

SUBMISSION COVER SHEET

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Registered Entity Identifier Code (optional): 16-249

Organization: Chicago Mercantile Exchange Inc. ("CME")

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 10/06/16 Filing Description: Amendments to the Price Increments Rules of the Six (6) Major FX Options to Enable Volatility Quoting Functionality on CME Globex

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

- Certification § 40.6(a)
- Approval § 40.5(a)
- Notification § 40.6(d)
- Advance Notice of SIDCO Rule Change § 40.10(a)
- SIDCO Emergency Rule Change § 40.10(h)

Rule Numbers: Chapters 251A, 252A, 253A, 254A, 255A, and 261A.

New Product

Please note only ONE product per Submission.

- Certification § 40.2(a)
- Certification Security Futures § 41.23(a)
- Certification Swap Class § 40.2(d)
- Approval § 40.3(a)
- Approval Security Futures § 41.23(b)
- Novel Derivative Product Notification § 40.12(a)
- Swap Submission § 39.5

Official Product Name:

Product Terms and Conditions

- Certification § 40.6(a)
- Certification Made Available to Trade Determination § 40.6(a)
- Certification Security Futures § 41.24(a)
- Delisting (No Open Interest) § 40.6(a)
- Approval § 40.5(a)
- Approval Made Available to Trade Determination § 40.5(a)
- Approval Security Futures § 41.24(c)
- Approval Amendments to enumerated agricultural products § 40.4(a), § 40.5(a)
- "Non-Material Agricultural Rule Change" § 40.4(b)(5)
- Notification § 40.6(d)

Official Name(s) of Product(s) Affected:

Rule Numbers:

October 6, 2016

VIA ELECTRONIC PORTAL

Mr. Christopher J. Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

**Re: CFTC Regulation 40.6(a) Certification. Notification Regarding Amendments to the Price Increments Rules of the Six (6) Major FX Options to Enable Volatility Quoting Functionality on CME Globex.
CME Submission No. 16-249**

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange Inc. (“CME” or “Exchange”) is notifying the Commodity Futures Trading Commission (“CFTC” or “Commission”) that it is self-certifying amendments to the price increments rules of the following six (6) major FX options contracts (collectively, the “Contracts”) effective on Sunday, October 23, 2016 for trade date Monday, October 24, 2016.

- Options on Australian Dollar/U.S. Dollar Futures (“AUD/USD”)
- Options on British Pound/U.S. Dollar Futures (“GBP/USD”)
- Options on Canadian Dollar/U.S. Dollar Futures (“CAD/USD”)
- Options on Euro/U.S. Dollar Futures (“EUR/USD”)
- Options on Japanese Yen/U.S. Dollar Futures (“JPY/USD”)
- Options on Swiss Franc/U.S. Dollar Futures (“CHF/USD”)

The amendments will permit volatility quoting and trading on CME Globex for American- and European-style weekly, monthly, and quarterly options of the Contracts that expire on their last trading day based on the 2:00 p.m. Fix. These options will also continue to be quoted and traded on CME Globex on a premium basis.

As part of CME’s efforts to attract over-the-counter foreign exchange option business in the Contracts, the Exchange intends to implement currently patented proprietary technology to provide volatility-quoted option (“VQO”) functionality in these options so that these options can be quoted and traded on CME Globex on both a premium as well as volatility basis.

Appendix 1 provides the CME rule amendments in blackline format.

CME reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA” or “Act”) and identified that the aforementioned rule amendments to the price increments of these options may have some bearing on the following Core Principles:

Core Principle 2 – Compliance with Rules

The Exchange shall continue its normal practice to establish, monitor, and enforce compliance with the rules of the contract markets for VQO functionality for the Contracts, including the terms and conditions of the Contracts’ newly revised rules and procedures for price increments.

Core Principle 3 – Contracts Not Readily Subject to Manipulation

VQO functionality for the Contracts will not make these options more susceptible to market manipulation. VQO functionality will allow these options to match other competitive over-the-counter markets in these options with respect to this feature.

Core Principle 4 – Prevention of Market Disruption

VQO functionality for the Contracts, and then applying it to existing open interest, will not impede the Exchange's capacity and responsibility to prevent manipulation, price distortion, and disruptions to these options through currently established market surveillance, compliance, and enforcement practices and procedures.

Core Principle 7 – Availability of General Information

With respect to VQO functionality for the Contracts, the Exchange will amend the CME Rulebook accordingly on the effective date which is publically available on the CME Group website. In addition, the Exchange will publish a Special Executive Report ("SER") to advise the marketplace of these amendments. The SER will also be posted on the CME Group website.

Core Principle 9 – Execution of Transactions

VQO functionality for the Contracts will have no adverse impact on the central limit order book for the Contracts. These changes will not impede the Exchange's ability as a designated contract market to provide a competitive, open, and efficient market mechanism for executing transactions that protects the price discovery and daily/final settlement processes of the Contracts.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchange hereby certifies that amendments to the Contracts comply with the Act, including regulations under the Act. There were no substantive opposing views regarding this proposal.

The Exchange certifies that this submission has been concurrently posted on the CME Group website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

Should you have any questions concerning the above, please contact the undersigned at (212) 299-2200 or via e-mail at CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachment: Appendix 1 – CME Rulebook Amendments (blackline format)

Appendix 1

CME Rulebook

(Additions are underlined; deletions are ~~struck through~~.)

Chapter 251A: Options on British Pound Sterling/U.S. Dollar (GBP/USD) Futures

251A01.C. Price Increments

For options trading on CME Globex and via open outcry and for submission for clearing via CME ClearPort, ~~t~~he price of an option shall be quoted in U.S. dollars per pound sterling. Each \$0.0001 per pound sterling (one point) shall represent \$6.25. For example, a quote of .0070 represents an option price of \$437.50 (70 points x \$6.25 per point) of premium. The minimum fluctuation shall be one point (also known as one tick).

In addition, for options expiring on their last trading day based on the 2:00 p.m. Fix that are quoted in volatility terms on CME Globex, the minimum fluctuation shall be 0.01 percent for the volatility quote. Also, following a volatility trade, when CME Globex converts the volatility-traded options position into a premium-based options position for clearing, the minimum price increment for the premium-based option position shall be \$0.00002 per British pound sterling (equal to \$1.25).

Chapter 252A: Options on Canadian Dollar/U.S. Dollar (CAD/USD) Futures

252A01.C. Price Increments

For options trading on CME Globex and via open outcry and for submission for clearing via CME ClearPort, ~~t~~he price of an option shall be quoted in U.S. dollars per Canadian dollar. Each \$0.0001 per Canadian dollar (one point) shall represent \$10.00. For example, a quote of .0075 represents an option price of \$750.00 (75 points x \$10.00 per point) of premium. The minimum fluctuation shall be one point (also known as one tick). A trade may also occur at a price of \$.00005 (\$5, also known as one-half tick), \$.00015 (\$15, also known as one and one-half ticks), \$.00025 (\$25, also known as two and one-half ticks), \$.00035 (\$35, also known as three and one-half ticks), and \$.00045 (\$45, also known as four and one-half ticks).

In addition, for options expiring on their last trading day based on the 2:00 p.m. Fix that are quoted in volatility terms, the minimum fluctuation shall be 0.01 percent for the volatility quote. Also, following a volatility trade, when CME Globex converts the volatility-traded options position into a premium-based options position for clearing, the minimum price increment for the premium-based option position shall be \$0.00001 per Canadian dollar (equal to \$1.00).

Chapter 253A: Options on Japanese Yen/U.S. Dollar (JPY/USD) Futures

253A01.C. Price Increments

For options trading on CME Globex and via open outcry and for submission for clearing via CME ClearPort, ~~t~~he price of an option shall be quoted in U.S. dollars per Japanese yen. Each \$0.000001 per Japanese yen (one point) shall represent \$12.50. For example, a quote of .000075 represents an option price of \$937.50 (75 points x \$12.50 per point) of premium. The minimum fluctuation shall be one point (also known as one tick). A trade may also occur at a price of \$.0000005 (\$6.25, also known as one-half tick), \$.0000015 (\$18.75, also known as one and one-half ticks), \$.0000025 (\$31.25, also known as two and one-half ticks), \$.0000035 (\$43.75, also known as three and one-half ticks), and \$.0000045 (\$56.25, also known as four and one-half ticks).

In addition, for options expiring on their last trading day based on the 2:00 p.m. Fix that are quoted in volatility terms, the minimum fluctuation shall be 0.01 percent for the volatility quote. Also, following a volatility trade, when CME Globex converts the volatility-traded options position into a premium-based

options position for clearing, the minimum price increment for the premium-based option position shall be \$0.0000001 per Japanese yen (equal to \$1.25).

Chapter 254A: Options on Swiss Franc/U.S. Dollar (CHF/USD) Futures

254A01.C. Price Increments

For options trading on CME Globex and via open outcry and for submission for clearing via CME ClearPort, the price of an option shall be quoted in U.S. dollars per Swiss franc. Each \$0.0001 per Swiss franc (one point) shall represent \$12.50. For example, a quote of .0075 represents an option price of \$937.50 (75 points x \$12.50 per point) of premium. The minimum fluctuation shall be one point (also known as one tick). A trade may also occur at a price of \$.00005 (\$6.25, also known as one-half tick), \$.00015 (\$18.75, also known as one and one-half ticks), \$.00025 (\$31.25, also known as two and one-half ticks), \$.00035 (\$43.75, also known as three and one-half ticks), and \$.00045 (\$56.25, also known as four and one-half ticks).

In addition, for options expiring on their last trading day based on the 2:00 p.m. Fix that are quoted in volatility terms, the minimum fluctuation shall be 0.01 percent for the volatility quote. Also, following a volatility trade, when CME Globex converts the volatility-traded options position into a premium-based options position for clearing, the minimum price increment for the premium-based option position shall be \$0.00001 per Swiss franc (equal to \$1.25).

Chapter 255A: Options on Australian Dollar/U.S. Dollar (AUD/USD) Futures

255A01.C. Price Increments

For options trading on CME Globex and via open outcry and for submission for clearing via CME ClearPort, the price of an option shall be quoted in U.S. dollars per Australian dollar. Each \$0.0001 per Australian dollar (one point) shall represent \$10.00. For example, a quote of .0075 represents an option price of \$750.00 (75 points x \$10.00 per point) of premium. The minimum fluctuation shall be one point (also known as one tick). A trade may also occur at a price of \$.00005 (\$5, also known as one-half tick), \$.00015 (\$15, also known as one and one-half ticks), \$.00025 (\$25, also known as two and one-half ticks), \$.00035 (\$35, also known as three and one-half ticks), and \$.00045 (\$45, also known as four and one-half ticks).

In addition, for options expiring on their last trading day based on the 2:00 p.m. Fix that are quoted in volatility terms, the minimum fluctuation shall be 0.01 percent for the volatility quote. Also, following a volatility trade, when CME Globex converts the volatility-traded options position into a premium-based options position for clearing, the minimum price increment for the premium-based option position shall be \$0.00001 per Australian dollar (equal to \$1.00).

Chapter 261A: Options on Euro/U.S. Dollar (EUR/USD) Futures

261A01.C. Price Increments

For options trading on CME Globex and via open outcry and for submission for clearing via CME ClearPort, the price of an option shall be quoted in U.S. dollars per Euro. Each \$0.0001 per Euro (one point) shall represent \$12.50. For example, a quote of .0075 represents an option price of \$937.50 (75 points x \$12.50 per point) of premium. The minimum fluctuation shall be one point (also known as one tick). A trade may also occur at a price of \$.00005 (\$6.25, also known as one-half tick), \$.00015 (\$18.75, also known as one and one-half ticks), \$.00025 (\$31.25, also known as two and one-half ticks), \$.00035 (\$43.75, also known as three and one-half ticks), and \$.00045 (\$56.25, also known as four and one-half ticks).

In addition, for options expiring on their last trading day based on the 2:00 p.m. Fix that are quoted in volatility terms, the minimum fluctuation shall be 0.01 percent for the volatility quote. Also, following a volatility trade, when CME Globex converts the volatility-traded options position into a premium-based options position for clearing, the minimum price increment for the premium-based option position shall be \$0.00001 per Euro (equal to \$1.25).