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May 4, 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

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OFC. OF THE SECRETARIAT

RE: SECURITY FUTURES PRODUCT RULE SUBMISSION
Section 5c(c) and Regulation §41.24 Submission – Rule Certification
of Security Futures Product Adjustments.
CME Submission #05-44.

Dear Ms. Webb:

Chicago Mercantile Exchange Inc. (“CME” or “Exchange”) hereby submits, pursuant to Section 5c(c) of the Commodity Exchange Act (“CEA”) and Regulation §41.24 thereunder, certification of Security Futures Product (“SFP”) Adjustments.

Please note that this represents a “Security Futures Product Rule Submission” that applies generally to SFPs listed on the Exchange including those based on single securities or indexes of two or more securities. Accordingly, and per Commission Regulation §40.6(a)(1), these Rule amendments do not materially change the term or condition of a contract for future delivery of an agricultural commodity enumerated in section 1a(4) of the Act or an option on such contract or commodity in a delivery month having open interest.

This document shall be filed, per Commission Regulation §40.6(a)(2), with the Commission at its Washington D.C. headquarters and at the Commission’s regional Chicago office prior to the close of business on the business day preceding implementation of these Rules.

1. Text of Rules

CME proposes to adopt Rules governing Security Futures Products Adjustments as documented in the Appendix to this document for purposes of Section 6(h) of the Act.¹ Per Commission Regulations §40.6(a)(3)(ii) and §41.24(a)(2), the text of the rule amendments are included in the appendix to this document below.

Note that the Exchange had previously certified Rules with respect to Security Futures Product Adjustments per CME submission #02-104 dated October 29, 2002. However, the Rules of Chapter 701, SECURITY FUTURES PRODUCTS ADJUSTMENTS, were never actually deployed by the Exchange. The Exchange hereby withdraws its previous certification of Chapter 701 so that it may, in the interest of simplicity, begin anew with a clean slate.

2. Submission to SEC

Per Commission Regulation §41.24(a)(3), the Exchange certifies that it has submitted the subject rule amendments to the Securities and Exchange Commission ("SEC") by letter dated May 4, 2005 and in accordance with Section 19(b)(7) of the Exchange Act and Rule 19b-7 thereunder (see File No. SR-CME-2005-01). A copy of this document has been sent under separate cover to the Commission's Office of the Secretariat.

3. Certifications

Per Commission Regulation §40.24(a)(4), Chicago Mercantile Exchange, as a designated contract market pursuant to section 5 of the Act certifies that the Security Futures Products affected by these rule amendments comply with the Act and rules thereunder. The Exchange certifies, per Commission Regulation §40.6(a)(3)(v) that these rules comply with the Act and regulations thereunder. Further, we include other documentation and certifications required per Commission Regulation §40.6 below.

Date of Implementation - The Exchange's Board of Directors approved the amendments described herein at its regular meeting of January 31, 2005, pursuant to Exchange Rule 230.j. Per Commission Regulation §40.6(a)(3)(iii), please note that the Exchange intends to implement these Rules effective on June 6, 2005. We acknowledge that the Commission may stay the effectiveness or alter or amend the rule pursuant to section 8a(7) of the Act, as articulated in Commission Regulation §40.6(b).

¹ 15 U.S.C. 78f(h).

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Substantive Opposing Views – The Exchange has not solicited any views opposing the adoption of these Rules. The Exchange is unaware of any views opposing the adoption of these Rules in whole or in part. Further, the Exchange does not anticipate that any such opposing views will be expressed to the extent that the provisions of Chapter 701 as documented in the Appendix to this document are substantially similar to Rules regarding SFP adjustments as currently applied by the Options Clearing Corporation (OCC) and the CME Clearing House per CME Rule Chapter 8B with respect to SFPs transacted on OneChicago and cleared at either OCC or the CME Clearing House.

4. Purpose and Explanation of Rule Amendments

CME proposes to adopt Security Futures Product Adjustment procedures as documented in the Appendix to this document. These Rules spell out the Exchange's response to corporate events and the possible unavailability or inaccuracy of spot values for use as final settlement prices. These rules are parallel to OCC rules and to the provisions of existing CME Chapter 8B. Note that Chapter 8B addresses procedures applied to SFPs effected on a marketplace apart from CME but cleared by the CME Clearing House Division. Chapter 701 addresses procedures applied to SFPs effected on CME and cleared in-house.

Please address any questions that arise during the review and approval process to myself at 312-466-7469 or via e-mail at jlabor@cme.com. We would be most appreciative if you would reference CME Submission #05-44 in any related correspondence.

Sincerely,



John W. Labuszewski, Managing Director
Research & Product Development

Att.

cc: Office of Market Supervision
Division of Market Regulation
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549-1003

Appendix: Security Futures Products Adjustments
(The following Rules shall be added to the Exchange Rulebook.)

CHAPTER 701: SECURITY FUTURES PRODUCTS ADJUSTMENTS

70101. SCOPE OF CHAPTER

This chapter is limited in application to Security Futures Products (“SFPs”) traded on Chicago Mercantile Exchange where the underlying interest is a single equity security or a narrow-based index. The procedures for clearing, delivery, settlement and other matters not specifically covered herein shall be governed by the Rules of the Exchange.

70110. ADJUSTMENTS TO SECURITY FUTURES PRODUCTS

1. Determinations as to whether and how to adjust the terms of Security Futures Products to reflect events affecting underlying interests shall be made by the Clearing House based on its judgment as to what is appropriate for the protection of investors and the public interest, taking into account such factors as fairness to the buyers and sellers of Security Futures Products on the underlying interest, the maintenance of a fair and orderly market in futures on the underlying interest, consistency of interpretation and practice, efficiency of settlement of delivery obligations arising from physically-settled Security Futures Products, and the coordination with other clearing agencies of the clearance and settlement of transactions in the underlying security. The Clearing House may, in addition to determining adjustments to Security Futures Products on a case-by-case basis, adopt interpretations having general application to specified types of events. Every determination by the Clearing House in respect of Security Futures Products pursuant to this Rule shall be within the discretion of the Clearing House and shall be conclusive and binding on all investors and not subject to review. The following paragraphs of this Rule apply to Security Futures Products based on single equity securities only.
2. Whenever there is a dividend, stock dividend, stock distribution, stock split, reverse stock split, rights offering, distribution, reorganization, recapitalization, reclassification or similar event in respect of any underlying security, or a merger, consolidation, dissolution or liquidation of the issuer of any underlying security, the number of Security Futures Product contracts, the unit of trading, the settlement price and the underlying security, or any of them, with respect to all outstanding Security Futures Products open for trading in the underlying security may be adjusted in accordance with this Rule. If the Clearing House does not learn, or does not learn in a timely manner, of an event for which the Clearing House would have otherwise made an adjustment, the Clearing House shall not be liable for any failure to make such adjustment or delay in making such adjustment. In making any adjustment determination, the Clearing House shall apply the factors set forth in this Rule in light of the circumstances known to it at the time such determination is made.

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3. It shall be the general rule that there will be no adjustments to reflect ordinary cash dividends or distributions or ordinary stock dividends or distributions (collectively, "ordinary distributions") by the issuer of the underlying security.
4. Subject to paragraph 3 of this Rule, it shall be the general rule that in the case of a stock dividend, stock distribution or stock split whereby one or more whole numbers of shares of the underlying security are issued with respect to each outstanding share, each SFP contract covering that underlying security shall be increased by the same number of additional SFP contracts as the number of shares issued with respect to each share of the underlying security, the last settlement price established immediately before such event shall be proportionately reduced, and the unit of trading shall remain the same.
5. Subject to paragraph 3 of this Rule, it shall be the general rule that in the case of a stock dividend, stock distribution or stock split whereby other than a whole number of shares of the underlying security is issued in respect of each outstanding share, the last settlement price established immediately before such event shall be proportionately reduced, and conversely, in the case of a reverse stock split or combination of shares, the last settlement price established immediately before such event shall be proportionately increased. Whenever the settlement price with respect to a stock future has been reduced or increased in accordance with this paragraph, the unit of trading shall be proportionately increased or reduced, as the case may be.
6. It shall be the general rule that in the case of any distribution made with respect to shares of an underlying security, other than ordinary distributions and other than distributions for which adjustments are provided in paragraphs 4 or 5 of this Rule, if the Clearing House determines that an adjustment to the terms of Security Futures Products on such underlying security is appropriate, (a) the last settlement price established immediately before such event shall be reduced by the value per share of the distributed property, in which event the unit of trading shall not be adjusted, or alternatively, (b) the unit of trading in effect immediately before such event shall be adjusted so as to include the amount of property distributed with respect to the number of shares of the underlying security represented by the unit of trading in effect prior to such adjustment, in which event the settlement price shall not be adjusted. The Clearing House shall, with respect to adjustments under this paragraph or any other paragraph of this Rule, have the authority to determine the value of distributed property.
7. In the case of any event for which adjustment is not provided in any of the foregoing paragraphs of this Rule, the Clearing House may make such adjustments, if any, with respect to the Security Futures Products affected by such event as the Clearing House determines.
8. Adjustments pursuant to this Rule shall as a general rule become effective in respect of outstanding Security Futures Products on the "ex-date" established by the primary market for the underlying security.

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9. It shall be the general rule that (a) all adjustments of the settlement price of an outstanding stock future shall be rounded to the nearest adjustment increment, (b) when an adjustment causes a settlement price to be equidistant between two adjustment increments, the settlement price shall be rounded up to the next highest adjustment increment, (c) all adjustments of the unit of trading shall be rounded down to eliminate any fraction, and (d) if the unit of trading is rounded down to eliminate a fraction, the adjusted settlement price shall be further adjusted, to the nearest adjustment increment, to reflect any diminution in the value of the stock future resulting from the elimination of the fraction.
10. Notwithstanding the general rules set forth in paragraphs 3 through 9 of this Rule or which may be set forth as interpretations to this Rule, the Clearing House shall have the power to make exceptions in those cases or groups of cases in which, in applying the standards set forth in paragraph 1 of this Rule, the Clearing House shall determine such exceptions to be appropriate. However, the general rules shall be applied unless the Clearing House affirmatively determines to make an exception in a particular case or group of cases.

**INTERPRETATION TO RULE 70110.
ADJUSTMENTS TO SECURITY FUTURES PRODUCTS**

1. (a) Cash dividends or distributions by the issuer of the underlying security that the Clearing House believes to have been declared pursuant to a policy or practice of paying such dividends or distributions on a quarterly or other regular basis, will, as a general rule, be deemed to be "ordinary distributions" within the meaning of paragraph 3 of this Rule. The Clearing House will determine on a case-by-case basis whether other dividends or distributions are "ordinary distributions" or whether they are dividends or distributions for which an adjustment should be made. (b) Stock dividends or distributions by the issuer of the underlying security that the Clearing House believes to have been declared pursuant to a policy or practice of paying such dividends or distributions on a quarterly basis will, as a general rule, be deemed to be "ordinary distributions" within the meaning of paragraph 3 of this Rule. The Clearing House will ordinarily adjust for other stock dividends and distributions. (c) Where the Clearing House determines to adjust for a cash or stock dividend or distribution, the adjustment shall be made in accordance with the applicable provisions of this Rule.

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2. Adjustments will ordinarily be made for rights distributions, except as provided below in the case of certain "poison pill" rights. When an adjustment is made for a rights distribution, the unit of trading in effect immediately prior to the distribution will ordinarily be adjusted to include the number of rights distributed with respect to the number of shares or other units of the underlying security comprising the unit of trading. If, however, the Clearing House determines that the rights are due to expire before the time they could be exercised upon delivery under the futures contract, then delivery of the rights will not be required. Instead, the Clearing House will ordinarily adjust the last settlement price established before the rights expire to reflect the value, if any, of the rights as determined by the Clearing House in its sole discretion. Adjustments will not ordinarily be made to reflect the issuance of so-called "poison pill" rights that are not immediately exercisable, trade as a unit or automatically with the underlying security, and may be redeemed by the issuer. In the event such rights become exercisable, being to trade separately from the underlying security, or are redeemed, the Clearing House will determine whether an adjustment is appropriate.
3. Adjustments will not be made to reflect a tender offer or exchange offer to the holders of the underlying security, whether such offer is made by the issuer of the underlying security or by a third person or whether the offer is for cash, securities or other property. This policy will apply without regard to whether the price of the underlying security may be favorably or adversely affected by the offer or whether the offer may be deemed to be "coercive." Outstanding Security Futures Products ordinarily will be adjusted to reflect a merger, consolidation or similar event that becomes effective following the completion of a tender offer or exchange offer.
4. Adjustments will not be made to reflect changes in the capital structure of an issuer where all of the underlying securities outstanding in the hands of the public (other than dissenters' shares) are not changed into another security, cash or other property. For example, adjustments will not be made merely to reflect the issuance (except as a distribution on an underlying security) of new or additional debt, stock, or options, warrants or other securities convertible into or exercisable for the underlying security, the refinancing of the issuer's outstanding debt, the repurchase by the issuer of less than all of the underlying securities outstanding, or the sale by the issuer of significant capital assets.
5. When an underlying security is converted into a right to receive a fixed amount of cash, such as in a merger, outstanding Security Futures Products will be adjusted to replace such underlying security with such fixed amount of cash as the underlying interest, and the unit of trading shall remain unchanged.

6. In the case of a corporate reorganization, reincorporation or similar occurrence by the issuer of an underlying security which results in an automatic share-for-share exchange of shares in the issuer for shares in the resulting company, Security Futures Products on the underlying security will ordinarily be adjusted by replacing such underlying security with a like number of units of the shares of the resulting company. Because the securities are generally exchanged only on the books of the issuer and the resulting company, and are not generally exchanged physically, deliverable shares will ordinarily include certificates that are denominated on their face as shares in the original issuer, but which, as a result of the corporate transaction, represent shares in the resulting company.
7. When an underlying security is converted in whole or in part into a debt security and/or a preferred stock, as in a merger, and interest or dividends on such debt security or preferred stock are payable in the form of additional units thereof, outstanding Security Futures Products that have been adjusted by replacing the original underlying security with the security into which the original underlying security has been converted shall be further adjusted, effective as of the ex-date for each payment of interest or dividends thereon, by increasing the unit of trading by the number of units of the new underlying security distributed as interest or dividends thereon.
8. Notwithstanding this Interpretation of Rule 70110, distributions of short-term and long-term capital gains in respect of stock fund shares by the issuer thereof shall not, as a general rule, be deemed to be "ordinary dividends or distributions" within the meaning of paragraph 3 of Rule 70110, and adjustments of the terms of Security Futures Products on such stock fund shares for such distributions shall be made in accordance with applicable provisions of Rule 70110, unless the Clearing House determines, on a case-by-case basis, not to adjust for such a distribution.
9. In the event that a new series of Security Futures Products is introduced with a settlement price expressed in decimals and there is an outstanding series of Security Futures Products on the same underlying security with a settlement price expressed as a fraction that could be expressed in whole cents, the Clearing House may restate the settlement price of the outstanding series as its equivalent decimal price. If the settlement price for the outstanding series is a fraction that cannot be expressed in whole cents, the settlement price may not be restated as a decimal.

70120. UNAVAILABILITY OR INACCURACY OF FINAL SETTLEMENT PRICE

1. If the Clearing House shall determine that the primary market(s) for the underlying security in respect of a maturing stock future did not open or remain open for trading at or before the time when the final settlement price for such futures would ordinarily be determined, or that the price or other value used to determine the final settlement price is unreported or otherwise unavailable, then, in addition to any other actions that the Clearing House may be entitled to take under the Rules, the Clearing House shall be empowered to do any or all of the following with respect to maturing futures affected by such event ("affected futures"):
 - (a) The Clearing House may suspend the time for making the final variation payment with respect to affected futures and, in the case of physically-settled Security Futures Products, may postpone the delivery date. At such time as the Clearing House determines that the required price or other value is available or the Clearing House has fixed the final settlement price pursuant to subparagraph (a) or (b) of this Rule, the Clearing House shall fix a new date for making the final variation payment and may fix a new delivery date for physically-settled Security Futures Products.
 - (b) The Clearing House may fix the final settlement price for affected futures, based on its judgment as to what is appropriate for the protection of investors and the public interest, taking into account such factors as fairness to buyers and sellers of affected futures, the maintenance of a fair and orderly market in such futures, and consistency of interpretation and practice. Without limiting the generality of the foregoing, the Clearing House may, if it deems such action appropriate for the protection of investors and the public interest, fix the final settlement price on the basis of the reported price of the underlying security or reported level of the underlying index at the close of regular trading hours (as determined by the Clearing House) on the last preceding trading day for which a closing stock price or index level was reported by the reporting authority.
2. The Clearing House may fix the final settlement price for affected futures using the opening prices of the relevant security or securities when the primary market(s) reopen. In that case, the date for making the final variation payment for the affected futures shall be postponed until the business day next following the day on which the final settlement price is fixed; and, in the case of physically-settled Security Futures Products, the delivery date shall also be postponed accordingly.
3. Every determination of the Clearing House pursuant to this Section shall be within the discretion of the Clearing House and shall be conclusive and binding on all investors and not subject to review. Unless the Clearing House directs otherwise, the price of an underlying security and the current index value of an underlying index as initially reported by the relevant reporting authority shall be conclusively presumed to be accurate and shall be deemed final for the purpose of determining settlement prices and the final settlement price, even if such price or value is subsequently revised or determined to have been inaccurate.

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**INTERPRETATION TO 70120. UNAVAILABILITY
OR INACCURACY OF FINAL SETTLEMENT PRICE**

The Clearing House will not adjust officially reported stock prices for final settlement purposes, even if those prices or values are subsequently found to have been erroneous, except in extraordinary circumstances. Such circumstances might be found to exist where, for example, the closing price or current index value as initially reported is clearly erroneous and inconsistent with prices or values reported earlier in the same trading day, and a corrected closing price or current index value is promptly announced by the reporting authority. In no event will a completed settlement be adjusted due to errors in officially reported stock prices or current index values.