



October 30, 2009

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

**RE: CME Market Regulation Advisory Notice RA0903-2
CME Submission No. 09-265**

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

Dear Mr. Stawick:

The Chicago Mercantile Exchange Inc. ("CME" or "Exchange") hereby notifies the Commodity Futures Trading Commission that it will issue CME Market Regulation Advisory Notice RA0903-2 on November 3, 2009, concerning quarter-tick trading in Eurodollar options. The Advisory Notice supersedes former CME Market Regulation Advisory Notice RA0803-2 from June 30, 2008. The new notice informs the marketplace that covered trades involving quarter-tick eligible Eurodollar options will no longer need to be executed only at the prevailing futures price and delta.

Under the procedure outlined in the former Advisory Notice, covered trades were only allowed with the futures leg of the trade priced within the current bid/ask price available on CME Globex at the time the covered trade was initially presented to the market. CME has determined that this requirement caused unnecessary confusion to the marketplace and is not required with respect to covered trades involving any other options other than those eligible to trade in quarter tick increments.

By way of example, consider the following scenario. Presume that the futures bid/ask on CME Globex is 9/10 at the time a customer is placing a covered options order with the futures leg priced at 9 and subsequently the bid/ask on CME Globex increases to 10/11. In all options contracts trading at other than a quarter tick increment, the customer's order could be executed with the futures leg priced at 9 despite the uptick in the futures market to 10/11. Under the former requirements in quarter tick eligible Eurodollar options, the order could not be executed with futures priced at 9 and instead the order would have to be modified such that the futures leg was priced at 10 or 11. CME has found that the former requirement caused significant confusion to the marketplace and acted to inhibit price discovery. The elimination of the former requirement will result in the pricing of the covered trades to be identical across all CME options.

The change will be effective upon dissemination of the Advisory Notice on November 3.

A copy of the Advisory Notice is included with this submission. No opposing views were expressed with respect to the information set forth in the Notice.

The Exchange certifies that the Advisory Notice complies with the Commodity Exchange Act and regulations thereunder.

If you have any questions regarding the Advisory Notice, please contact David Reif, Interest Rate Products and Services, at 312.648.3839 or me at 312.648.5422. Please reference CME Submission No. 09-265 in any related correspondence.

Sincerely,

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

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MARKET REGULATION ADVISORY NOTICE

Exchange	CME
Subject	Quarter Tick Trading in Eurodollar Options
Rule References	Rule 452A01.C
Advisory Date	November 3, 2009
Advisory Number	CME RA0903-2

This Advisory Notice supersedes CME Market Regulation Advisory Notice RA0803-2 from June 30, 2008, and is being reissued based on the elimination of the former requirement that covered trades involving quarter tick eligible options be executed only at the prevailing futures price and delta value.

As a reminder, Rule 452A01.C. permits trading of Eurodollar options (including options combinations and covered trades) in quarter tick increments when the underlying futures contract is eligible to trade in quarter tick increments. Eurodollar futures are eligible to trade in quarter ticks when the nearest expiring futures contract is a quarterly expiration. An options spread or combination which includes a quarter tick eligible option as part of the spread or combination is also allowed to trade in quarter tick increments.

Quarter tick trading is also allowed in Eurodollar options in the first two quarterly and first two serial expirations at any time provided that the premium of the outright or net differential of the spread is at or below 5 ticks.

Effective immediately, covered trades involving quarter tick eligible options will be allowed to trade at prices other than the prevailing futures price and delta value. The former requirement that the price of the futures leg be at or within the current bid/ask price available on CME Globex at the time the covered option is initially presented to the market is being eliminated as it has caused unnecessary confusion to the marketplace, is not applicable to covered options trades in other products and has been an impediment to the smooth operation of the market. The Interest Rate Products and Services Department will periodically review this issue and any changes will be communicated to the marketplace.

As a reminder, the elimination of the requirement that covered trades be executed only at the prevailing futures price and delta value in no way eliminates the requirement that all trades must be made openly and competitively.

Questions regarding this Advisor Notice may be directed to one of the following individuals:

David Reif, Interest Rate Products and Services, 312.648.3839

Jeff Kilinski, Interest Rate Products and Services, 312.648.3817

Kathleen Zaino, Market Regulation, 312.930.2341

Tom Ozga, Market Regulation, 312.341.7638

For media inquiries concerning this Advisory Notice, please contact CME Group Corporate Communications at 312.930.3434 or news@cmegroup.com.