

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 16-418 (1 of 4)

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

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 10/27/16

Filing Description: Amendments to the Daily Option Settlement Procedures Document.

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: See filing.

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 (product related Rules and Rule Amendments)

- 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 27, 2016

VIA ELECTRONIC PORTAL

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

**Re: CFTC Regulation 40.6(a) Certification. Notification Regarding Amendments to
CME/CBOT/NYMEX/COMEX Daily Option Settlement Procedures Document.
CME Submission No. 16-418 (1 of 4)**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6(a), Chicago Mercantile Exchange Inc. (“CME”), The Board of Trade of the City of Chicago, Inc. (“CBOT”), New York Mercantile Exchange, Inc. (“NYMEX”) and Commodity Exchange, Inc. (“COMEX”) (collectively, the “Exchanges”) hereby notify the Commission that they are self-certifying amendments to the Daily Option Settlement Procedures document, effective Sunday, November 13, 2016, for trade date Monday, November 14, 2016.

Specifically, the Daily Option Settlement Procedure document is being amended to clarify that CME Group staff determine the daily settlements for out of the money options based on market activity throughout the day and on all venues including the trading floor, as applicable. Additionally, the amendments codify that for all NYMEX and COMEX products, the interest rate used will be derived from the point on the Overnight Index Swap (OIS) curve corresponding to the expiration date of the option.

The Exchanges reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA” or “Act”) and identified that amendments may have some bearing on the following Core Principles:

Availability of General Information: As required by this Core Principle, the Exchanges will publicly issuing a Special Executive Report (“SER”) to ensure that market participants have updated guidance and information attendant to the daily settlement procedures. The SER will also be available on the CME Group website.

Daily Publication of Trading Information: The daily settlement prices will continue to be made public in accordance with this Core Principle.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchanges certify that the amendments comply with the Act and regulations thereunder. There were no substantive opposing views to this proposal.

The Exchanges certify that this submission has been concurrently posted on the Exchanges’ website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

If you require any additional information regarding this submission, please contact the undersigned at 212.299.2200 or via email at CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachment: Exhibit A: Daily Option Settlement Procedures document (blackline format)

EXHIBIT A

CME/CBOT/NYMEX/COMEX - Daily Option Settlement Procedures

(additions underscored, deletions ~~overstruck~~)

Daily Option Settlements

CME Group staff determines the daily settlements for the out of the money options based on market activity throughout the day, on all venues (including, but not limited to, CME Globex, CME ClearPort, CME Direct and the trading floor, as applicable). Once the underlying futures have been settled the implied volatility skews will be used in conjunction with the futures settlement price to derive settlement prices for the options.

In-The-Money Options Put-Call Parity Equation

In-the-money options are settled automatically by the Exchanges in accordance with the put-call parity equation, taking into account the appropriate cost of carry.

In-the-money options settlement = (Out-of-the-money settlement + Intrinsic Value) – (Cost of Carry + Early Risk)

Cost of carry = Intrinsic Value x (1 - e^{- (Interest Rate x Days to Expiration/365)})

The cost of carry is rounded to the nearest minimum increment of the underlying futures contract. For all products (excluding NYMEX/~~COMEX~~), the interest rate used will be a weighted average of the rates implied by the daily settlements of the Eurodollar futures contracts up to (but not including) the options expiration.

For all NYMEX and COMEX products, the interest rate used will be the rate on the Overnight Index Swap (OIS) curve corresponding with the expiration date for each contract.

Eurodollar Options Settlement Guidelines

Orders Eligible for Settlement Consideration:

1. Outright Orders (OTM only)
2. Straddles (ATM only, no contingent futures)
3. Strangles (equidistant from ATM only)
4. Call and Put Spreads (OTM/ATM only)
5. Butterflies/Iron Butterflies/Ratios (1X2 only)
6. Condors/Christmas Trees
7. Outright Options vs. Futures (market delta only)
8. Intermonth Straddle (ATM only) and Call/Put Spreads (OTM only)

Notes:

- Orders not part of these Settlement Guidelines will not be considered in the daily settlement process.
- Globe markets will be considered for settlement purposes.
- No spreads with 2 or more legs that are in-the-money will be considered.

- No spreads that include a leg that is CAB offered will be considered.
- Put/call parity will not be violated nor will the cost of carry be adjusted.
- Traders are reminded that orders must be openly bid or offered at least two minutes prior to the close to be eligible for consideration in the settlement process.
- Settlements should reflect mid-market prices whenever possible
- In-the-money options will continue to be settled automatically*

*In-the-money options are settled automatically by CME Group in accordance with the put/call parity equation taking into account the appropriate cost of carry.