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OFFICE OF THE SECRETARIAT

March 10, 2008

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

RE: Nonfarm Payroll Futures and Options on Futures  
CME Submission# 08-53

Dear Mr. Stawick:

Chicago Mercantile Exchange Inc. ("CME" or "Exchange") hereby notifies the Commission of the listing on Nonfarm Payroll futures and options on futures contracts. Implementation is targeted for Sunday, April 27<sup>th</sup> for the trade date of Monday, April 28<sup>th</sup>. CME will launch Non Farm Payroll (NFP) futures and options in anticipation of the release of the NFPs economic data on Friday, May 2.

**Significance of Nonfarm Payrolls** - The Establishment Survey (Nonfarm Payrolls) is typically the first major economic release of the month that depicts economic activity in the prior month. Note that the Federal Reserve's implicit mission is to balance the risks of inflation with the goal of achieving maximum possible stable growth and employment. Thus, the Fed takes heed of the various labor market reports including the monthly change in NFPs, the unemployment rate, average workweek, overtime and average hourly earnings. In turn, the market focuses on NFPs for clues regarding possible Fed intentions. The value of interest rate, equity and currency markets might all be impacted accordingly. Nonfarm Payrolls are released by the Bureau of Labor Statistics (BLS) usually at 7:30 a.m. (CT) on the first Friday of each month, along with a battery of other employment information.

**Futures & Options** - Despite the significance of the NFPs, there is no facile means by which to gain direct exposure to this figure for either speculative or risk management purposes. CME NFP futures and options address this issue. Futures are cash settled based on a value of \$25 x reported change in size of civilian labor force quoted in thousand jobs. While these numbers are sometimes revised in subsequent months, CME futures and options are settled based upon the preliminary or "headline" number regardless of any subsequent revisions. Because we quote the change in the number of jobs, this can result in quotation of negative prices or strike prices. These contracts expire in each calendar month and are based on the employment report for the prior

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calendar month. Nonfarm Payroll futures and options will be listed exclusively on the CME Globex electronic trading platform, Sundays through Thursdays from 5:00 p.m. to 4:00 p.m. Central time. One contract will be listed at a time and each contract will be listed on the Monday after the previous month's release. Trading in the expiring contract concludes at 7:25 a.m. on the day that the US. Bureau of Labor Statistics releases its Nonfarm Payrolls report. Each contract is valued at \$25 times the change in the Nonfarm Payrolls number from the previous month. Nonfarm Payroll options will be listed at 10 point intervals between -500,000 jobs and 500,000 jobs.

**Membership and Fees** –These products will be priced consistent with current practices as applied to CME interest rate futures and options with clearing and Globex fees waived for market makers. The product is to be designated under the aegis of the CME SRO featuring GEM access rights. Extended access product status is for full CBOT, AM, IDEM, GIM and COM classes.

The text of the new rules is attached.

The Exchange certifies that this action neither violates nor is inconsistent with any provision of the Commodity Exchange Act or of the rules thereunder.

If you require any additional information regarding this action, please do not hesitate to contact Lori Aldinger, at 312-930-2337 or via e-mail at [lori.aldinger@cmegroup.com](mailto:lori.aldinger@cmegroup.com) or me. Please reference our CME Submission #08-53 in any related correspondence.

Sincerely,

/s/ Stephen M. Szarmack  
Director and Associate General Counsel

**CME Nonfarm Payroll Futures and Options Contract Specification Highlights**

	<b>Futures</b>	<b>Options</b>
<b>Contract Size</b>	\$25 x change in Total Nonfarm Payrolls (NFPs) as published by BLS	One (1) futures contract
<b>Quote</b>	Quoted in thousands, e.g., May 2007 contract would have settled at +157, representing change in Nonfarm Payrolls (in 000s) from April to May 2007. Each minimum price fluctuation of 1 point (1,000 jobs) = \$25.00	Quoted in 500 jobs or minimum fluctuation of 0.5 (= \$12.50)
<b>Contract Months</b>	Contracts available for all NFP releases, listed on the Monday after the previous month's release	
<b>Trading Hours</b>	Offered exclusively on CME Globex® electronic trading platform on Sundays through Thursdays from 5:00 p.m. to 4:00 p.m. (Chicago time)	
<b>Last Trading Day</b>	Trading in an expiring contract concludes at 7:25 a.m. (Chicago time) on the first Friday of the contract month or such other day on which NFP figures are scheduled to be released by the BLS	
<b>Final Settlement</b>	Settled in cash based on change in seasonally adjusted total Nonfarm Payrolls (NFPs) reported by U.S. Dept. of Labor, Bureau of Labor Statistics Table B-1., Employees on nonfarm payrolls by industry sector and selected industry detail, seasonally adjusted change in total nonfarm payrolls for month prior to named contract month	American style options may be exercised into one (1) futures contract
<b>Strike Prices</b>	Na	Established at 10 point (or 10,000 jobs) intervals from -500,000 to +500,000 jobs
<b>Price Limit</b>	Price limit of ±200 points (200,000 jobs = \$5,000) applied to final settlement price from previous business day's settlement price	Movement in value of a call (put) is effectively capped (floored) by virtue of price limit applied to futures contract

**Text of New Rules**  
**Chapter 437**  
**Nonfarm Payroll Futures**

**43700. SCOPE OF CHAPTER**

This chapter is limited in application to futures trading in the change in Nonfarm Payrolls published by the Bureau of Labor Statistics. The procedures for trading, clearing, delivery, settlement and any other matters not specifically contained herein shall be governed by the rules of the Exchange.

**43701. COMMODITY SPECIFICATIONS**

Each futures contract shall be valued at \$25.00 times the change in seasonally adjusted total Nonfarm Payrolls published by the U.S. Department of Labor, Bureau of Labor Statistics.

**43702. FUTURES CALL**

**43702.A. Trading Schedule**

Futures contracts shall be scheduled for trading and delivery during such hours and in such months as may be determined by the Board of Directors.

**43702.B. Trading Unit**

The size of the unit of trading shall be the \$25.00 times the change in seasonally adjusted total Nonfarm Payrolls published by the U.S. Department of Labor, Bureau of Labor Statistics.

**43702.C. Price Increments**

Bids and offers shall be quoted in terms of thousands of jobs. For example, a change in the Nonfarm Payrolls of +157,000 jobs shall be quoted as +157. The minimum fluctuation of the futures contract shall be 1 point (1,000 jobs) equivalent to \$25.00.

**43702.D. Position Limits**

A person shall not own or control more than 5,000 contracts net long or net short in all contract months combined. For positions involving options on Nonfarm Payroll futures, this rule is superseded by the options speculative position limit rule.

**43702.E. Accumulation of Positions**

For purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, shall be cumulated.

**43702.F. Exemptions**

The foregoing position limits shall not apply to bona fide hedge positions meeting the requirements of Regulation 1.3(z)(1) of the CFTC and the rules of the Exchange, and shall not apply to arbitrage positions and intercommodity spread positions subject to Rule 543.

**43702.G. Termination of Trading**

Futures trading shall terminate at 7:25 a.m. (Chicago time) on the first Friday of the contract month or on such other day of the regularly scheduled release of the change in the Nonfarm Payrolls by the U.S. Department of Labor, Bureau of Labor Statistics, in the contract month.

**43702.H. Contract Modifications**

Specifications shall be fixed as of the first day of trading on a contract. If any governmental agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules and all open and new contracts shall be subject to such government orders.

**43702.I. Price Limits**

A price limit of  $\pm 200$  points shall be applied to the final settlement price from the previous day's settlement price.

**43703. SETTLEMENT PROCEDURES**

Delivery under the Nonfarm Payroll futures contracts shall be by cash settlement.

**43703.A. Final Settlement Price**

The Final Settlement Price shall be the change in the seasonally adjusted total Nonfarm Payrolls, as reported per Table B-1. Employees on nonfarm payrolls by major industry sector and published by the U.S. Department of Labor, Bureau of Labor Statistics. The Final Settlement price shall be established at 7:30 Chicago time (8:30 Eastern time) on the first Friday of the month or such other regularly schedule time and date on which the Bureau of Labor Statistics may release such information. The change in Nonfarm Payrolls is for the month prior to the contract month. For example, the April contract final settlement price will be the change in Nonfarm payrolls from February to March.

For the purpose of determining the Final Settlement Price, the Nonfarm Payrolls data as originally released shall be used. Subsequent revisions to the Nonfarm Payrolls data shall not be recognized.

**43703.B. Final Settlement**

Clearing members holding open positions in a Nonfarm Payroll futures contract at the time of termination of trading in that contract shall make payment to or receive payment from the Clearing House in accordance with normal variation performance bond procedures based on a settlement price equal to the final settlement price.

**43704. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

(Refer to Rule 701. - ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES)

(End Chapter 437)

## Chapter 437A Options on Nonfarm Payroll Futures

### 437A00. SCOPE OF CHAPTER

This chapter is limited in application to trading in put and call options on the Nonfarm Payroll futures contract. The procedures for trading, clearing, inspection, delivery and settlement and any other matters not specifically covered herein shall be governed by the rules of the Exchange.

### 437A01. OPTION CHARACTERISTICS

#### 437A01.A. Contract Months, Trading Hours, and Trading Halts

Options contracts shall be listed for such contract months and scheduled for trading during such hours, except as indicated below, as may be determined by the Board of Directors.

There shall be no trading in any Nonfarm Payroll option contract when the primary futures contract for that Nonfarm Payroll contract is limit bid or offered.

For the purposes of this rule, the primary futures contract shall be defined as the futures contract trading in the lead month configuration in the pit.

For purposes of this rule during Electronic Trading Hours (ETH), the GLOBEX Control Center shall have the responsibility for determining whether the primary futures contract is limit bid or offered.

#### 437A01.B. Trading Unit

The trading unit shall be an option to buy, in the case of the call, or to sell, in the case of the put, one Nonfarm Payroll futures contract as specified in Chapter 437.

#### 437A01.C. Minimum Fluctuations

The price of an option shall be quoted in terms of 500 jobs. The minimum fluctuation shall be 0.5 equivalent to \$12.50.

#### 437A01.D. [Reserved]

#### 437A01.E. Exercise Prices

Exercise prices shall be stated in terms of the Nonfarm Payroll futures contract that is deliverable upon exercise of the option and shall be established at such intervals and within a range to be determined by the Board or its delegates.

The Board may modify the provisions governing the establishment of exercise prices as it deems appropriate.

#### 437A01.F. Position Accountability

A person owning or controlling a combination of more than 5,000 futures-equivalent contracts net on the same side of the market shall provide, in a timely fashion, upon request by the Exchange, information regarding the nature of the position, trading strategy, and hedging information if applicable.

In addition, the Exchange President or his designee of the Business Conduct Committee may require, at their discretion, that such positions not be further increased.

For the purpose of this rule, the futures equivalent of an option contract is 1 times the previous business day's IOM risk factor for the option series. Also for purposes of this rule, a long call option, a short put option, and a long underlying futures contract are on the same side of the market; similarly, a short call option, a long put option, and a short underlying futures contract are on the same side of the market.

#### 437A01.G. [Reserved]

**437A01.H. Accumulation of Positions**

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, shall be cumulated.

**437A01.I. [Reserved]**

**437A01.J. Termination of Trading**

Options trading shall terminate at the same date and time as the underlying futures contract.

**437A01.K. Contract Modification**

Specifications shall be fixed as of the first day of trading of a contract except that all options must conform to government regulations in force at the time of exercise. If the U.S. Government, an agency or duly constituted body thereof issues an order, ruling, directive or law inconsistent with these rules, such order, ruling, directive or law shall be construed to become part of these rules and all open and new options contracts shall be subject to such government orders.

**437A02. EXERCISE**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of Nonfarm Payroll options.

**437A02.A. Exercise of Option by Buyer**

An option may be exercised by the buyer on any business day that the option is traded. To exercise an option, the clearing member representing the buyer shall present an exercise notice to the Clearing House by 7:00 p.m. on the day of exercise.

An option that is in the money and has not been liquidated or exercised prior to the termination of trading shall, in the absence of contrary instructions delivered to the Clearing House by 7:00 p.m. on the day of expiration by the clearing member representing the option buyer, be exercised automatically.

Corrections to option exercises may be accepted by the Clearing House after the 7:00 p.m. deadline and up to the beginning of final option expiration processing provided that such corrections are necessary due to: (1) a bona fide clerical error, (2) an unreconciled Exchange option transaction(s), or (3) an extraordinary circumstance where the clearing firm and customer are unable to communicate final option exercise instructions prior to the deadline. The decision whether a correction is acceptable will be made by the President of the Clearing House, or the President's designee, and such decision will be final.

**437A02.B. Assignment**

Exercise notices accepted by the Clearing House shall be assigned through a process of random selection to clearing members with open short positions in the same series. A clearing member to which an exercise notice is assigned shall be notified thereof as soon as practicable after such notice is assigned by the Clearing House, but not later than 45 minutes before the opening of Regular Trading Hours in the underlying futures contract on the following business day.

The clearing member assigned an exercise notice shall be assigned a short position in the underlying futures contract if a call is exercised or a long position if a put is exercised. The clearing member representing the option buyer shall be assigned a long position in the underlying futures contract if a call is exercised and short position if a put is exercised.

All such futures positions shall be assigned at a price equal to the exercise price of the option and shall be marked to market in accordance with Rule 814 on the trading day of acceptance by the Clearing House of the exercise notice.

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**437A03. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

(Refer to Rule 701. - ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER  
EMERGENCIES)

(End Chapter 437A)