



C.F.T.C.
OFFICE OF THE SECRETARIAT

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July 8, 2010

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

**RE: CME/CBOT/NYMEX Rule 588.G.
CME/CBOT/NYMEX Submission No. 10-193**

Dear Mr. Stawick:

Chicago Mercantile Exchange Inc. ("CME"), the Board of Trade of the City of Chicago, Inc. ("CBOT") and New York Mercantile Exchange, Inc. ("NYMEX") (collectively, the "Exchanges") hereby notify the Commodity Futures Trading Commission that the Exchanges have adopted amendments to Rule 588.G. ("Trade Cancellations and Price Adjustments – Globex No Bust Ranges") to eliminate static bid/ask reasonability allowances in favor of variable bid/ask reasonability allowances focused on an option's delta and premium when reviewing options trades on CME Globex pursuant to Rule 588.

Bid/ask reasonability allowances are maximum width of the bid/ask range considered reasonable for use in applying the parameters necessary to establish an option's no bust range under the rule. Variable bid/ask reasonability allowances are intended to be more reflective of the risk inherent in the option, and are designed to allow for more accurate determinations by the Globex Control Center of when and to what price an option should be adjusted under the rule.

Under the new process, the bid/ask reasonability allowance will be the greater of the delta risk (calculated as the delta of the option times the no bust range of the underlying futures contract) or the premium risk (calculated as 20% of the theoretical Fair Value premium of the option). As a result of the changes to the bid/ask reasonability allowances, corresponding changes have been made to the options' no bust ranges.

The revisions to Rule 588.G. begin on the next page. Based on the scope of the changes, the options section of Rule 588.G. is presented twice, first to show the new language being adopted (which is underscored), and the second to show the language being deleted (which is overstruck).

The amendments will become effective on Sunday, July 18, 2010, for trade date Monday, July 19.

Additionally, a copy of CME Group Special Executive Report S-5179, which will be released on Monday, July 12, 2010, is included in this Submission as it provides several examples of the application of the new method that will be employed when determining an option's no bust range beginning on July 18 compared to the current method that is being eliminated.

The Exchanges certify that the amendments comply with the Commodity Exchange Act and regulations thereunder.

If you have any questions regarding the changes, please contact Giuseppe Scimeca, Associate Director, Globex Control Center, at 312.456.2391, Paul Millhuff, Director, Globex Control Center, at 312.715.6837 or me at 312.648.5422. Please reference CME/CBOT/NYMEX Submission No. 10-193 in any related correspondence.

Sincerely,

/s/ Stephen M. Szarmack
Regulatory Counsel

CME/CBOT/NYMEX Rule 588.G. No Bust Ranges

[The futures contract and futures combinations sections remain unchanged.]

<u>Option Contract</u>	<u>Bid/Ask Reasonability</u>	<u>No Bust Range</u>
<u>Eurodollars/Euroyen</u>	<u>The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of 1 basis point</u>	<u>2 minimum ticks</u>
<u>U.S. Treasuries (2, 5, 10 Year Notes)</u>	<u>The greater of the delta times 10/64ths or 20% of the premium up to 10/64ths with a minimum reasonability of 2/64ths</u>	<u>20% of the premium up to 2/64ths</u>
<u>30 Year Bond</u>	<u>The greater of the delta times 12/64ths or 20% of the premium up to 12/64ths with a minimum reasonability of 2/64ths</u>	<u>20% of the premium up to 2/64ths</u>
<u>30-Day Fed Funds</u>	<u>The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of 2 basis points</u>	<u>20% of the premium up to ¼ of the underlying futures no bust range</u>
<u>Interest Rate Swaps (5, 7, 10, 30)</u>	<u>The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of 5/64ths</u>	<u>20% of the premium up to ¼ of the underlying futures no bust range</u>
<u>3 Month Overnight Index Swaps</u>	<u>The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of 3 basis points</u>	<u>20% of premium up to ¼ of the underlying futures no bust range</u>
<u>Equities (excluding DJIA)</u>	<u>The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of 1.00 index point</u>	<u>20% of premium up to ¼ of the underlying futures no bust range</u>

DJIA	The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of 10 index points	20% of premium up to ¼ of the underlying futures no bust range
FX	The greater of the delta times the underlying futures no bust range or 5% of the premium up to the underlying futures no bust range with a minimum reasonability of 10 ticks	20% of premium up to ¼ of the underlying futures no bust range
Agricultural (excluding Grains, Oil & Meal)	The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of \$.005	20% of premium up to ¼ of the underlying futures no bust range
Grains	The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of \$.01	20% of premium up to ¼ of the underlying futures no bust range
Soybean Oil	The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of \$.0005	20% of premium up to ¼ of the underlying futures no bust range
Soybean Meal	The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of \$.50	20% of premium up to ¼ of the underlying futures no bust range
Non-Farm Payroll	None	None
Ethanol	The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of \$.02	20% of premium up to ¼ of the underlying futures no bust range
MGEX Options	The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of \$.01	20% of premium up to ¼ of the underlying futures no bust range
KCBT Options	The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of \$.01	20% of premium up to ¼ of the underlying futures no bust range
Random Length Lumber	The greater of the delta times the underlying futures no bust range or 20%	20% of premium up to ¼ of the underlying

	<u>of the premium up to the underlying futures no bust range with a minimum reasonability of \$2.00</u>	<u>futures no bust range</u>
<u>NYMEX Crude Oil, Cracks</u>	<u>The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of \$.10</u>	<u>20% of premium up to ¼ of the underlying futures no bust range</u>
<u>NYMEX Heating Oil</u>	<u>The greater of the delta time the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of \$.0076</u>	<u>20% of premium up to ¼ of the underlying futures no bust range</u>
<u>NYMEX RBOB</u>	<u>The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of \$.0076</u>	<u>20% of premium up to ¼ of the underlying futures no bust range</u>
<u>NYMEX Natural Gas</u>	<u>The greater of the delta of the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of \$.05</u>	<u>20% of premium up to ¼ of the underlying futures no bust range</u>
<u>COMEX Gold</u>	<u>The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of \$2.00</u>	<u>20% of premium up to ¼ of the underlying futures no bust range</u>
<u>COMEX Silver</u>	<u>The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of \$.05</u>	<u>20% of premium up to ¼ of the underlying futures no bust range</u>
<u>COMEX Copper</u>	<u>The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of \$.01</u>	<u>20% of premium up to ¼ of the underlying futures no bust range</u>

588.C. — No Bust Ranges

<u>Option Contract</u>	<u>Bid/Ask Reasonability</u>	<u>No-Bust-Range</u>
Eurodollars, Euroyen	2-basis-points	2-minimum-ticks
U.S. Treasuries (2-, 5- and 10-Year Notes and Bond)	4/64ths	20% of premium up to 2/64ths with minimum of 1 tick
30-Day Fed Funds	4-basis-points	20% of premium up to 2-basis-points with a minimum of 1 tick

Interest Rate Swaps (5-, 7-, 10- and 30-Yr)	10/64ths	20% of premium up to 5/64ths with a minimum of 1 tick
3-Month Overnight Index Swaps	3-basis points	2 minimum ticks
Equities (excluding DJIA)	2.00 index points	20% of premium up to 1.00 index point with a minimum of 1 tick
DJIA	20 points	20% of premium up to 10 points with a minimum of 1 tick
FX	20 ticks	20% of premium up to 10 ticks with a minimum of 1 tick
Agricultural (excluding Grains, Oil & Meal)	\$0.01	20% of premium up to \$0.005 with a minimum of 1 tick
Grains	\$0.02	20% of premium up to \$0.01 with a minimum of 1 tick
Random Length Lumber	\$4.00	20% of premium up to \$2.00 with a minimum of 1 tick
Soybean Oil	\$0.001	20% of premium up to \$0.0005 with a minimum of 1 tick
Soybean Meal	\$1.00	20% of premium up to \$0.50 with a minimum of 1 tick
Non-Farm Payroll	None	None
Ethanol	\$0.05	20% of premium up to \$0.025 with a minimum of 1 tick
MGEX Options	\$0.01	20% of premium up to \$0.005 with a minimum of 1 tick
KCBT Options	\$0.01	20% of premium up to \$0.005 with a minimum of 1 tick
NYMEX Crude Oil Grades	\$0.25	20% of premium up to \$0.50 with a minimum of 1 tick
NYMEX Heating Oil	\$0.015	20% of premium up to \$0.0075 with a minimum of 1 tick
NYMEX RBOB	\$0.015	20% of premium up to \$0.0075 with a minimum of 1 tick
NYMEX Natural Gas	\$0.10	20% of premium up to \$0.05 with a minimum of 1 tick
COMEX Gold	\$4.00	20% of premium up to \$2.00 with a minimum of 1 tick
COMEX Silver	\$0.10	20% of premium up to \$0.05 with a minimum of 1 tick
COMEX Copper	\$0.02	20% of premium up to \$0.01 with a minimum of 1 tick

Special Executive Report

S-5179

July 12, 2010

Modifications to Rule 588.G. ("Globex No Bust Ranges")

Effective on Sunday, July 18, for trade date Monday, July 19, CME, CBOT, NYMEX and COMEX will adopt amendments to Rule 588.G. ("Trade Cancellations and Price Adjustments – Globex No Bust Ranges") modifying the manner in which the Bid/Ask Reasonability Allowance will be calculated by the Globex Control Center ("GCC") when reviewing options trades on CME Globex. The Bid/Ask Reasonability Allowance is the maximum width of the bid/ask range considered reasonable for use in applying the parameters necessary to establish the no bust range for an option.

The amendments eliminate static bid/ask reasonability allowances in favor of variable bid/ask reasonability allowances based upon the option's delta. The new Bid/Ask Reasonability Allowances are intended to be more reflective of the risk inherent in the option, and are designed to allow for more accurate determinations of when and to what price an option should be adjusted under the rule. Under the new process, the bid/ask reasonability allowance will be the greater of the delta risk (calculated as the delta of the option times the no bust range of the underlying futures contract) or the premium risk (calculated as 20% of the theoretical Fair Value premium of the option).

The new Bid/Ask Reasonability Allowances appear on pages 2 - 5 of this Special Executive Report and will become effective on Sunday, July 18.

The two examples set forth below illustrate the difference between the current method of determining an option's no bust range and the new method that will be employed under the revised rule.

Example 1

\$6.20 August Wheat call options trade at $1\frac{6}{8}$ th cents. The buyer reports the trade to GCC as an error. GCC determines that fair value for the call options is $\frac{3}{8}$ ths.

CURRENT METHOD

The current bid/ask reasonability range in Wheat options is a static 2 cents (+/- 1 cent from the GCC-determined fair value). For a buy error, the price will be adjusted to the GCC-determined ask price plus the no bust range (20% of the premium up to 1 cent with a minimum of 1 tick).

Applying the current reasonability range, the reasonable market would be bid @ $1\frac{3}{8}$ th. Applying the no bust range would result in an adjustment level to $1\frac{6}{8}$ th – calculated as $(1\frac{3}{8}$ th + $(1\frac{3}{8}$ th * .20)) rounded up to the next tradable tick. Given that the trade took place at $1\frac{6}{8}$ th, the trade would stand at $1\frac{6}{8}$ th.

NEW METHOD

Under the new method, the bid/ask reasonability allowance is the greater of:

- 1) the option's delta times the underlying futures no bust range: delta of .03 * 10 cents (rounded up to the next tradable tick) = $\frac{3}{8}$ th; or
- 2) 20% of the GCC determined fair value premium of the option up to the underlying futures no bust range, with a minimum of 1 cent: $20\% * \frac{3}{8}$ th cents (rounded up to the next tradable tick) = $\frac{1}{8}$ th cent

In this example, 1 cent is the bid/ask reasonability range (+/- ½ cent from fair value) and the reasonable market becomes cab bid @ 7/8th. Applying the new no bust range (20% of the reasonable offer premium up to ¼ of the Wheat futures 10 cent no bust range) would result in a price adjustment level of 1 1/8th – calculated as (7/8th + (7/8th * .20)), rounded to the next tradable tick. Given that the trade took place at 1 6/8th, the price of the trade would be adjusted to 1 1/8th.

Example 2

1780 July NASDQ-100 call options trade at 18.00. The buyer reports the trade to GCC as an error. GCC determines that fair value for the call options is 13.50.

CURRENT METHOD

The current bid/ask reasonability range in NASDAQ-100 options is a static 2.00 index points (+/- 1.00 index point from the GCC-determined fair value). For a buy error, the price will be adjusted to the GCC-determined ask price plus the no bust range (20% of premium up to 1.00 index point with a minimum of 1 tick).

Applying the current reasonability range, the reasonable market would be 12.50 @ 14.50. Applying the no bust range would result in an adjustment level to 15.50 – calculated as (14.50 + (14.50 * .20)), up to 1.00 index point. Since the calculation exceeds 1.00 index point, the maximum 1.00 index point would be added to the GCC-determined ask price of 14.50. Given that the trade took place at 18.00, the trade would be adjusted to 15.50.

NEW METHOD

Under the new method, the bid/ask reasonability allowance is the greater of:

- 1) the option's delta times the underlying futures no bust range: delta of .28 * 12.00 index points (rounded up to the next tradable tick) = 3.35; or
- 2) 20% of the GCC determined fair value premium of the option up to the underlying futures no bust range, with a minimum of 1.00 index point: 20% * 13.50 (rounded up to the next tradable tick) = 2.75

In this example, the upper reasonable offer is 15.25 (13.50 + 1.675 rounded to the next tradable tick). Applying the new no bust range (20% of the reasonable offer premium up to ¼ of the NASDAQ-100 futures 12.00 index point no bust range) would result in a price adjustment level of 18.25 – calculated as (15.25 + (15.25 * .20)), rounded to the next tradable tick. Given that the trade took place at 18.00, the trade would stand.

Questions regarding these changes may be directed to Giuseppe Scimeca, Associate Director, Globex Control Center, at 312.456.2391 or Paul Millhuff, Director, Globex Control Center at 312.715.6837.

Option Contract	Bid/Ask Reasonability	No Bust Range
Eurodollars/Euroyen	The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of 1 basis point	2 minimum ticks
U.S. Treasuries (2, 5, 10 Year Notes)	The greater of the delta times 10/64ths or 20% of the premium up to 10/64ths with a minimum reasonability of 2/64ths	20% of the premium up to 2/64ths
30 Year Bond	The greater of the delta times 12/64ths or 20% of the premium up to 12/64ths with a minimum reasonability of 2/64ths	20% of the premium up to 2/64ths

30-Day Fed Funds	The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of 2 basis points	20% of the premium up to ¼ of the underlying futures no bust range
Interest Rate Swaps (5, 7, 10, 30)	The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of 5/64ths	20% of the premium up to ¼ of the underlying futures no bust range
3 Month Overnight Index Swaps	The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of 3 basis points	20% of premium up to ¼ of the underlying futures no bust range
Equities (excluding DJIA)	The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of 1.00 index point	20% of premium up to ¼ of the underlying futures no bust range
DJIA	The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of 10 index points	20% of premium up to ¼ of the underlying futures no bust range
FX	The greater of the delta times the underlying futures no bust range or 5% of the premium up to the underlying futures no bust range with a minimum reasonability of 10 ticks	20% of premium up to ¼ of the underlying futures no bust range
Agricultural (excluding Grains, Oil & Meal)	The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of \$.005	20% of premium up to ¼ of the underlying futures no bust range
Grains	The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of \$.01	20% of premium up to ¼ of the underlying futures no bust range
Soybean Oil	The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of \$.0005	20% of premium up to ¼ of the underlying futures no bust range
Soybean Meal	The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of \$.50	20% of premium up to ¼ of the underlying futures no bust range
Non-Farm Payroll	None	None

Ethanol	The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of \$.02	20% of premium up to ¼ of the underlying futures no bust range
MGEX Options	The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of \$.01	20% of premium up to ¼ of the underlying futures no bust range
KCBT Options	The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of \$.01	20% of premium up to ¼ of the underlying futures no bust range
Random Length Lumber	The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of \$2.00	20% of premium up to ¼ of the underlying futures no bust range
NYMEX Crude Oil, Cracks	The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of \$.10	20% of premium up to ¼ of the underlying futures no bust range
NYMEX Heating Oil	The greater of the delta time the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of \$.0076	20% of premium up to ¼ of the underlying futures no bust range
NYMEX RBOB	The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of \$.0076	20% of premium up to ¼ of the underlying futures no bust range
NYMEX Natural Gas	The greater of the delta of the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of \$.05	20% of premium up to ¼ of the underlying futures no bust range
COMEX Gold	The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of \$2.00	20% of premium up to ¼ of the underlying futures no bust range
COMEX Silver	The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of \$.05	20% of premium up to ¼ of the underlying futures no bust range

COMEX Copper	The greater of the delta times the underlying futures no bust range or 20% of the premium up to the underlying futures no bust range with a minimum reasonability of \$.01	20% of premium up to ¼ of the underlying futures no bust range
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