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July 8, 2004

Ms. Jean A. Webb  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, N.W.  
Washington, D.C. 20581

RE: Section 5c(c) and Regulation §40.6 Submission  
- Exchange Certification of Packs and Bundles Functionality for Consumer Price Index Futures  
and Rule Change affecting GLOBEX Order Entry Maximum  
CME Submission #04-63.

Dear Ms. Webb:

Chicago Mercantile Exchange Inc. ("CME" or "Exchange") hereby submits, pursuant to Section 5c(c) of the Act and Regulation §40.6 thereunder, notification of the launch of packs and bundles functionality for the Consumer Price Index ("CPI") futures, and a rule change affecting CME Rule 560 – Restrictions on Interest Rate Futures Traded on GLOBEX.

The CME Board of Directors at its Regular Meeting on Wednesday, July 7, 2004 approved the launch of packs and bundles functionality for CPI futures on July 26, 2004. The Board also approved associated rule changes to CME Rule 560. Restrictions on Interest Rate Futures Traded on GLOBEX. Exchange members, clearing firms, and other market participants will be notified of this information via CME Update 04-07, dated Monday, July 12, 2004. CME certifies that these actions neither violate nor are inconsistent with any provision of the Commodity Exchange Act or rules thereunder.

**Packs and Bundles for CPI futures:** Packs and bundles for CPI futures will start trading on GLOBEX on July 26, 2004. A pack is a sequence of 4 futures contracts with consecutive expiration dates that can be bought or sold simultaneously. For example, a September 2004 white pack will comprise one each of the contracts expiring in September and December 2004, and March and June 2005. A bundle is similar to a pack, the key difference being that a bundle spans 2 or more years' worth of contract expirations. For example, a December 2004 2-year white bundle comprises 1 each of the following 8 contracts expirations: December 2004, March, June, September and December 2005, and March, June and September 2006.

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The various packs and bundles to be listed for trading are presented in the table below:

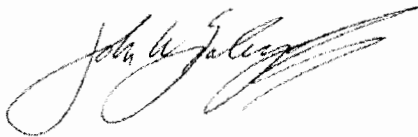
Spread Types	Definitions	Contract Listings	Anchor Quarters
Packs - PK	1-year strip of futures (4 contracts) of equal amount	List all possible packs. A total of 9 packs.	1 <sup>st</sup> to 4 <sup>th</sup> for Whites, 5 <sup>th</sup> to 8 <sup>th</sup> for Reds, and 9 <sup>th</sup> for Green.
Bundles - FB	k-year strip of futures (k x 4 contracts) of equal amount	Five 2-year bundles, and one 3-year bundle. A total of 6 bundles.	1 <sup>st</sup> to 5 <sup>th</sup> for 2-year and 1 <sup>st</sup> only for the 3-year

**GLOBEX Order Entry Maximum:** Size restrictions will be imposed on orders for CPI futures at levels similar to those for the Eurodollar futures contracts. Orders for outright, calendar spreads, and combination orders for CPI futures exceeding 5,000 contracts must be entered on GLOBEX as multiple entries each of which must not exceed 5,000 contracts.

The amendments appear in the attached Appendix 1 with additions underlined and deletions bracketed and lined out. Appendix 2 provides a clean copy of the proposed rule revisions. There are no rule changes for the addition of the packs and bundles functionality.

If my staff or I may assist you, please do not hesitate to contact Sayee Srinivasan of my staff at 312-454-5205 or [ssriniva@cme.com](mailto:ssriniva@cme.com), or me at 312-466-7469 or [jlab@cme.com](mailto:jlab@cme.com). Please reference our CME Submission Number 04-63 in related correspondence.

Sincerely,



John W. Labuszewski, Director  
Research & Product Development

*Attachments*

## **Appendix 1: Amended Rules**

*(Additions are underlined while deletions are bracketed and overstruck)*

### **Chapter 5**

#### **Floor Privileges – Trading Qualifications and Practices**

*(Rules 500 to 559 remain unchanged.)*

#### **560. RESTRICTIONS ON INTEREST RATE FUTURES TRADED ON GLOBEX**

##### **560.A. General**

The following provisions apply to the trading of interest rate futures contracts on GLOBEX. To the extent that this rule is inconsistent with any other rule, this rule shall control.

##### **560.B. Execution of Orders**

1. Orders of any quantity may be accepted for interest rate futures for entry on the GLOBEX System. However, orders for 10-Year Swap Rate, 5-Year Swap Rate and 2-Year Swap Rate futures or option contracts [~~and CPI futures contracts~~] exceeding 1,000 contracts must be entered on the GLOBEX System as multiple entries each of which must not exceed 1,000 contracts. Orders for Eurodollar futures contracts, [~~and~~] Eurodollar FRA futures contracts and CPI futures contracts exceeding 5,000 contracts must be entered on the GLOBEX System as multiple entries each of which must not exceed 5,000 contracts.

2. Reserved

3. Reserve

4. Calendar spread or combination orders of any quantity may be accepted for Eurodollar futures contracts and CPI futures contracts for entry on the GLOBEX System. However, calendar spread or combination orders exceeding 5,000 contracts per month must be entered on the GLOBEX System as multiple entries each of which must not exceed 5,000 contracts.

5. There shall be no post-settlement session 10-Year Swap Rate, 5-Year Swap Rate and 2-Year Swap Rate futures or option contracts.

6. Calendar spread orders of any quantity may be accepted for 10-Year Swap Rate, 5-Year Swap Rate and 2-Year Swap Rate futures or option contracts [~~and CPI futures contracts~~] for entry on the GLOBEX System. However, calendar spread orders exceeding 1,000 contracts per contract month must be entered on the GLOBEX System as multiple entries each of which must not exceed 1,000 contracts.

7. Cross-trades are not permitted in 10-Year Swap Rate, 5-Year Swap Rate and 2-Year Swap Rate futures or option contracts.

8. Reserved

*(The remainder of the chapter remains unchanged.)*

**Appendix 2: Clean Copy of Amended Rules**

**Chapter 5**

**Floor Privileges – Trading Qualifications and Practices**

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