

June 27, 2013

**Via E-Mail**

Ms. Melissa Jurgens  
Office of the Secretariat  
Commodity Futures Trading Commission  
3 Lafayette Center  
1155 21<sup>st</sup> Street NW  
Washington, DC 20581

**Re: Regulation §40.6(a) Amendment of Terms and Conditions for options on CME Three-Month Eurodollar futures, options on CME Three-Month Eurodollar Futures Calendar Spreads, and options on CME One-Month Eurodollar futures -- CME Submission No 13-265**

Dear Ms Jurgens:

Chicago Mercantile Exchange, Inc. ("CME" or "Exchange") hereby certifies amendments to three short-term interest rate option products: options on Three-Month Eurodollar ("GE") futures, options on Three-Month Eurodollar Futures Calendar Spreads ("SPO"), and options on One-Month Eurodollar ("GBL") futures. In each instance, the object of such amendments is to enable dynamic listing of new option contracts with out-of-current-range exercise prices.

For a given option expiration month and a given underlying reference GE or GBL futures contract or GE futures calendar spread, the Exchange currently lists options for trading at exercise price levels within a pre-defined range, on a pre-defined grid of price increments, centered on the previous day's settlement price for the underlying reference futures contract. The Exchange also retains the ability to add new option contracts for trading, on an *ad hoc* basis, at such exercise price levels as it may deem appropriate in view of market conditions. (See CME Rules 452A01.E., 452D01.E., and 453A01.E.)

These provisions permit listings of new option contracts that extend the array of option strike price levels available for trading. On any given day, such newly listed option contracts are registered with the Exchange's price reporting system. They become available for trading both on the Globex electronic trading platform and in open outcry in the case of options on GE futures and SPO options, and in open outcry only in the case of options on GBL futures, and for clearing by the Clearing House in all cases, as of the next following Globex trading session (ie, typically as of 5 pm Chicago time on the given day, for the next following Exchange trade date).

These provisions do not, however, permit dynamic listing (ie, on an as-soon-as-possible basis) of new option contracts with exercise price levels that lie outside the range of strike prices spanned by established strike price arrays. Such dynamic listing capability has been deployed previously in connection with several of the Exchange's equity index and foreign exchange products.

The rule amendments set forth herein will extend such dynamic listing capability to options on GE futures, SPO options, and options on GBL futures.

The Exchange's Research Department and Legal Department have reviewed the Core Principles for Designated Contract Markets, as set forth in the Commodity Exchange Act as amended ("CEA" or "Act"),

and have determined that the amendments to contract terms and conditions certified herein bear upon on the following Core Principles:

**Core Principle 7 – Availability of General Information**

The Exchange shall publish on its website information in regard to futures contract specifications, terms, and conditions, including the rule amendments certified herein, as well as daily trading volume, open interest, and price information.

**Core Principle 8 – Daily Publication of Trade Information**

In respect of option contracts dynamically listed for trading, as enabled by the rule amendments certified herein, the Exchange shall publish contract trading volumes, open interest levels, and price information daily on its website and through quote vendors.

**Core Principle 10 – Trade Information**

All requisite trade information concerning option contracts dynamically listed for trading, as enabled by the rule amendments certified herein, shall be included in the audit trail, sufficient for the Market Regulation Department to monitor for market abuse.

Subject to completion of certification of such amendments with the Commodity Futures Trading Commission, the intended date for their implementation is Sunday, 14 July 2013, for first trade date of Monday, 15 July 2013.

Appendices A through C, attached, exhibit such rule amendments, as follows:

Appendix A	CME Rulebook Chapter 452A – Options on GE futures
Appendix B	CME Rulebook Chapter 452D – Options on GE futures calendar spreads
Appendix C	CME Rulebook Chapter 453A – Options on GBL futures

The Exchange certifies that these amendments to contract terms and conditions comply with the Act and rules thereunder, with 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-fillings.html>

If you require any additional information regarding this action, please do not hesitate to contact my colleague Frederick Sturm (312 930 1282, [frederick.sturm@cmegroup.com](mailto:frederick.sturm@cmegroup.com)) or me (312 466 7478, [tim.elliott@cmegroup.com](mailto:tim.elliott@cmegroup.com)). Please reference CME Submission No. 13-265 in any related correspondence.

Sincerely,

/s/ Tim Elliott  
Executive Director and Associate General Counsel

Attachments: Appendix A  
Appendix B  
Appendix C

## Appendix A Amendments to CME Rulebook Chapter 452A – Options on Three-Month Eurodollar Futures

(Additions are shown in **bold underlined** font.)

### 452A01.E. Exercise Prices

#### 1. Twenty-Five Point Exercise Prices

Exercise prices shall be stated in terms of the IMM Index for the Eurodollar futures contract that is deliverable upon exercise of the option and shall be stated in intervals whose last two digits are 00, 25, 50, and 75 ("twenty-five point exercise prices") for all IMM Index levels, e.g., 88.00, 88.25, 88.50, 88.75, etc.

For Options in the March Quarterly Cycle, Options Not in the March Quarterly Cycle, and all Mid-Curve Options

At the commencement of trading in a contract expiration, the Exchange shall list put and call options at the exercise price that is nearest the previous day's settlement price of the respective underlying futures contract. All eligible exercise prices in a range of 5.50 IMM Index points above and below the exercise price that is nearest the futures price shall be listed for trading. Thereafter, the Exchange shall add for trading all eligible exercise prices in a range of 5.50 IMM Index points above and 5.50 IMM Index points below the exercise price nearest the previous day's settlement price. New options may be listed for trading up to and including the termination of trading.

#### 2. Special Listings of 12.5 Point Exercise Prices

Additional exercise prices shall be stated in intervals whose last three digits are 12.5, 37.5, 62.5, and 87.5 ("twelve and a half point exercise prices") for all IMM Index levels, e.g., 93.125, 93.375, 93.625, 93.875, etc.

For Options in the March Quarterly Cycle, Options Not in the March Quarterly Cycle, and all Mid-Curve Options, the Exchange shall list put and call options with a 12.5 point exercise price in a range of 1.50 IMM Index points above and 1.50 IMM Index points below the exercise price [nearest the previous day's settlement price of the underlying futures contract month.

#### **3. Dynamically-Listed Exercise Prices.**

**Upon demand and at the discretion of the Exchange, a new option contract with an out-of-current-range exercise price may be added, on an as-soon-as-possible basis, provided that the last two digits of the exercise price of such newly added option contract must be 00, 25, 50, or 75 (e.g., 88.00, 88.25, 88.50, 88.75).**

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

**Appendix B**  
**Amendments to CME Rulebook Chapter 452D –**  
**Options on Three-Month Eurodollar Futures Calendar Spreads**

(Additions are shown in **bold underlined** font.)

**452D01.E. Exercise Prices**

Exercise prices shall be stated in terms of the IMM Index for the Eurodollar futures contract that is deliverable upon exercise of the option and shall be a positive or negative integer multiple of 0.05 IMM Index points, e.g., -0.10, -0.05, 0, 0.05, 0.10, etc.

At the initial listing of One-Year Calendar Spread options contract month, all eligible exercise prices in the range of -1.00 to 1.00 IMM Index points from the exercise price closest to the previous day's daily settlement price of the underlying calendar spread of Eurodollar futures shall be listed for trading.

Therefore, at the beginning of a new trading session, all eligible exercise prices in the range of -1.00 to 1.00 IMM Index points from the exercise price closest to the previous day's daily settlement price of the underlying Eurodollar futures calendar spread shall be added for trading, if they are not already listed for trading.

**Upon demand and at the discretion of the Exchange, a new option contract with an out-of-current-range exercise price may be added, on an as-soon-as-possible basis, *provided that* the exercise price of such newly added option contract must be a positive or negative integer multiple of 0.05 IMM Index points (e.g., -0.10, -0.05, 0, 0.05, 0.10).**

New options may be listed for trading up to and including the termination of trading. The Exchange may modify the provisions governing the establishment of exercise prices as it deems appropriate.

## Appendix C Amendments to CME Rulebook Chapter 453A -- Options on One-Month Eurodollar Futures

(Additions are shown in **bold underline** font.)

### 453A01.E. Exercise Prices

Exercise prices shall be stated in terms of the IMM Index for the One-Month Eurodollar futures contract that is deliverable upon exercise of the option, and shall be at intervals of .125 Index Points, e.g., 92.125, 92.25, 92.375, 92.50, 92.625, 92.75, etc.

At the commencement of trading in a contract month, the Exchange shall list put and call options at the exercise price that is nearest the previous day's settlement price of the underlying futures contract.

For option contracts with terms to expiry of 12 months or less, the Exchange shall list all eligible exercise prices within a range of 1.50 IMM Index points above and below the exercise price that is nearest the underlying futures contract daily settlement price. Thereafter, the Exchange shall add for trading all eligible exercise prices within a range of 1.50 IMM Index points above and 1.50 IMM Index points below the exercise price nearest the previous day's underlying futures contract settlement price.

For option contracts with terms to expiry that are greater than 12 months and that are less than or equal to 15 months, the Exchange shall list all eligible exercise prices within a range of 1.75 IMM Index points above and below the exercise price that is nearest the underlying futures contract daily settlement price. Thereafter, the Exchange shall add for trading all eligible exercise prices within a range of 1.75 IMM Index points above and 1.75 IMM Index points below the exercise price nearest the previous day's underlying futures contract settlement price.

For option contracts with terms to expiry that are greater than 15 months, the Exchange shall list all eligible exercise prices within a range of 2.25 IMM Index points above and below the exercise price that is nearest the underlying futures contract daily settlement price. Thereafter, the Exchange shall add for trading all eligible exercise prices in a range of 2.25 IMM Index points above and 2.25 IMM Index points below the exercise price nearest the previous day's underlying futures contract settlement price.

**Upon demand and at the discretion of the Exchange, a new option contract with an out-of-current-range exercise price may be added, on an as-soon-as-possible basis, provided that the exercise price of such newly added option contract must be an integer multiple of 0.125 Index points (e.g., 92.125, 92.25, 92.375, 92.50, 92.625, 92.75).**

New options may be listed for trading up to and including the termination of trading. The Exchange may modify the provisions governing the establishment of exercise prices as it deems appropriate.