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February 1, 2005

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

RECEIVED
C.F.T.C.

2005 FEB - 1 AM 11: 43

RE: Section 5c(c) and Regulation §40.6 Submission
- Exchange Certification of Rule Change affecting GLOBEX Trade Algorithms
- CME Submission #05-10.

Dear Ms. Webb:

Chicago Mercantile Exchange Inc. ("CME" or "Exchange") hereby submits, pursuant to Section 5c(c) of the Act and Regulation §40.6 thereunder, notification of a rule change affecting CME Rule 580 – GLOBEX Trade Algorithms.

The CME Board of Directors at its Regular Meeting on Monday, January 31, 2005 approved rule changes to CME Rule 580 GLOBEX Trade Algorithms. Exchange members, clearing firms, and other market participants will be notified of this information via CME Update 05-02, dated Monday, February 7, 2005. CME certifies that these actions neither violate nor are inconsistent with any provision of the Commodity Exchange Act or rules thereunder.

Amendment to Rule 580 GLOBEX Trade Algorithms to clarify RFQs: A request for quote ("RFQ") functionality has been available for continuous trading on GLOBEX. Market participants can submit RFQs to GLOBEX for immediate dissemination to the marketplace via market data services. This functionality supports all contracts traded pursuant to Rule 580 GLOBEX Trade Algorithms.

A new RFQ functionality was implemented in August 2004 as part of Rule 585 GLOBEX Call Market Trading Algorithm. This algorithm is intended to be applied to contract markets specifically listed under Rule 585. At present it covers the Options on Eurodollar Futures on the Enhanced Options System.

To avoid confusion between the two RFQ functions, the text of Rule 580 is amended to clarify the RFQ functionality regularly available under GLOBEX for contracts that are traded on a continuous basis, as distinct from the newly introduced RFQ functionality under Rule 585.

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The amendments in the Exchange Rules to accommodate the technical clarification regarding RFQs appear in the attached Appendix 1 with additions underlined and deletions bracketed and lined out. Appendix 2 provides a clean copy of the proposed rule revisions.

If my staff or I may assist you, please do not hesitate to contact Sayee Srinivasan of my staff at 312-454-5205 or ssriniva@cme.com, or me at 312-466-7469 or jlab@cme.com. Please reference our CME Submission Number 05-10 in related correspondence.

Sincerely,

A handwritten signature in black ink, appearing to read "John W. Labuszewski". The signature is fluid and cursive, with a large initial "J" and "L".

John W. Labuszewski, Director
Research & Product Development

Attachments

Appendix 1: Amended Rules

(Additions are underlined while deletions are bracketed and overstruck)

Chapter 5

Floor Privileges – Trading Qualifications and Practices

(Rules 500 to 579 remain unchanged.)

580. GLOBEX TRADE ALGORITHMS

1. Market orders that are entered into the GLOBEX System shall be converted into limit orders at a price at or above (in the case of a buy order) or at or below (in the case of a sell order) the last price shown on the GLOBEX system. Any part of such order that is not filled at the limit price or better shall remain as a resting order at such limit price until filled or cancelled.

2. Stop limit orders are activated and placed into the order book when the order's specified stop price is traded, at which time the order may be executed at the best available price at or between the specified limit price and the specified stop price. Any part of such order that is not filled shall remain as a resting order at such limit price until filled or cancelled.

3. If the execution of a stop order would result in an execution price that is above (below) the last traded price plus (minus) X ticks, the market shall be placed in a "reserved state." During the reserved state, orders may be entered, modified or cancelled but orders may not be executed. The GLOBEX System will disseminate an "Indicative Opening Price" (IOP) during the reserved state representing the price at which the market could trade if the reserved state were to conclude immediately. If, at the conclusion of the initial reserved state period, the IOP is within a range bounded by the last traded price plus or minus two times (2x) X ticks, then normal execution of trades shall resume. If the IOP is outside such range, the market shall remain in a reserved state for a subsequent period. A series of reserved state periods shall ensue until either (i) the IOP is within a range bounded by the last traded price plus (minus) the number of reserved state periods, plus one, times X ticks at the conclusion of such reserved state periods, at which point normal trading shall resume; or (ii) a total of twelve (12) reserved state periods are concluded, after which normal trading shall resume regardless of the opening price.

This process shall be applied to such markets as determined by the Exchange. The value X and the duration of a reserved state period shall be determined by the Exchange.

4. Unless otherwise specified by the Exchange, orders entered into the GLOBEX System will be matched in accordance with an algorithm that gives first priority to orders at the best price and that gives priority among orders entered at the same price based on their time of entry into the system, with the first order entered receiving first priority, the second order entered receiving second priority, etc. (First In, First Out or "FIFO" Allocation Algorithm). The Exchange may use a different matching algorithm for particular contracts by giving written notice of such algorithm to members and firms using GLOBEX at least ten days before use of such algorithm is implemented. See Interpretation of Rule 580–GLOBEX TRADE ALGORITHMS at the end of Chapter 5.

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5. Request for quote ('RFQ') messages soliciting bids and/or offers for a contract or a combination of contracts traded pursuant to Rule 580 may be entered into the GLOBEX system. Upon receiving the RFQ, the Exchange shall immediately disseminate the message as part of its market data dissemination. The GLOBEX trade matching process will continue independent of the RFQ messaging activity.

(The remainder of the chapter remains unchanged.)

Appendix 2: Clean Copy of Amended Rules

Chapter 5

Floor Privileges – Trading Qualifications and Practices

(Rules 500 to 579 remain unchanged.)

580. GLOBEX TRADE ALGORITHMS

1. Market orders that are entered into the GLOBEX System shall be converted into limit orders at a price at or above (in the case of a buy order) or at or below (in the case of a sell order) the last price shown on the GLOBEX system. Any part of such order that is not filled at the limit price or better shall remain as a resting order at such limit price until filled or cancelled.
2. Stop limit orders are activated and placed into the order book when the order's specified stop price is traded, at which time the order may be executed at the best available price at or between the specified limit price and the specified stop price. Any part of such order that is not filled shall remain as a resting order at such limit price until filled or cancelled.
3. If the execution of a stop order would result in an execution price that is above (below) the last traded price plus (minus) X ticks, the market shall be placed in a "reserved state." During the reserved state, orders may be entered, modified or cancelled but orders may not be executed. The GLOBEX System will disseminate an "Indicative Opening Price" (IOP) during the reserved state representing the price at which the market could trade if the reserved state were to conclude immediately. If, at the conclusion of the initial reserved state period, the IOP is within a range bounded by the last traded price plus or minus two times (2x) X ticks, then normal execution of trades shall resume. If the IOP is outside such range, the market shall remain in a reserved state for a subsequent period. A series of reserved state periods shall ensue until either (i) the IOP is within a range bounded by the last traded price plus (minus) the number of reserved state periods, plus one, times X ticks at the conclusion of such reserved state periods, at which point normal trading shall resume; or (ii) a total of twelve (12) reserved state periods are concluded, after which normal trading shall resume regardless of the opening price.

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(The remainder of the chapter remains unchanged.)