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October 19, 2004

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

**RE: Half-Tick Trading in Options on Three-Month Eurodollar Futures
Submitted per Sec. 5c(c)(1) of the CEA and Regulation Sec. 40.6(a).
CME Submission # 04-104.**

Dear Ms. Webb:

Chicago Mercantile Exchange ("CME" or "Exchange") hereby notifies the Commission of amendments to Rule 452A01.C permitting half-tick trading of Options on Eurodollar 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.

The existing minimum price fluctuation rules for the options on Eurodollar futures is very complicated. Depending on options expirations and the underlying futures contract, the option may be traded at 0.0025 IMM Index Point ("one-quarter tick"), 0.05 IMM Index Point ("one-half tick") or 0.01 IMM Index Point ("one tick") increments. Generally speaking, the deferred options have larger minimum fluctuations. The Exchange resolves to simplify the price increment convention by allowing half-tick price increments on all options (regular quarterly and serial options, MidCurve options, and 5-Year Bundle options), matching the tick convention of the underlying futures. Further, when the underlying futures contract is quarter-tick eligible, the options are also quarter-tick eligible. Cabinet trades in the regular quarterly, serial and MidCurve options shall remain at one-quarter tick.

The text of the rule amendment is as follows, with additions underlined and deletions bracketed and overstruck. A clean set of the proposed rule is included in the appendix.

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CHAPTER 452A OPTIONS ON THREE-MONTH EURODOLLAR FUTURES

452A01.C. Minimum Fluctuations

The price of an option shall be quoted in IMM Index points, except as provided in Rule 584 (GLOBEX Volatility Quotes). Each .01 IMM Index point (1 basis point) shall represent \$25, except for 5 Year bundle options as specified in Paragraph 5. For example, a quote of 0.35 represents an option price of \$875 (35 basis points x \$25).

1. Contract Month Whose Underlying Futures Contract is the Nearest Expiring Futures Contract Month

The minimum fluctuation shall be .0025 IMM Index point (also known as one-quarter tick).

2. ~~[First Four Contract Months in the March Quarterly Cycle and First Two Months Not in the March Quarterly Cycle Excluding the Contract Month Whose Underlying Futures Contract Month is the Nearest Expiring Futures Contract Month.]~~ All Other Contract Months

The minimum fluctuation shall be .005 IMM Index point (also known as one-half tick). Trades may also occur at a price of .0025 IMM Index point (\$6.25, also known as one-quarter tick), whether or not such trades result in the liquidation of positions for both parties to the trade.

For the purpose of Rule 813—Settlement Prices, the minimum fluctuation shall be .0025 IMM Index point (\$6.25, also known as one-quarter tick)

3. ~~Second Four Contract Months in the March Quarterly Cycle~~

~~The minimum fluctuation shall be .01 IMM Index point (\$25, also known as one tick). Trades may also occur at a price of .0025 IMM Index point (\$6.25, also known as one-quarter tick), whether or not such trades result in the liquidation of positions for both parties to the trade. During the RTH, a trade may also occur at a price of .015 IMM Index points (\$37.50, also known as one and one-half ticks), .025 IMM Index points (\$62.50, also known as two and one-half ticks), .035 IMM Index points (\$87.50, also known as three and one-half ticks, and .045 IMM Index points (\$112.50, also known as four and one-half ticks).~~

~~For the purposes of Rule 813—Settlement Prices, the minimum fluctuation shall be .0025 IMM Index point (\$6.25, also known as one-quarter tick).~~

4. ~~All Other Contract Months~~

~~The minimum fluctuation shall be .01 IMM Index point (also known as one tick). Trades may also occur at a price of .005 IMM Index point (\$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. Trades may also occur at a price of .0025 IMM Index point (\$6.25, also known as one-quarter tick), whether or not such trades result in the liquidation of positions for both parties to the trade.~~

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~~For the purpose of Rule 813—Settlement Prices, the minimum fluctuation shall be .0025 IMM Index point (\$6.25, also known as one-quarter tick).~~

[5]3. 5-Year Bundle Options

~~The minimum fluctuation shall be [.01].005 IMM Index point ([500]\$250, also known as one-half tick). Trades may also occur at a price of .005 IMM Index point (\$250, also known as one-half tick), whether or not such trades result in the liquidation of positions for both parties to the trade. During RTH, a trade may also occur at a price of .015 IMM Index points (\$750, also known as one and one-half ticks), and .025 IMM Index points (\$1250, also known as two and one-half ticks).~~

[6]4. MidCurve Options

~~[For the first two contract months in the March Quarterly Cycle and the first two months not in the March Quarterly Cycle, the]~~ The minimum fluctuation shall be .005 IMM Index point (\$12.50, also known as one-half tick). Trades may also occur at a price of .0025 IMM Index point (\$6.25, also known as one-quarter tick), whether or not such trades result in the liquidation of positions for both parties to the trade.

~~[For all other contract months, the minimum fluctuation shall be .01 IMM Index point (\$25, also known as one tick). Trades may also occur at a price of .0025 IMM Index point (\$6.25, also known as one-quarter tick), whether or not such trades result in the liquidation of positions for both parties to the trade. During RTH, a trade may also occur at a price of .015 IMM Index points (\$37.50, also known as one and one-half ticks), .025 IMM Index points (\$62.50, also known as two and one-half ticks), .035 IMM Index points (\$87.50, also known as three and one-half ticks), and .045 IMM Index points (\$112.50, also known as four and one-half ticks).]~~

For the purpose of Rule 813—Settlement Prices, the minimum fluctuation shall be .0025 IMM Index point (\$6.25, also known as one-quarter tick). If options are quoted in volatility terms, the minimum fluctuations shall be 0.05 percent.

[The remainder of Chapter 452A remains unchanged.]

The amendments shall be effective for the trade date of November 14, 2004. 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 #04-104 on all future correspondence for this submission.

Sincerely,



John W. Labuszewski, Director
Research & Product Development

CC: Mr. Thomas M. Leahy and Mr. Steven B. Benton
CFTC Division of Market Oversight, Product Review & Analysis Section

APPENDIX: Clean Version of Amended Rules

CHAPTER 452A OPTIONS ON THREE-MONTH EURODOLLAR FUTURES

452A01.C. Minimum Fluctuations

The price of an option shall be quoted in IMM Index points, except as provided in Rule 584 (GLOBEX Volatility Quotes). Each .01 IMM Index point (1 basis point) shall represent \$25, except for 5 Year bundle options as specified in Paragraph 5. For example, a quote of 0.35 represents an option price of \$875 (35 basis points x \$25).

1. Contract Month Whose Underlying Futures Contract is the Nearest Expiring Futures Contract Month

The minimum fluctuation shall be .0025 IMM Index point (also known as one-quarter tick).

2. All Other Contract Months

The minimum fluctuation shall be .005 IMM Index point (also known as one-half tick). Trades may also occur at a price of .0025 IMM Index point (\$6.25, also known as one-quarter tick), whether or not such trades result in the liquidation of positions for both parties to the trade.

For the purpose of Rule 813—Settlement Prices, the minimum fluctuation shall be .0025 IMM Index point (\$6.25, also known as one-quarter tick)

3. 5-Year Bundle Options

The minimum fluctuation shall be .005 IMM Index point (\$250, also known as one-half tick).

4. MidCurve Options

The minimum fluctuation shall be .005 IMM Index point (\$12.50, also known as one-half tick). Trades may also occur at a price of .0025 IMM Index point (\$6.25, also known as one-quarter tick), whether or not such trades result in the liquidation of positions for both parties to the trade.

For the purpose of Rule 813—Settlement Prices, the minimum fluctuation shall be .0025 IMM Index point (\$6.25, also known as one-quarter tick). If options are quoted in volatility terms, the minimum fluctuations shall be 0.05 percent.

[The remainder of Chapter 452A remains unchanged.]