Timothy R. Elliott
Executive Director and Associate General Counsel
Legal Department

June 7, 2013

VIA E-MAIL

Ms. Melissa Jurgens
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

RE: Certification of Changes to Eliminate Volatility Quoted price Increments for certain options Contracts; Changes to CME Rules 251A01.C., 252A01.C., 253A01.C., 254A01.C., 255A01.C., 261A01.C., 270A01.C., 271A01.C., 318A01.C., and 319A01.C. CME Submission 13-199

Dear Ms. Jurgens:

The Chicago Mercantile Exchange, Inc. ("CME" or "Exchange"), pursuant to Commodity Futures Trading Commission ("Commission") Regulation 40.6 (a), hereby notifies the Commission that it is self-certifying amendments to CME Rules 251A01.C., 252A01.C., 253A01.C., 254A01.C., 255A01.C., 261A01.C., 270A01.C., 271A01.C., 318A01.C., and 319A01.C.

CME specifically seeks to amend the trading rules and regulations to eliminate volatility quoted price increments for options on the Exchange's six major currency futures (*i.e.*, the Australian dollar, British pound, Canadian dollar, Euro, Japanese yen, and Swiss franc versus the U.S. dollar), the options on the three onshore Chinese renminbi futures (versus the U.S. dollar, Euro, and Japanese yen), and the option on the Korean won/U.S. dollar futures. Market participants have exclusively used standard price increments rather than the volatility quoted price increments when trading these products.

These modifications will become effective on Sunday, June 23, 2013 for **trade date Monday, June 24, 2013**. CME will apply these amendments to all option expiries as of the effective date.

Attachments 1-10 summarizes the proposed amendments to CME Rules 251A01.C., 252A01.C., 253A01.C., 254A01.C., 255A01.C., 261A01.C., 270A01.C., 271A01.C., 318A01.C., and 319A01.C.

The Research and Product Development Department and the Legal Department collectively reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA" or "Act"). During the review, staff identified the following Core Principles as being potentially impacted:

- **Contracts Not Readily Subject to Manipulation**: Eliminating volatility quoted price increments for these 10 foreign exchange options will not make the contract susceptible to market manipulation because these products will continue trading in accordance with the standard price increments set forth in the rulebook.

- **Availability of General Information**: The Exchange intends to make changes to the price increments of these 10 foreign exchange options available to market authorities, market participants, and the public so that they have accurate, up-to-date information regarding the rules, regulations, and mechanisms for executing transactions in these 10 foreign exchange options.

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- **Daily Publication of Trading Information**: The Exchange shall continue its regular practice to make public daily information on the settlement prices and opening and closing ranges for all actively traded expiries in these 10 foreign exchange options following changes to each contract's price increment.

- **Execution of Transactions**: The Exchange will continue its current practice of providing a competitive, open, and efficient market mechanism for executing transactions in these 10 foreign exchange options following changes to each contract's price increment in order to protect the price discovery process of trading these 10 foreign exchange options in a centralized market.

CME certifies that these changes comply with the CEA and regulations thereunder. There were no substantive opposing views to this proposal.

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

Please direct inquiries regarding this submission to Daniel Grombacher at 312.634.1583 or via e-mail at daniel.grombacher@cmegroup.com. Alternatively, you may contact me at 312.466.7478 or tim.elliott@cmegroup.com. Please reference CME Submission No. 13-199 in any related correspondence.

Sincerely,

/s/ Tim Elliott
Executive Director and Associate General Counsel

Attachments

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<u>Attachment 1</u>

Proposed Rule Amendments to
Options on British Pound Sterling/U.S. Dollar ("GBP/USD") Futures

(Deletions are ~~struck through~~.)

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

251A01.C. Price Increments
The price of an option shall be quoted in U.S. dollars per British pound sterling. Each $0.0001 per British 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).

~~If options are quoted in volatility terms, the minimum fluctuation shall be 0.025 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).~~

<u>Attachment 2</u>

Proposed Rule Amendments to
Options on Canadian Dollar/U.S. Dollar ("CAD/USD") Futures

(Deletions are ~~struck through~~.)

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

252A01.C. Price Increments

The 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).

~~If options are quoted in volatility terms, the minimum fluctuation shall be 0.025 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).~~

Attachment 3

Proposed Rule Amendments to
Options on Japanese Yen/U.S. Dollar ("JPY/USD") Futures

(Deletions are ~~struck through~~.)

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

253A01.C. Price Increments

The 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).

~~If options are quoted in volatility terms, the minimum fluctuation shall be 0.025 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).~~

Attachment 4

Proposed Rule Amendments to
Options on Swiss Franc/U.S. Dollar ("CHF/USD") Futures

(Deletions are ~~struck through~~.)

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

254A01.C. Price Increments

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).

~~If options are quoted in volatility terms, the minimum fluctuation shall be 0.025 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).~~

Attachment 5

Proposed Rule Amendments to
Options on Australian Dollar/U.S. Dollar ("AUD/USD") Futures

(Deletions are ~~struck through~~.)

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

255A01.C. Price Increments

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).

~~If options are quoted in volatility terms, the minimum fluctuation shall be 0.025 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).~~

<u>Attachment 6</u>

Proposed Rule Amendments to
Options on Euro/U.S. Dollar (“EUR/USD”) Futures

(Deletions are ~~struck through~~.)

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

261A01.C. Price Increments

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).

~~If options are quoted in volatility terms, the minimum fluctuation shall be 0.025 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).~~

<u>Attachment 7</u>

Proposed Rule Amendments to
Options on Chinese Renminbi/U.S. Dollar (“RMB/USD”) Futures

(Deletions are ~~struck through~~.)

Chapter 270A: Options on Chinese Renminbi/U.S. Dollar (“RMB/USD”) Futures

270A01.C. Price Increments

The price of an option shall be quoted in U.S. dollars per Chinese renminbi. Each $.00001 per Chinese renminbi (one point x $10 per point) shall represent $10.00. For example, a quote of .00065 represents an option price of $650.00 (65 points x $10.00 per point). The minimum fluctuation shall be one point (also known as one tick). A trade may also occur at a price of $.000005 ($5.00, also known as one-half tick), $.000015 ($15.00), $.000025 ($25.00), $.000035 ($35.00), $.000045 ($45.00), which are less than 5 ticks of premium).

~~If options are quoted in volatility terms, the minimum fluctuation shall be 0.05 percent.~~

Attachment 8

Proposed Rule Amendments to
Options on Korean Won/U.S. Dollar ("KRW/USD") Futures

(Deletions are ~~struck through~~.)

Chapter 271A: Options on Korean Won/U.S. Dollar ("KRW/USD") Futures

271A01.C. Price Increments

The price of an option shall be quoted in U.S. dollars per Korean won. Each $.0000001 per Korean won (one point) shall represent $12.50. For example, a quote of .0000063 represents an option price of $787.50 (63 points x $12.50 per point). The minimum fluctuation shall be one point (also known as one tick).

~~If options are quoted in volatility terms, the minimum fluctuation shall be 0.05 percent.~~

Attachment 9

Proposed Rule Amendments to
Options on Chinese Renminbi/Euro ("RMB/EUR") Cross Rate Futures

(Deletions are ~~struck through~~.)

Chapter 318A: Options on Chinese Renminbi/Euro ("RMB/EUR") Cross Rate Futures

318A01.C. Price Increments

The price of an option shall be quoted in Euro per Chinese renminbi. Each .00001 Euro per Chinese renminbi (one point x €10.00 per point) shall represent 10 Euro. For example, a quote of .00065 represents an option price of €650.00 (65 points x €10.00 per point). The minimum fluctuation shall be one point (also known as one tick). A trade may also occur at a price of €.000005 (€5.00, also known as one-half tick), €0.000015 (€15.00), €0.000025 (€25.00), €0.000035 (€35.00), €0.000045 (€45.00), which are less than 5 ticks of premium).

~~If options are quoted in volatility terms, the minimum fluctuation shall be 0.05 percent.~~

Attachment 10

Proposed Rule Amendments to
Options on Chinese Renminbi/Japanese Yen (“RMB/JPY”) Cross Rate Futures

(Deletions are ~~struck through~~.)

Chapter 319A: Options on Chinese Renminbi/Japanese Yen (“RMB/JPY”) Cross Rate Futures

319A01.C. Price Increments
The price of an option shall be quoted in Japanese yen per Chinese renminbi. Each .001 Japanese yen per Chinese renminbi (one point x ¥1,000 per point) shall represent 1,000 Japanese yen. For example, a quote of .065 represents an option price of ¥65,000 (65 points x ¥1,000 per point). The minimum fluctuation shall be one point (also known as one tick). A trade may also occur at a price of ¥.0005 (¥500, also known as one-half tick), ¥0.0015 (¥1,500), ¥0.0025 (¥2,500), ¥0.0035 (¥3,500), ¥0.0045 (¥4,500), which are less than 5 ticks of premium).

~~If options are quoted in volatility terms, the minimum fluctuation shall be 0.05 percent.~~