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Christopher Bowen  
Managing Director and Chief Regulatory Counsel  
Legal Department

December 9, 2011

**VIA E-MAIL**

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

RE: **CME FX Premium Quoted Options Market Maker Program  
CME Submission No. 11-490**

Dear Mr. Stawick:

The Chicago Mercantile Exchange Inc. ("CME" or the "Exchange") hereby notifies the Commodity Futures Trading Commission ("Commission") of the implementation of a Market Making Program for certain Foreign Exchange ("FX") options contracts that are traded on Globex® ("Program"). The proposed Program will become effective on January 1, 2012.

Exhibit 1 sets forth the terms of the proposed Program.

CME business staff responsible for the Program and the CME legal department collectively reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodities Exchange Act ("CEA"). During the review, CME staff identified the following Core Principles as potentially being impacted; Prevention of Market Disruption, Execution of Transactions, Protection of Market Participants, Compliance with Rules and Recordkeeping.

The proposed Program's incentive structure as set forth in Exhibit 1 below is such that it does not incentivize manipulative trading or market abuse and will not impact the Exchange's ability to perform its trade practice and market surveillance obligations under the CEA. The Exchange's market regulation staff will continue to monitor all market participants that trade the Program's products to prevent manipulative trading and market abuse. Additionally, the Exchange has implemented systems to track Program participants' obligations under the Program to ensure proper distribution of earned incentives. The incentives in the proposed Program do not impact the Exchange's order execution. Participants in the Program will be selected by Exchange staff using criteria as further stated in Exhibit 1. Chapter 4 of the CME rules includes prohibitions against fraudulent, non-competitive, unfair or abusive practices. All participants must execute a contractual agreement with the applicable Exchange in which each participant will expressly agree to comply with and be subject to, applicable regulations and CME rules. The proposed Program will be subject to the Exchange's record retention policies which comply with the CEA.

CME certifies that the Program complies with the Commodity Exchange Act and the regulations thereunder. There were no substantive opposing views to this Program.

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>

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If you require any additional information regarding this submission, please contact Robert Lev at 312-930-3019 or via e-mail at [robert.lev@cmegroup.com](mailto:robert.lev@cmegroup.com), or contact me at 212-299-2200. Please reference our CME Submission No. 11-490 in any related correspondence.

Sincerely,

/s/ Christopher Bowen  
Managing Director, Chief Regulatory Counsel

Attachments

# EXHIBIT 1

## CME FX Premium Quoted Options Market Maker Program

### Program Purpose.

The purpose of this Program is to incent market makers to enhance liquidity in the products listed below. The resulting increase in central limit order book liquidity for CME Premium-Quoted FX options on the CME Globex® platform benefits all participants segments in the market.

### Product Scope

The following CME Premium-Quoted FX option contracts products available for trading on the Globex® Platform ("Premium-Quoted FX Products"):

EUR/USD Options	CAD/USD Options
JPY/USD Options	AUD/USD Options
GBP/USD Options	CHF/USD Options

### Eligible Participants

Up to twenty (20) participants may be selected into the Program. Participants can be CME members or non-members. Potential participants are required to submit an application/bid sheet to the Exchange which is used to determine eligibility. CME staff will use a variety of factors in determining whether or not a prospective market maker is selected to participate in the Program, including past performance in Premium-Quoted FX Products, the prospective participants overall historical performance and experience acting as a market maker in other CME programs, and the ability to respond to request for quotes, maintain high quality bid/ask spreads, and book size in the Premium-Quoted FX Products.. Notwithstanding the forgoing, CME may, from time to time, add to or subtract from the factors listed above as it deems necessary.

### Program Term

Start date is January 01, 2012. End date is December 31, 2012.

### Hours

RTH and ETH

### Obligations

Market makers will be ranked against all other participants in the Program on a monthly basis using the metrics described below. Participants' performance will be tracked by the Exchange via a ranking report ("Ranking Report"). The Ranking Report will be used to determine eligibility to receive applicable incentives as set forth below:

#### **Ranking Report metrics:**

Market Maker's Trading Activity. Including: average daily volume ("ADV") in Premium-Quoted FX Options products, Premium-Quoted FX Spread products, Premium-Quoted FX Back Month Options products (3+).

Market Maker's Market Coverage. Including, Time in Market during regular trading hours and extended trading hours; Strikes Quoted by participant during the calendar month; Strikes Quoted by the participant each week.

Market Maker's Market Quality. Including: Bid-Ask Spread; Book Size, and Responses to requests-for-quotes.

All Product activity shall be conducted through a proprietary account of the market maker.

### **Program Incentives**

Upon satisfying all Program obligations as determined by the Exchange, and subject to the ranking criteria set forth above, each Program participant shall be eligible for the following incentives:

Mass Quote Message. All participants will receive use of the CME Group mass quote functionality.

Quotes Per Seconds ("QPS"). All participants receive a designated amount of QPS per Premium-Quoted FX Product. CBOT may allocate additional QPS based on improvement in ranking.

### **Fee Waivers.**

- a. Initial Ranking Period. From January 01, 2012 through January 31, 2012 ("Initial Ranking Period"), all participants will be eligible for CME Globex® execution fee waivers for the Premium-Quoted FX Products traded through the participant's designated market making account(s).
- b. Remainder of the Program. After the Initial Ranking Period, and for the remainder of the Program, if a market maker is one of the top fifteen (15) highly ranked participants in the Premium-Quoted FX Products during any given calendar month (including the Initial Ranking Period), CME will waive all of the market maker's CME Globex® execution fees for the respective Premium-Quoted FX Products traded through the participant's designated market making account(s) during the following calendar month.

### **Monitoring and Termination of Status**

The Exchange shall monitor trading activity and participants' performance and shall retain the right to revoke Program participant status if it concludes from review that a Program participant no longer meets the eligibility requirements or fails to meet the obligations of the Program.