., and Additional Information Regarding the CME Euro FX and CME Japanese Yen European Style Foreign Exchange Options on Futures Contract Launch.
CME Submission 05-13.

Dear Ms. Webb:

Chicago Mercantile Exchange Inc. ("CME" or "Exchange") hereby notifies the Commission under the exchange certification procedure, that the CME Board of Directors, on Monday, January 31, 2005, approved the launch of CME Euro FX and CME Japanese Yen European style foreign exchange (FX) options on futures contracts on Sunday, April 3, 2005 for CME Globex[®] trading and Monday, April 4, 2005, for the trading floor. On Monday, January 31, 2005, the CME Board of Directors also approved the following pre-launch preparations (Trading Hours, Initial Contract Month Listings, Membership Access/New Products Access Program, Reportable Positions, All-Or-None and Block Trading Minimum Thresholds, CME Globex Error Trade Policy, and CME Globex Price Banding). Under exchange certification procedures, CME submitted the rule changes necessary for the trading of CME European style FX options in CME Submission 04-20, dated Thursday, February 5, 2004. CME European style options on British Pound, Canadian Dollar and Swiss Franc Futures will be listed at a later as yet undetermined date.

I. LAUNCH DATE AND TRADING HOURS

CME European style foreign exchange options on futures contracts will begin trading on Sunday, April 3, 2005 on CME Globex and Monday, April 4, 2005 on the Upper Trading Floor.

TRADING HOURS (CHICAGO TIME) FOR CME EUROPEAN STYLE FX OPTIONS

TRADING FLOOR (Monday through Friday)

7:20 a.m. to 2:00 p.m., including the last day of trading.

CME GLOBEX (Sunday through Thursday)

5:00 p.m. (trading opens for the next trade date) to 4:00 p.m. the following day.

II. INITIAL CONTRACT MONTHS AND LISTING PROCEDURES

CME will list for trading the following initial European style FX options contracts on the CME Euro FX and CME Japanese yen futures.

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

INITIAL OPTIONS CONTRACT MONTHS

<u>Outrights</u>	<u>Floor</u>	<u>CME Globex</u>	<u>Termination of Trading</u>	<u>Exercise & Expiration</u>
Quarter 1	June 2005	June 2005	June 2, 2005	June 3, 2005
Quarter 2	September 2005	September 2005	September 8, 2005	September 9, 2005
Quarter 3	December 2005	December 2005	December 8, 2005	December 9, 2005
Quarter 4	March 2006	March 2006	March 2, 2006	March 3, 2006

<u>Serial</u>	<u>Floor</u>	<u>CME Globex</u>	<u>Termination of Trading</u>	<u>Exercise & Expiration</u>
Serial 1	Not listed	Not listed	n.a.	n.a.
Serial 2	May 2005	May 2005	May 5, 2005	May 6, 2005

<u>Weekly</u>	<u>Floor</u>	<u>CME Globex</u>	<u>Termination of Trading</u>	<u>Exercise & Expiration</u>
Week 2	April 14, 2005	April 14, 2005	April 14, 2005	April 15, 2005
Week 3	April 21, 2005	April 21, 2005	April 21, 2005	April 22, 2005
Week 4	April 28, 2005	April 28, 2005	April 28, 2005	April 29, 2005
Week 2	May 12, 2005	May 12, 2005	May 12, 2005	May 13, 2005

Option Strategy Listings

<u>Listings</u>	<u>Floor *</u>	<u>CME Globex</u>
Straddles		These types of options strategies will be listed as deemed necessary.
Strangles		“ “ “ “ “ “ “ “ “ “ “ “
Verticals		“ “ “ “ “ “ “ “ “ “ “ “

Calendar

<u>Spreads</u>	<u>Floor *</u>	<u>CME Globex</u>
		None listed at this time

Inter-Commodity Spreads

<u>Spreads</u>	<u>Floor*</u>	<u>CME Globex</u>
		None listed at this time

*Spreads involving CME European style FX options traded on the trading floor will follow similar spread trading conventions for existing CME American style FX options.

The regular options listing schedule includes four March quarterly cycle months, two serial months and four weekly options contracts.

OPTIONS CONTRACT MONTH LISTING PROCEDURES

March Quarterlies on Trading Floor: For the trading floor, CME will list the next March quarterly options contract month not yet listed for trading on the business day following termination of the nearby March quarterly options contract month. Therefore, CME will list the June 2006 options contract month on the trading floor on the morning of Friday, June 3, 2005, which is the business day following the Thursday, June 2, 2005, termination of trading day for the June 2005 options contract month.

March Quarterlies on CME Globex: For CME Globex trading, CME will list the next March quarterly options contract month not yet listed for trading on CME Globex on the evening (5:00 p.m.) of the termination of trading day for the nearby March quarterly options contract month. Therefore, for the European style options on CME Euro FX and CME Japanese yen futures, CME will list the June 2006 options contract month on CME Globex on the evening of Thursday, June 2, 2005 for the CME Globex trade date of Friday, June 3, 2005, which is the business day following the Thursday, June 2, 2005, termination of trading day for the June 2005 options contract month.

Serials on Trading Floor & CME Globex: Similarly, the July 2005 serial options contract month will be listed for trading on the trading floor on Friday, April 8, 2005, the business day following theoretical termination of trading for the unlisted April 2005 first serial contract month on Thursday, April 7, 2005. The July 2005 serial options contract month will be listed for trading on CME Globex on the evening (5:00 p.m.) of the termination of trading day for the nearby serial options contract month. Therefore, for the European style options on CME Euro FX and CME Japanese yen futures, CME will list the July 2005 options contract month on CME Globex on the evening of Thursday, April 7, 2005, for the CME Globex trade date of Friday, April 8, 2005, which is the business day following the theoretical Thursday, April 7, 2005, termination of trading day for the unlisted April 2005 options contract month. The August 2005 serial options contract month will be listed for trading on the trading floor on Friday, May 6, 2005, the business day following termination of trading for the May 2005 serial options contract month. Also, the August 2005 serial options contract months will be listed for trading on CME Globex on the evening of Thursday, May 5, 2005, for the CME Globex trade date of Friday, May 6, 2005, which is the business day following the Thursday, May 5, 2005, termination of trading day for the May 2005 serial options contract month.

Weeklies on Trading Floor & CME Globex: CME will list for trading on the trading floor, the May 19, 2005 weekly options, on Friday, April 15, 2005, the business day following the termination of trading for the Thursday, April 14, 2005 weekly option. CME will list for trading on CME Globex, the May 19, 2005 weekly options, on the evening of Thursday, April 14, 2005, for the CME Globex trade date of Friday, April 15, 2005, which is the business day following termination of trading for the Thursday, April 14, 2005 weekly options.

III. MEMBERSHIP ACCESS / NEW PRODUCT ACCESS PROGRAM

As options products, the new CME European style FX options contracts are allocated to the IOM Division.

Also, the Board of Directors believes that for all practical purposes the CME's European style FX options are new products and includes them in the Exchange's New Product Access Program. This action will give the European style FX options the best chance of success by allowing all Exchange membership divisions to solicit, trade and broker the contracts for a limited period of time. Also, another effect of this provision is that GEM members trading these products will be charged lessee clearing fee rates rather than out-of-division rates for a limited time. Please note that European style FX options contracts have never traded before at CME and have an innovative design feature ("calculation of the CME currency fixing price") to determine whether the options are in-the-money at expiration. These factors contribute to Board's conclusion that the CME European style FX options are new products and not simply modifications of existing products and should be in the New Product Access Program covered by CME Rule 194.— **NEW PRODUCT ACCESS PROGRAM.**

GEM members wanting to spread CME European style FX options with outright CME Euro FX and CME Japanese yen futures or the counterpart American style options, (i.e., IMM futures or IOM options) would have to enter orders for those trades either simultaneously with or after the European style FX options leg. Additions are required to the Interpretation of Rule 135.A. **REGARDING ALLOWABLE SPREADS FOR GEM MEMBERS.** Please see Appendices 1 and 2 for the details of the changes to the interpretation.

Ms. Jean Webb
January 31, 2005
Page 5 of 8

IV. REPORTABLE POSITION LEVELS FOR CME EUROPEAN STYLE FX OPTIONS

For purposes of Rule 817 – **REPORTS OF LARGE POSITIONS**, the minimum levels at which positions must be reported to the Exchange is 25.

V. ALL-OR-NONE TRADING

All-Or-None (AON) trading for the CME European style FX options contracts will be allowed at minimum thresholds of 100 contracts. AON trading will be conducted in same location as regular pit-trading of the respective currency options pits.

VI. BLOCK TRADING

Block trading is allowed in the CME European style FX options on futures contracts at minimum thresholds of 250 contracts. Block trading of underlying futures contracts is not allowed.

VII. CME GLOBEX ERROR TRADE POLICY

The standard CME Globex error trade policy for CME foreign exchange options will apply to the CME European style FX options as follows:

<u>Prices</u>	<u>No Bust Range</u>
Below 6	Bust eligible
6 to 10	3 ticks or less
11 to 20	4 ticks or less
21 to 50	5 ticks or less
51 to 100	7 ticks or less
101 & above	10 ticks or less

No rules changes are required.

VIII. CME GLOBEX PRICE BANDS

As with our existing American style currency options contracts, there are no price limits for CME Globex or for floor trading CME European style FX contracts, and if the underlying futures were to be under a lock limit situation, then trading of the options would be halted. However, for CME Globex trading, automated price banding prevents execution of orders at prices falling outside of 60 ticks for outright trades and 20 ticks for spread trades from the last sale, best bid or best offer. Price banding prevents the entry of limit orders more than a pre-determined amount above the last price in the case of bids and more than the same pre-determined amount below the last price in the case of offers. The band “shadows” the currency futures or options price as it reacts to new transaction prices, higher bids and lower offers. The CME Globex bands minimize inadvertent price entries into CME Globex. No rule changes are required. The underlying futures price bands are the same as for both the European style and American style FX options bands.

Appendix 1 amends the Interpretation of CME Rule 135.A. with additions underlined. Appendix 2 is a clean copy of the revised rules.

Ms. Jean Webb
January 31, 2005
Page 6 of 8

If you require any additional information regarding this action, please do not hesitate to contact Mr. Steven Youngren at 312-930-4583 or via e-mail at syoungre@cme.com. Please reference our CME Submission 05-13 on all future correspondence regarding this notification.

Sincerely,

A handwritten signature in black ink, appearing to read "John W. Labuszewski". The signature is fluid and cursive, with a large, sweeping flourish at the end.

John W. Labuszewski
Director, Research & Product Development

Appendix 1: Amended Rules

(Additions are underlined.)

INTERPRETATION OF RULE 135.A. REGARDING ALLOWABLE SPREADS FOR GEM MEMBERS

Rule 135.A. provides that GEM members may not while on the floor of the Exchange enter orders for products of other Divisions except for bona fide spread transactions involving products within the GEM Division and that GEM members may not solicit business from the floor of the Exchange except for business in products traded in the GEM Division and bona fide spreads involving such products.

The only allowable spreads involving non--GEM products that GEM members may enter into or solicit while on the trading floor are listed below:

GSCI	with	Live Cattle and Lean Hogs
Russell 2000	with	S&P 500, S&P Mid-Cap
S&P/Barrá Growth and Value	with	S&P 500, S&P Mid-Cap
Live Cattle Serial (Odd) Months	with	Live Cattle Even Months*
East European Currencies	with	Euro FX
European style currency options	with	<u>British pound, Canadian dollar, Euro FX, Japanese yen, and Swiss franc futures or American style options on these futures</u>
CMESINDEX™	with	Euro FX, Japanese yen, British pound, Swiss franc, Australian dollar, Canadian dollar, Swedish krona
E-mini NASDAQ Composite	with	E-mini NASDAQ-100, E-Mini S&P 500, E-Mini MidCap 400, E-Mini Russell 2000, S&P SmallCap 600, Russell 1000, Financial SPCTR, Technology SPCTR.
CPI	with	Eurodollar
Yen Denominated Nikkei 225	with	Dollar Denominated Nikkei 225

* Provided the GEM member also maintains a Serial Month Live Cattle Permit.

When such spreads are executed on a legged basis, the GEM leg of the spread must always precede the non-GEM leg with the exception of the Live Cattle Serial Months/Live Cattle Even Months spread where either leg may be executed first. Please note that these restrictions do not apply to spreads in which all of the component parts are GEM products.

Appendix 2: Clean Copy of Amended Rules

INTERPRETATION OF RULE 135.A. REGARDING ALLOWABLE SPREADS FOR GEM MEMBERS

Rule 135.A. provides that GEM members may not while on the floor of the Exchange enter orders for products of other Divisions except for bona fide spread transactions involving products within the GEM Division and that GEM members may not solicit business from the floor of the Exchange except for business in products traded in the GEM Division and bona fide spreads involving such products.

The only allowable spreads involving non--GEM products that GEM members may enter into or solicit while on the trading floor are listed below:

GSCI	with	Live Cattle and Lean Hogs
Russell 2000	with	S&P 500, S&P Mid-Cap
S&P/Barra Growth and Value	with	S&P 500, S&P Mid-Cap
Live Cattle Serial (Odd) Months	with	Live Cattle Even Months*
East European Currencies	with	Euro FX
European style currency options	with	British pound, Canadian dollar, Euro FX, Japanese yen, and Swiss franc futures or American style options on these futures
CMESINDEX™	with	Euro FX, Japanese yen, British pound, Swiss franc, Australian dollar, Canadian dollar, Swedish krona
E-mini NASDAQ Composite	with	E-mini NASDAQ-100, E-Mini S&P 500, E-Mini MidCap 400, E-Mini Russell 2000, S&P SmallCap 600, Russell 1000, Financial SPCTR, Technology SPCTR.
CPI	with	Eurodollar
Yen Denominated Nikkei 225	with	Dollar Denominated Nikkei 225

* Provided the GEM member also maintains a Serial Month Live Cattle Permit.

When such spreads are executed on a legged basis, the GEM leg of the spread must always precede the non-GEM leg with the exception of the Live Cattle Serial Months/Live Cattle Even Months spread where either leg may be executed first. Please note that these restrictions do not apply to spreads in which all of the component parts are GEM products.