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Chicago Mercantile Exchange

February 14, 2006

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 GLOBEX Pre-execution Discussion Rules in connection with
GLOBEX Call Markets in Eurodollar Options
Submitted per Sec. 5c(c)(1) of the CEA and Regulation Sec. 40.6(a).
CME Submission # 06-12.**

Dear Ms. Webb:

Chicago Mercantile Exchange ("CME" or "Exchange") hereby certifies with the Commission the following amendments to the portion of Rule 539.C governing Pre-Execution Discussion for Markets trading pursuant to Rule 585. GLOBEX Call Market Trading Algorithm. The Exchange certifies that these actions neither violate nor are inconsistent with any portion of the Commodity Exchange Act or of the rules thereunder.

Under the existing procedure, a trade in the GLOBEX Call Market in Eurodollar Options that is the subject of a pre-execution discussion requires the issuance of an RFQ (Request For Quote) within 3 minutes prior to the order entries, regardless of how many instance of the identical RFQ has been issuance during the same trading session. Under the amended rules, the RFQ requirement is simplified. As long as an RFQ on the specific contract or combination of contracts has been issued within the same trading session prior to the pre-execution discussion, a duplicate RFQ on the same item is not necessary. Further, both orders in a trade that is the subject of a pre-execution discussion shall be entered into the GLOBEX system as a "Request for Cross" (RFC). Both sides of the RFC order shall then be exposed to the market for the requisite period of time stipulated in the Exchange Rules, currently fifteen (15) seconds, prior to the execution of the trade by GLOBEX. The trade matching for the RFC orders shall be performed in accordance with the amended Interpretation to Rule 585. GLOBEX Call Market Trading Algorithm.

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Further, the Exchange will also introduce the concept of TOP order, i.e. order with time priority, in the LMM allocation algorithm for GLOBEX Call Markets. An order with time priority and a quantity of a minimum of 50 shall be designated a TOP order and is eligible for priority allocation.

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

539.   PREARRANGED, PRE-NEGOTIATED AND NONCOMPETITIVE TRADES PROHIBITED

[Sections A. and B. are unchanged.]

539.C.   Pre-Execution Discussions Regarding GLOBEX Trades

Parties may engage in pre-execution discussions with regard to transactions executed on the GLOBEX platform where one party (the first party) wishes to be assured that a contra party (the second party) will take the opposite side of the order under the following circumstances:

1. A party may not engage in pre-execution discussions with other market participants on behalf of another party unless the party for whose benefit the trade is being made has previously consented to permit such discussions.

2. Parties to pre-execution discussions shall not (i) disclose to a non-party the details of such discussions or (ii) enter an order through the GLOBEX platform to take advantage of information conveyed during such discussions except in accordance with this rule.

3. With the exception of orders entered pursuant to the terms of Section C.5. below, a [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.

4. With the exception of orders entered pursuant to the terms of Section C.5. below, in [In] any transaction involving pre-execution discussions, the first party's order must be entered into the GLOBEX platform first and the second party's order may not be entered into the GLOBEX platform until the time period prescribed in Section 539.C.3. above has elapsed.

5. In electronic Eurodollar options operated pursuant [Pursuant] to Rule 585 ("GLOBEX® Call Market Trading Algorithm"), solicitation of bid(s) and/or offer(s) between market participants through private discussion for the purpose of establishing a market or improving the market for an eligible contract or an eligible combination of contracts for options on Eurodollar futures shall be preceded by issuing a Request For Quote ("RFQ") through an eligible terminal. Subsequent to such RFQ, a trade intended for execution pursuant to Rule 585 for which there has been a pre-execution discussion must [shall] be initiated [with] by the entrance of a Request for Cross ("RFC") Order which will contain both the buy and the sell orders. [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 Cross Request for the contract or combination of contracts] RFC Order must be entered within [three (3) minutes

of the entry of the Cross Request. The opposing order may not be entered until the requisite period of time as stipulated in Section C.3. above has elapsed] the same trading session as the entry of the RFQ. Failure to enter the [initiating] RFC order within [three(3) minutes of] the same trading session as the entry of the [Cross Request] RFQ shall be considered an abandonment of that pre-execution discussion. Any [subsequent] pre-execution discussion during a subsequent trading session [concerning the transaction] must be preceded by the entry of a new RFQ [and, thereafter, a new Cross Request must be entered before proceeding with the order entries].

INTERPRETATION OF RULE 585 – GLOBEX CALL MARKET TRADING ALGORITHM

Trade Allocation Algorithm pertinent to GLOBEX Call Markets

The Exchange may designate, per the provisions of Rule 581 – GLOBEX Lead Market Maker Program and Rule 585 – GLOBEX Call Market Trading Algorithm, multiple Lead Market Makers (LMMs) for a GLOBEX Call Market for a designated set of contracts. Each LMM shall be assigned an allocation proportion for the purpose of trade matching. Trade allocation in a Call Market with LMMs operates as follows:

1. If one or more LMM's bids or offers match the best available bid or offer, against which an opposing executable order exist, the LMM's orders shall be eligible for allocation along with the orders at the best bid or offer.

2. For each LMM with orders eligible for allocation, the total allocation for the LMM shall be the smaller of its allocation proportion times the size of the opposing order, rounded down to the nearest integral contract multiple, or the aggregate order size at the same price level from the LMM. If the order with time priority has a quantity of a minimum of fifty(50), it will be designated as the TOP order. If there is a TOP order, it shall also receive an allocation of the smaller of 25% times the original quantity of the opposing order, rounded down to the nearest integer, or the size of the TOP order.

3. Following the allocation of trades to the LMM(s) and the TOP order, if it exists, the remainder of the trade shall be allocated to all remaining bids or offers at the best price on a pro rata basis. The pro rata allocation for each order shall be rounded down to the nearest integral contract multiple, with the residual quantity allocated to the largest order. If two or more orders have identical quantities and are the largest orders, the residuals shall be equally allocated between the largest orders, subject to rounding down to the nearest integral contract multiple. Any remaining unallocated contracts shall be allocated on the basis of time priority.

The Exchange retains the right to grant specific allocation proportion(s) to the LMM(s). The aggregate allocation proportion of all LMM(s), however, shall not exceed 50%. If no LMM has been designated, trade allocation shall be executed on pro rata basis, resembling step 3 of trade allocation with LMMs.

In the case of a Request For Cross (RFC) entered pursuant to Rule 539.C, a set of matching bid and offer (hereafter referred to as the RFC bid and offer) with the same price and quantity, trading matching of this pair of RFC bid and offer shall be suspended for fifteen (15) seconds in

accordance with Rule 539.C. Pre-Execution Discussion. Immediately following the fifteen-second suspension, the RFC bid and offer shall be matched separately against opposing bids and offers in accordance with the allocation algorithm described above. The remainder of the pair of RFC bid and offer shall be matched against each other at a quantity of 60% of the smaller of the remaining RFC bid and offer. The remaining unmatched portions of the RFC bid and offer shall be available for matching against other incoming orders for an additional ten (10) seconds. Thereafter, the remaining RFC bids and offers shall be matched against each other, with the remaining bid and offer joining the rest of the order book.

A clean copy of Rule 539 is attached below. The amended Rule shall become effective on the trade date of Monday, February 20, 2006. 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 #06-12 on all future correspondence for this submission.

Sincerely,

John W. Labuszewski, Managing Director
Research & Product Development

CLEAN COPY OF RULE 539

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1. A party may not engage in pre-execution discussions with other market participants on behalf of another party unless the party for whose benefit the trade is being made has previously consented to permit such discussions.

2. Parties to pre-execution discussions shall not (i) disclose to a non-party the details of such discussions or (ii) enter an order through the GLOBEX platform to take advantage of information conveyed during such discussions except in accordance with this rule.

3. With the exception of orders entered pursuant to the terms of Section C.5. below, 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.

4. With the exception of orders entered pursuant to the terms of Section C.5. below, in any transaction involving pre-execution discussions, the first party's order must be entered into the GLOBEX platform first and the second party's order may not be entered into the GLOBEX platform until the time period prescribed in Section 539.C.3. above has elapsed.

5. In electronic Eurodollar options operated pursuant to Rule 585 ("GLOBEX® Call Market Trading Algorithm"), solicitation of bid(s) and/or offer(s) between market participants through private discussion for the purpose of establishing a market or improving the market for an eligible contract or an eligible combination of contracts for options on Eurodollar futures shall be preceded by issuing a Request For Quote ("RFQ") through an eligible terminal. Subsequent to such RFQ, a trade intended for execution pursuant to Rule 585 for which there has been a pre-execution discussion must be initiated by the entrance of a Request for Cross ("RFC") Order which will contain both the buy and the sell orders. The RFC Order must be entered within the same trading session as the entry of the RFQ. Failure to enter the RFC order within the same trading session as the entry of the RFQ_shall be considered an abandonment of that pre-execution discussion. Any pre-execution discussion during a subsequent trading session must be preceded by the entry of a new RFQ.