



July 11, 2008

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

RE: Chapter 368A ("Options on E-mini S&P SmallCap 600 Index
Futures"), CME Submission# 08-107

OFFICE OF THE SECRETARIAT

2008 JUL 14 AM 10:22

RECEIVED
C.F.T.C.

Dear Mr. Stawick:

Chicago Mercantile Exchange Inc. ("CME" or "Exchange") hereby notifies the Commission of its intention to list Options on E-mini S&P SmallCap 600 Index Futures. Trading of the new contract will commence on July 27, 2008 for a trade date of July 28, 2008.

The Exchange certifies that these changes comply with the Act and the regulations thereunder.

If you require any additional information regarding this action, please do not hesitate to contact Lucy Wang, at 312-648-5478 or via e-mail at lucy.wang@cmegroup.com or me. Please reference our CME Submission #08-107 in any related correspondence.

Sincerely,

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

**Exchange Certification of Options on E-mini Standard and
Poor SmallCap® 600 Index Futures**

July 8, 2008

Introduction

Chicago Mercantile Exchange (“CME” or “Exchange”) intends to list options based on the E-mini Standard and Poor SmallCap 600 Index futures on July 27, 2008 for trade day of July 28, 2008. Options on E-mini S&P SmallCap 600 futures shall be available for the CME GLOBEX[®] electronic trading system only.

The Exchange certifies that this product complies with the Act and rules thereunder.

In order to assist the Commission in its review of this matter, the Exchange hereby submits this document per Section 5c(c) of the CEA and Regulation §40.2 thereunder, which provides a complete description of the Index and the features of the associated contract. In particular, Section 1 of this document provides a description of the characteristics of S&P SmallCap 600 Index.

Section 2 discusses the terms and conditions of the associated futures contract. To the extent that many of these terms and conditions have been adapted from terms and conditions currently in place in the context of existing domestic stock index markets including many previously listed on CME, this description and justification is abbreviated accordingly. Section 3 of this document provides a complete set of proposed rules governing trade of options on E-mini S&P SmallCap 600 futures; Section 4 includes rule amendments necessitated by the introduction of options on E-mini S&P SmallCap 600 futures.

The Exchange stands ready to support this certification with additional information as requested by the Commission.

1. Nature of the Index

The Standard & Poor's SmallCap 600 Stock Price Index is a capitalization-weighted index where index weights are proportionate to the current stock price multiplied by the number of shares outstanding. The Index comprises some six hundred domestic equity components selected by S&P on the basis of their capitalization, liquidity (measured by reference to bid/ask spread, diffusion of ownership, volume and the incidence of days on which no shares were traded) and industrial sector representation (as indicated by the S&P/MSCI Global Industry Classification Standards "GICS").

The components stocks in the Index are highly liquid securities representing some \$503,918,787,477 in aggregate market capitalization as of July 27, 2007. The Index is maintained by Standard & Poor's. The Index is calculated in real time and is widely disseminated. The Index is weighted by each constituent stock's unadjusted market capitalization and otherwise calculated using methodologies that are applied by Standard and Poor's to calculate the value of the venerable S&P 500.

The Exchange asserts that the Standard & Poor's SmallCap 600 Stock Index qualifies as non-narrow based index per the Commodity Exchange Act as amended. Note that Section 1a(25) of the CEA provides that a narrow-based index is one which "(i) has 9 or fewer component securities; (ii) in which a component security comprises more than 30 percent of the index's weighting; (iii) in which the 5 highest weighted component securities in the aggregate comprise more than 60 percent of the index's weighting; or (iv) in which the lowest weighted component securities comprising, in the aggregate, 25 percent of the index's weighting have an aggregate dollar value of average daily trading volume of less than \$50,000,000 (or in the case of an index with 15 or more component securities, \$30,000,000) ..."

- *Nine Component Criteria* - there are twenty five (25) stocks in the index.
- *Thirty Percent Weighting Criteria* – On no date during the uninterrupted six-month period concluding on March 14, 2007 did any single security account for more than 30% of the index weighting.
- *Top Five Components Weighting Criteria* – On no date during an uninterrupted six-month period concluding on March 14, 2007 did the five highest weighted component securities in the aggregate account for more than 60% of the index's weighting.
- *Average Daily Volume Criteria* –during the uninterrupted six-month period concluding on March 14, 2007, the daily turnover of the securities comprising the bottom 25% of the Index exceeded the \$30 million (USD) threshold by a factor of more than 1,000.

These finding can be tracked in submission #02-90 sent on September 12, 2002 for the original S&P SmallCap 600 Index futures, we provided certain evidence to substantiate the claim of non-narrow based nature of the S&P SmallCap 600 Index. The original contract shall be renamed the E-Mini S&P SmallCap 600 Index futures. The nature of the new contract is identical with the existing contract. As of July 24, 2007, the top one (1) weight 0.8799% of the index, the top five (5) weight 3.776% of the index, the volume value of low 25% is \$ 1,522,072,204.

2. Description of Individual Contract Terms

In order to facilitate the certification process, the Exchange offers the following description and explanation of options on E-mini S&P SmallCap 600 Index futures contract terms and conditions. Note that this contract replicates other extant stock index futures contracts in most respects. Note further that the Exchange intends to offer options on E-mini S&P SmallCap 600 Index contracts on the CME GLOBEX[®] electronic trading system.

Contract Size – Rule 368A01.B., COMMODITY SPECIFICATIONS, provides that “[t]he trading unit shall be an option to buy, in the case of the call, or to sell, in the case of the put, one E-mini S&P SmallCap 600 Index futures contract as specified in Chapter 368.”

Minimum Fluctuations – Rule 368A01.C., The price of an option shall be quoted in index points. Each index point shall represent \$100. The minimum fluctuation shall be 0.10 index points (also known as one tick), equivalent to \$10.00 per contract. Trades may also occur at a price of 0.05 index points (\$5.00, also known as one-half tick), whether or not such trades result in the liquidation of positions for both parties to the trade.

Price Limits – Rule 368A01.F., No person shall own or control a combination of options and underlying futures contracts that exceeds 25,000 futures-equivalent contracts net on the same side of the market in all contract months combined.

Other Contract Terms and Conditions – All other terms and conditions of the proposed contract are substantially identical to existing domestic stock index futures. For the reader’s convenience, we provide a table (below) summarizing contract terms and conditions.

Options on E-mini S&P SmallCap 600 Index Futures Contract Specs

	Options on Futures
Contract Size	One S&P SmallCap 600
Minimum Price Fluctuation	0.10 Index Points or \$10.00; Cabinet = 0.05 Index Points or \$5.00
Contract Months	Four quarterly contract months plus two serial contract months
Trading Hours	On Sundays from 5:30 p.m. to 3:15 p.m. the following day; on Mondays through Thursdays from 3:45 p.m. to 3:15 p.m. the following day (All times refer to local Chicago times)
Price Limits	n/a
Position Limits	25,000 E-mini S&P SmallCap 600 Index Contracts or the Combined Futures Equivalent
Final Settlement Date	Quarterly months: same as futures Serial months: Third Friday of the Contract month
Last Trading Day	Quarterly months: Trades until 8:30 a.m. (Chicago time) on Final Settlement Date. Serial months: 3:15pm on the Termination Date.
Strike Listing Rule	Quarterly months: 5-point strikes within 50 points of the latest settlement price. For the two nearest quarterlies, 2.5-point strikes within 15 points of the latest settlement price. Serial months: Same strikes as the quarterly month with the same underlying futures
Exercise	American Style
Final Settlement Price	Exercisable into the underlying futures

3. Rules Governing Options on E-mini S&P SmallCap 600 Index Futures

CHAPTER 368A: Options on E-mini Standard & Poor's SmallCap 600 Stock Price Index Futures

368A00. SCOPE OF CHAPTER

This chapter is limited in application to trading in put and call options on the E-mini Standard & Poor's SmallCap 600 Index ("Index" or "SmallCap 600") 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.

368A01. OPTION CHARACTERISTICS

368A01.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 option contract when the primary E-mini S&P SmallCap 600 Stock Price Index futures contract is limit bid or offered at any price limit except at the total daily price limit on an option's last day of trading. There shall be no trading in any option contract during a period when trading in the primary futures contract is terminated pursuant to Rule 368.02.I.

For purposes of this rule, the primary E-mini S&P SmallCap 600 Stock Price Index futures contract shall be defined as the nearest E-mini S&P SmallCap 600 Stock Price Index futures contract month. For purposes of this rule, Exchange staff shall have the responsibility of determining whether the primary E-mini S&P SmallCap 600 Stock Price Index futures contract is trading at its limit during Regular Trading Hours (RTH). During Electronic Trading Hours (ETH), the determination shall be made by the GLOBEX® Control Center.

368A01.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 E-mini S&P SmallCap 600 Index futures contract as specified in Chapter 368.

368A01.C. Minimum Fluctuations

The price of an option shall be quoted in index points. Each index point shall represent \$100. The minimum fluctuation shall be 0.10 index points (also known as one tick), equivalent to \$10.00 per contract. Trades may also occur at a price of 0.05 index points (\$5.00, also known as one-half tick), whether or not such trades result in the liquidation of positions for both parties to the trade.

368A01.D. Underlying Futures Contract

1. Options in the March Quarterly Cycle

For options that expire in the March quarterly cycle (i.e., March, June, September, and December), the underlying futures contract is the futures contract for the month in which the

option expires. For example, the underlying futures contract for an option that expires in March is the March futures contract.

2. Options Not in the March Quarterly Cycle

For options that expire in months other than those in the March quarterly cycle (i.e., January, February, April, May, July, August, October, and November), the underlying futures contract is the next futures contract in the March quarterly cycle that is nearest the expiration of the option. For example, the underlying futures contract for options that expire in January or February is the March futures contract.

368A01.E. Exercise Prices

1. Options in the March Quarterly Cycle

The exercise prices shall be stated in terms of the S&P SmallCap 600 Index futures contract which is deliverable upon exercise of the option. In the third and fourth-nearest contract months in the March quarterly cycle, the exercise prices shall be an integer divisible by 5 without remainder, e.g., 155, 160, 165, etc. In all other contract months, the exercise prices shall be number divisible by 2.5 e.g., 155, 157.5, 160, etc.

At the commencement of trading for each contract month in the March quarterly cycle, the Exchange shall list all eligible exercise prices in a range of 50 index points above and below the previous day's settlement price of the underlying futures contract.

Thereafter, when a settlement price in the underlying futures contract occurs at, or passes through, any exercise price, the Exchange shall list on the next trading day put and call options at the next higher (or next lower) exercise price within a 50 index point range above (or below) the exercise price at which or through which the underlying futures settlement price occurred.

When a contract month becomes the second-nearest contract month in the March quarterly cycle, the Exchange shall add exercise prices at an interval that is a number divisible by 2.5 in a range of 15 index points above and below the previous day's settlement price of the underlying futures contract. If the previous day's settlement price equals an eligible exercise price, then that exercise price shall be listed also, if not previously listed.

New options may be listed for trading up to and including the termination of trading.

Exchange Staff, under delegated authority from the Board, may modify the provisions governing the establishment of exercise prices as it deems appropriate.

2. Options Not in the March Quarterly Cycle

Exercise prices for options not in the March quarterly cycle listed for trading shall be identical to the exercise prices that are listed for the March quarterly options on the same underlying futures contract. For example, the exercise prices listed for the January contract shall be identical to those listed for the March contract.

368A01.F. Position Limits

No person shall own or control a combination of options and underlying futures contracts that exceeds 25,000 futures-equivalent contracts net on the same side of the market in all contract months combined.

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.

368A01.G. 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.

368A01.H. Exemptions

The foregoing position limits shall not apply to commercially appropriate risk reducing option positions defined in accordance with Regulation §1.3(z)(1) of the CFTC

368A01.I. Termination of Trading

1. Options in the March Quarterly Cycle

For options that expire in the March quarterly cycle, options trading shall terminate at the same date and time as the underlying futures contract.

2. Options Not in the March Quarterly Cycle

For options that expire in months other than those in the March quarterly cycle, options trading shall terminate on the third Friday of the contract month. If that day is not a scheduled Exchange business day, options trading shall terminate on the first preceding business day. In the event that the underlying futures market does not open on the scheduled expiration day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

368A01.J. 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 governmental orders.

368A02. EXERCISE

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of E-mini S&P SmallCap 600 Index options.

368A02.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 in the March quarterly cycle 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 determination of the Final Settlement Price by the clearing member representing the option buyer, be exercised automatically.

In-the-money options that expire in months other than those in the March quarterly cycle and have 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 the termination of trading 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.

368A02.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 trading 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 a 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 following acceptance by the Clearing House of the exercise notice.

368A03. EMERGENCIES, ACTS OF GOD, ACTS OF GOVERNMENT

If exercise, assignment, or delivery or any precondition or requirement thereof is prevented by a strike, fire, accident, act of government or act of God, the seller or buyer shall immediately notify the Exchange President. If the President determines that emergency action may be necessary, he shall call a special meeting of the Board of Directors and arrange for the presentation of evidence respecting the emergency condition. If the Board determines

that an emergency exists, it shall take such action as it deems necessary under the circumstances and its decision shall be binding upon all parties to the contract.

INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER 368A

Standard & Poor's, a division of the McGraw-Hill Companies, Inc. ("S&P"), licenses the Exchange to use various S&P stock indices ("S&P Stock Indices") in connection with the trading of futures contracts and options on futures contracts based upon such indices. S&P shall have no liability for damages, claims, losses or expenses caused by any errors or delays in calculating or disseminating the S&P Stock Indices. Standard & Poor's, a division of the McGraw-Hill Companies, Inc. ("S&P"), does not guarantee the accuracy and/or completeness of the S&P Stock Indices or any data included therein. S&P makes no warranty, express or implied, as to the results to be obtained by any person or any entity from the use of the S&P Stock Indices or any data included therein in connection with the trading of futures contracts, options on futures contracts and any other use. S&P makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to the S&P Stock Indices or any data included therein. Without limiting any of the foregoing, in no event shall S&P have any liability for any special, punitive, indirect or consequential damages (including lost profits), even if notified of the possibility of such damages.

4. Other Rule Amendments Associated with Options on E-mini Standard and Poor SmallCap[®] 600 Index Futures

CHAPTER 5

TRADING QUALIFICATIONS AND PRACTICES

The following amendments to Exchange Rules are necessitated by the introduction of Options on E-Mini S&P 600 futures. Additions are underlined.

POSITION LIMIT AND REPORTABLE LEVEL TABLE

CONTRACT NAME	Options	SCALE-DOWN SPOT MONTH (1)	SCALE-DOWN SPOT MONTH (2)	SPOT MONTH	SINGLE MONTH	ALL MONTHS COMBINED	POSITION ACCOUNT- ABILITY	REPORT ABLE FUT LEVEL	REPORT ABLE OPT LEVEL
CME Equity Index									
S&P SmallCap 600						*25,000		25	
E-miniS&P SmallCap 600	Y					*25,000		25	25