



20 South Wacker Drive
Chicago, IL 60606-7499
www.cme.com

312/930.1000 tel
312/466.4410 fax

January 10, 2007

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

RECEIVED
OFFICE OF THE SECRETARIAL
JAN 11 AM 9:42

**RE: Exchange Certification of Amendments to Equity Index Options Spread Tick Rules
Submitted per Sec. 5c(c)(1) of the CEA and Regulation Sec. 40.6(a).
CME Submission # 07-04.**

Dear Ms. Donovan:

Chicago Mercantile Exchange ("CME" or "Exchange") hereby certifies with the Commission the following amendments to the Exchange Rules governing the minimum fluctuations of options spread trades in certain options on equity index futures. The Exchange certifies that these actions neither violate nor are inconsistent with any portion of the Commodity Exchange Act or of the rules thereunder.

Current rules allow for equity index options spread and combination trades to occur at smaller increments than the standard tick for the respective outright options provided the spread or combination satisfy certain criteria, including the a low net options premium for the combination. These rules have become obsolete with the cumulative changes to the tick rules that allow for smaller increments for low premium options. Often, it is possible that, while all legs can be traded separately at the smaller increments, the combination cannot trade at such increments because of the rule.

To rectify the inconsistencies, the Exchange shall modify the option spread tick rules. Specifically, options spread and combinations are allowed to trade at the smallest increments (.05 index points) as long as all the option legs in the spread and combinations can be assigned valid options prices allowable under the varying tick increment rule for the outright options. Further, for option spreads trading at a low net premium level, defined as the same threshold as in the case of an outright options, the spread itself may also be traded at the lower tick increment, regardless of whether all the legs in the spread can be assigned valid options prices allowable under the varying tick increment rules for the outright options.

The text of the amendments is as follows, with additions underlined and deletions bracketed and overstruck. The amendments shall become effective on the trade date of Monday, January 22, 2007.

Chapter 5 TRADING QUALIFICATIONS AND PRACTICES

542. SIMULTANEOUS SPREAD AND COMBINATION TRANSACTIONS

[A. – D. remain unchanged.]

E. ~~Trading is allowed in simultaneous spread or combination transactions involving options on equity index futures contracts trading at whole integer and non-integer tick prices, but not involving futures contracts, subject to the conditions applying to other spread or combination transactions and also subject to the following respective additional conditions:~~

- ~~1. Spread and combination transactions involving the simultaneous purchase and sale of options in which one or more of the options is trading at a non-integer tick price are allowed provided that the total number of options in the combination is four or less and that the net absolute price differential is ten ticks or less.~~
- ~~2. Spread and combination transactions involving the purchase of every leg or the sale of every leg of a two-legged or three-legged combination in which one or more of the options is trading at a non-integer tick price are allowed provided that the aggregate combination price is forty ticks or less.~~

[Reserved]

[F. remains unchanged.]

[The remainder of Chapter 5 remains unchanged.]

Chapter 351A Options on Standard and Poor's 500 Stock Price Index™ Futures

351A01. OPTION CHARACTERISTICS

[351A01.A. and B. remain unchanged.]

351A01.C. Minimum Fluctuations

The price of an option shall be quoted in index points. Each .01 index point shall represent \$2.5. The minimum fluctuation shall be .10 index points (\$25.00, also known as one tick). Trades may also occur at a price of .05 index points (\$12.50, also known as one-half tick), whether or not such trades result in the liquidation of positions for both parties to the trade. A trade with a price equal to or less than 5.00 index points may also occur at a price in multiples of .05 index points, e.g., .15 index points (\$37.50, also known as one and one-half ticks), and 1.95 index points (\$487.50 also known as nineteen and one-half ticks).

Each leg of a combination trade of options contracts shall be traded at a price conforming to the minimum fluctuation. Notwithstanding, options in a combination trade can be traded at an increment of .05 index points regardless of the premium level if the net premium of the options combination is at or below 5.00 index points.

[The remainder of Chapter 351A remains unchanged.]

Chapter 355A Options on S&P 500[®]/ CITIGROUP Growth Index Futures

355A01. OPTION CHARACTERISTICS

[355A01.A. and B. remain unchanged.]

355A01.C. Minimum Fluctuations

The price of an option shall be quoted in index points. Each .01 index point shall represent \$2.5. The minimum fluctuation shall be .10 index points (\$25.00, also known as one tick). Trades may also occur at a price of .05 index points (\$12.50, also known as one-half tick), whether or not such trades result in the liquidation of positions for both parties to the trade. A trade with a price equal to or less than 5.00 index points may also occur at a price in multiples of .05 index points, e.g., .15 index points (\$37.50, also known as one and one-half ticks), and 1.95 index points (\$487.50 also known as nineteen and one-half ticks).

Each leg of a combination trade of options contracts shall be traded at a price conforming to the minimum fluctuation. Notwithstanding, options in a combination trade can be traded at an increment of .05 index points regardless of the premium level if the net premium of the options combination is at or below 5.00 index points.

[The remainder of Chapter 355A remains unchanged.]

Chapter 356A Options on S&P 500/ CITIGROUP Value Index Futures

356A01. OPTION CHARACTERISTICS

[356A01.A. and B. remain unchanged.]

356A01.C. Minimum Fluctuations

The price of an option shall be quoted in index points. Each .01 index point shall represent \$2.5. The minimum fluctuation shall be .10 index points (\$25.00, also known as one tick). Trades may also occur at a price of .05 index points (\$12.50, also known as one-half tick), whether or not such trades result in the liquidation of positions for both parties to the trade. A trade with a price equal to or less than 5.00

index points may also occur at a price in multiples of .05 index points, e.g., .15 index points (\$37.50, also known as one and one-half ticks), and 1.95 index points (\$487.50 also known as nineteen and one-half ticks).

Each leg of a combination trade of options contracts shall be traded at a price conforming to the minimum fluctuation. Notwithstanding, options in a combination trade can be traded at an increment of .05 index points regardless of the premium level if the net premium of the options combination is at or below 5.00 index points.

[The remainder of Chapter 356A remains unchanged.]

Chapter 357A **Options on NASDAQ 100 Index[®] Futures**

357A01. OPTION CHARACTERISTICS

[357A01.A. and B. remain unchanged.]

357A01.C. Minimum Fluctuations

The price of an option shall be quoted in index points. Each .01 index point shall represent \$1.00. The minimum fluctuation shall be 0.25 index points (also known as one tick), equivalent to \$25.00 per contract. Trades may also occur at a price of .05 index points or \$5.00, whether or not such trades result in the liquidation of positions for both parties to the trade. A trade with a price equal to or less than 3.00 index points may also occur at a price in multiples of .05 index points, \$5.00.

Each leg of a combination trade of options contracts shall be traded at a price conforming to the minimum fluctuation. Notwithstanding, options in a combination trade can be traded at an increment of .05 index points regardless of the premium level if the net premium of the options combination is at or below 3.00 index points.

[The remainder of Chapter 357A remains unchanged.]

Chapter 358A **Options on E-mini[®] Standard and Poor's 500** **Stock Price Index Futures**

358A01. OPTION CHARACTERISTICS

[358A01.A. and B. remain unchanged.]

358A01.C. Minimum Fluctuations

The price of an option shall be quoted in index points. Each .01 index point shall represent \$0.50. The minimum fluctuation shall be .25 index points (also known as one tick). Trades may also occur at a price of .05 index points \$2.50, whether or not such trades result in the liquidation of positions for both parties to the trade. A trade with a price equal to or less than 5.00 index points may also occur at a price in multiples of .05 index points, \$2.50.

Each leg of a combination trade of options contracts shall be traded at a price conforming to the minimum fluctuation. Notwithstanding, options in a combination trade can be traded at an increment of .05 index points regardless of the premium level if the net premium of the options combination is at or below 5.00 index points.

[The remainder of Chapter 358A remains unchanged.]

Chapter 359A Options on E-mini NASDAQ-100 Index[®] Futures

359A01. OPTION CHARACTERISTICS

[359A01.A. and B. remain unchanged.]

359A01.C. Minimum Fluctuations

The price of an option shall be quoted in index point. Each .01 index point shall represent \$0.20. The minimum fluctuation shall be 0.25 index points (also known as one tick), equivalent to \$5.00 per contract. Trades may also occur at a price of .05 index points or \$1.00, whether or not such trades result in the liquidation of positions for both parties to the trade. A trade with a price equal to or less than 3.00 index points may also occur at a price in multiples of .05 index points, \$1.00.

Each leg of a combination trade of options contracts shall be traded at a price conforming to the minimum fluctuation. Notwithstanding, options in a combination trade can be traded at an increment of .05 index points regardless of the premium level if the net premium of the options combination is at or below 3.00 index points.

[The remainder of Chapter 359A remains unchanged.]

Chapter 361A Options on E-Mini Russell 2000[®] Futures

361A01. OPTION CHARACTERISTICS

[361A01.A. and B. remain unchanged.]

361A01.C. Minimum Fluctuations

The price of an option shall be quoted in index points. Each .01 index point (1 basis point) shall represent \$1.00. The minimum fluctuation shall be 0.10 index points (also known as one tick). Trades may also occur at a price of 0.05 index points \$5.00, also known as one-half tick, whether or not such trades result in the liquidation of positions for both parties to the trade. A trade with a price equal to or less than 3.00 index points may also occur at a price in multiples of .05 index points.

Each leg of a combination trade of options contracts shall be traded at a price conforming to the minimum fluctuation. Notwithstanding, options in a combination trade can be traded at an increment of

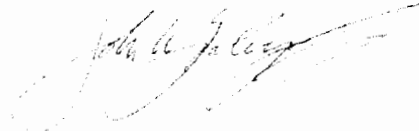
Ms. Eileen Donovan
January 10, 2007
Page 6 of 6

.05 index points regardless of the premium level if the net premium of the options combination is at or below 3.00 index points.

[The remainder of Chapter 361A remains unchanged.]

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 #07-04 on all future correspondence for this submission.

Sincerely,

A handwritten signature in black ink, appearing to read "John W. Labuszewski". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

John W. Labuszewski, Managing Director
Research & Product Development