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Chicago Mercantile Exchange

September 13, 2005

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

**RE: Amendments to Minimum Price Variation for LIBOR futures and Implied Spread
Trading of LIBOR futures**
Submitted per Sec. 5c(c)(1) of the CEA and Regulation Sec. 40.6(a).
CME Submission # 05-088.

Dear Ms. Webb:

Chicago Mercantile Exchange ("CME" or "Exchange") hereby certifies with the Commission the amendments to the rules governing the minimum price variation for One-month LIBOR futures, and to the interpretation of Rule 580 regarding Implied Spread Trading of LIBOR futures contract on Globex. 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, One-Month LIBOR futures trade at increments of 0.005 IMM index points, or ½ basis points, except for the expiring contract, which trades at increments of 0.0025 IMM index points, or ¼ basis points. Following the amendment, the minimum price increment shall be 0.0025 IMM index points for all contract months. The text of the rule amendment is as follows, with additions underlined, and deletions bracketed and overstruck.

CHAPTER 453
One-month LIBOR Futures

45300.   SCOPE OF CHAPTER

This chapter is limited in application to futures trading in One-Month LIBOR. The procedures for trading, clearing, delivery, settlement and any other matters not specifically contained herein shall be governed by the rules of the Exchange.

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45301. **COMMODITY SPECIFICATIONS**

Each futures contract shall be for a Eurodollar Time Deposit having a principal value of $3,000,000 with a one-month maturity.

45302. **FUTURES CALL**

45302.A. **Trading Schedule**

Futures contracts shall be scheduled for trading and delivery during such hours and in such months as may be determined by the Board of Directors.

45302.B. **Trading Unit**

The size of the unit of trading shall be Eurodollar Time Deposits in the amount of $3,000,000 with a one-month maturity.

[1. The Nearest Expiring Contract Month

Minimum fluctuations of the IMM Index shall be in multiples of .0025.

2. All Contract Months Excluding the Nearest Expiring Contract Month

Minimum fluctuations of the IMM Index shall be in multiples of .005.

3. For each .0025 increase in the Index the Clearing House shall credit ($6.25 per contract) those clearing members holding open long positions and debit ($6.25 per contract) those clearing members holding open short positions. For each .0025 decline in the Index the Clearing House shall debit ($6.25 per contract) those clearing members holding open long positions and credit ($6.25 per contract) those clearing members holding open short positions.]

45302.C. **Price Increments**

Bids and offers shall be quoted in terms of the IMM One-Month LIBOR Index; 100.00 minus the deposit rate on an annual basis for a 360-day year. (A deposit rate of 7.20% shall be quoted as 92.80).

Minimum fluctuations of the IMM Index shall be in multiples of .0025 ($6.25). For each .0025 increase in the Index, the Clearing House shall credit ($6.25 per contract) those clearing members holding open long positions and debit ($6.25 per contract) those clearing members holding open short positions. For each .0025 decline in the Index, the Clearing House shall debit ($6.25 per contract) those clearing members holding open long positions and credit ($6.25 per contract) those clearing members holding open long positions.

[The remainder of Chapter 453 remains unchanged.]

Further, implied spread trading on Globex electronic trading system of One-month LIBOR futures shall be permitted. The implied spread trade algorithm for the One-month LIBOR futures shall be identical to the algorithm applied to the Eurodollar futures contracts, including the pro-rata allocation of trade. The amendment to the interpretation of rule 580.

Globex Trade Algorithm is as follows, with additions underlined, and deletions bracketed and overstruck.

INTERPRETATION OF RULE 580.— GLOBEX TRADE ALGORITHMS

Pro Rata Allocation Algorithm

The Exchange has determined to use a Pro Rata Allocation Algorithm to match orders in Eurodollar futures and One-Month LIBOR futures contracts entered in the GLOBEX Electronic Trading System. Unless specifically referenced in this Interpretation, all other futures and options contracts, including Eurodollar options, will continue to use the default matching algorithm based on price and time priority. Eurodollar futures contracts were chosen to use the Pro Rata Allocation Algorithm because they usually trade in a narrow price range, and each price level is represented by size. The Pro Rata Allocation Algorithm operates as follows:

•   After the opening, Time Priority is assigned to the first order at a price that betters the market when the order is received (the "TOP order"). Only one buy order and one sell order can have Time Priority at any given time. Orders with Time Priority (TOP orders) are matched first regardless of size.

•   An order will lose Time Priority when an order at a better price is entered. Example: An order to buy 50 contracts is entered at 105. This order is the first order in at this price level. Another order comes in and betters the market, buy 25 contracts at 106. The order at the 106 level has Time Priority now and is the TOP order. The market sells off and the bid for 25 contracts at 106 is hit. The bid for 50 contracts at 105 does not regain its Time Priority and will be allocated according to size along with all the other 105 bids.

•   After the Time Priority or TOP order is filled, the Pro Rata Allocation Algorithm is applied to the remainder of the resting orders at that price level. The Algorithm will attempt to match quantities to orders in proportion to the size of each order. Example: There are orders to buy 10 and 20 contracts at the same price, and neither order has Time Priority. A sell order for 15 contracts at that price is entered. The Algorithm will match the sell order against the buy orders so that 50% of each buy order is matched. The minimum quantity the Pro Rata Allocation Algorithm will allocate is two contracts.

•   If the "Initial Allocation" results in a fraction, the Algorithm will "Round Down" or drop the fractional amount. Any contracts still to be allocated after the "Initial Allocation" has run will be allocated on a first in, first out basis.

Implied Order Algorithm

The Exchange has determined to use an Implied Order Algorithm to create orders for selected individual contracts, calendar spreads, and butterfly spreads in Eurodollar futures and One-Month LIBOR futures contracts entered in the GLOBEX Electronic Trading System. For the purpose of this rule interpretation, buying one butterfly spread (butterfly) means simultaneously buying and selling contracts with three different expirations in the following proportion: buying one contract with the most nearby of the three expirations, selling two contracts with the second of the three expirations and buying one contract with the most deferred of the three expirations. Unless specifically referenced in this Interpretation, all other futures and options contracts, will continue to use the Pro Rata Allocation Algorithm. This Implied Order Algorithm operates as follows:

[The remainder of Chapter 5 remains unchanged.]

The foregoing amendments shall be effective on the trade date of October 10, 2005. 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 #05-088 on all future correspondence for this submission.

Sincerely,
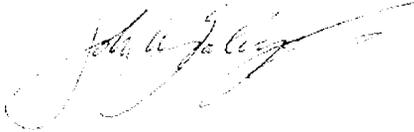
John W. Labuszewski, Managing Director
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