



A CME/Chicago Board of Trade/NYMEX Company

December 15, 2008

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

DEC 15 PM 2:23
OFFICE OF THE SECRETARIAT
CME

**RE: CME Certification for Allowing Foreign Exchange Futures Block Trades At Specified Minimum Amounts And Above
CME Submission No. 08-201**

Dear Mr. Stawick:

Chicago Mercantile Exchange Inc. ("CME" or "Exchange") hereby notifies the Commission that beginning Monday, January 26, 2009, CME will allow block trading in its foreign exchange (FX) futures contracts at the following specified minimum numbers of contracts and above. No amendments to CME Rule 526 – **BLOCK TRANSACTIONS** are required.

CME FX FUTURES CONTRACT BLOCK TRADE MINIMUM QUANTITIES

<u>Minimum Contracts</u>	<u>FX Futures Contract Currency Pairs</u>
150 contracts:	EUR/USD, JPY/USD.
100 contracts:	AUD/USD, CAD/USD, CHF/USD, GBP/USD, MXN/USD.
50 contracts:	All other FX futures contracts (AUD/CAD, AUD/JPY, AUD/NZD, CAD/JPY, CHF/JPY, EUR/AUD, EUR/GBP, EUR/CAD, EUR/CHF, EUR/JPY, EUR/NOK, EUR/SEK, GBP/JPY, GBP/CHF, NOK/USD, NZD/USD, SEK/USD, RUB/USD, ZAR/USD, BRL/USD, CZK/USD, CZK/EUR, HUF/USD, HUF/EUR, ILS/USD, KRW/USD, PLN/USD, PLN/EUR, RMB/USD, RMB/EUR, RMB/JPY, USD/TRY, EUR/TRY, E-MINI EUR/USD, E-MINI JPY/USD, CME\$INDEX).

BACKGROUND DATA AND DISCUSSION

CME studied FX futures CME Globex volume data and the depth of the Globex book for a sample of its FX futures product line in order to determine appropriate block trade minimum levels for FX futures. CME has allowed block trading in FX options for some time now, but to date it has not been allowed in outright FX futures trades (FX futures blocks now only allowed in combination trades with FX options, see next to last section below). Table 1 summarizes the data which the Exchange reviewed. Four dates were identified for representative analysis: 1/22/08, 2/20/08, 9/11/08 and 9/22/08; the first two, a busy and more average volume day in Quarter 1 (pre-acute financial crisis) and the second two, a busy and more average volume day in Quarter 3 (right in the height of the financial crisis).

The rationale of an appropriate block trade minimum is to identify a size greater than the typical top of book (CFTC in its September 18, 2008, Federal Register discussion of "Proposed Rules for Trading Off the Centralized Market" suggests "block trades should be limited to large orders, where "large" is the number at which there is a reasonable expectation that the order could not be filled in its entirety at a single price, but would need to be broken up and executed at different prices if transacted in the centralized marketplace"). As operators of a centralized electronic marketplace, CME wants to maximize liquidity on CME Globex and make it successful. So the Exchange does not want to adopt rules that undermine the development of this liquidity. However, there are customers for whom the existing depth of book on CME Globex is not deep enough and they are capable of locating counterparties themselves away from the Exchange and yet want to book their large trades with CME Clearing to eliminate counterparty credit risk. Since CME would like to accommodate this business, the Exchange will allow block trading for FX futures. Thus, the challenge is to pick a block trade minimum amount that is large enough not to adversely compete for liquidity with the centralized market. It also needs to be at a level that is not too high to turn away business. The data in Table 1 helped identify these appropriate levels. To avoid lots of different block trade minimum amounts, which would be confusing to market users, the entire FX futures product line is grouped under three reasonable numbers.

Table 1 data were developed to look at appropriate FX futures block trade minimums. In this regard, note that for those FX pairs where automated trading systems (ATS) stream in prices to CME Globex, much lower amounts are bid and offered at the five levels of the book than say Mexican pesos, where larger amounts are clustering. This suggests that when the Exchange selects minimum block trade levels based upon the bid/ask data, it may want to view the ATS FX major contracts as rolling up the first three to four tiers of volume for the minimum (say 150 for Euro FX, Yen; or 100 for BP, SF), but when looking at a fairly active emerging market FX contract like Mexican peso, then the Exchange may want to cover two levels of book (say, 100 contracts). All other less active currency pairs may be something like 50 contracts for the block trade minimum. As long as the selected block trade minimums are greater than the top of the book, the Exchange is in conformance with the CFTC guidelines, but for the majors where ATS firm's are streaming prices into the market, the Exchange needs to go deeper into the book (three or four levels) for the minimum block order sizes to avoid creating problems for CME Globex liquidity with the blocks. The Exchange does not want the minimums too low, because it really does prefer to build liquidity on the electronic trading screen to keep it viable.

BLOCK TRADE MINIMUMS FOR INTRA- AND INTER-FX FUTURES SPREADS AND FX FUTURES / OPTIONS COMBINATIONS

For both intra- and inter-FX futures spreads, the applicable block trade minimums for both legs of the spreads will be the larger of the two block trade minimums for each currency.

Currently, FX futures blocks are allowed only when done in combination with FX options as spreads. The FX futures block trade minimum in this case is 25 contracts, and the FX options block trade minimum is 250 contracts. This requirement will remain unchanged.

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EFFECTIVE DATE FOR FX FUTURES BLOCK TRADING

CME plans implementation of FX futures block trading on Monday, January 26, 2009. Members/shareholders will be notified of this action in CME Group Special Executive Report, S-4801, dated Tuesday, December 16, 2008.

CME certifies that this action complies with the Commodity Exchange Act and regulations thereunder.

If you require any additional information regarding this action, please do not hesitate to contact Steve Youngren, at 312-930-4583 or via e-mail at Steve.Youngren@cmegroup.com or me at (312) 648-5422. Please reference our CME Submission No. 08-201 in any related correspondence.

Sincerely,

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

**Table 1. CME GLOBEX® AVERAGE HOURLY BID & OFFER QUANTITY FOR
 SELECTED FX FUTURES AND DATES**

EURO		Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Total
1/22/2008		21	51	67	58	50	251
2/20/2008		29	85	99	99	85	403
9/11/2008		14	38	66	76	78	272
9/22/2008		14	25	32	35	36	142
Average		19	50	66	67	62	267
Rolled Up Volumes		19	69	135	202	264	264

YEN		Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Total
1/22/2008		18	50	60	54	52	236
2/20/2008		31	82	97	93	81	392
9/11/2008		14	36	59	62	62	233
9/22/2008		11	21	28	30	31	121
Average		18	47	61	60	57	245
Rolled Up Volumes		18	66	127	187	243	243

GBP		Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Total
1/22/2008		10	18	23	21	16	89
2/20/2008		12	29	40	34	24	141
9/11/2008		9	16	23	25	23	99
9/22/2008		5	8	10	12	14	50
Average		9	18	24	23	19	95
Rolled Up Volumes		9	27	51	74	93	93

PESO		Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Total
1/22/2008		54	112	133	140	114	553
2/20/2008		20	9	5	2	2	38
9/11/2008		59	170	190	188	182	789
9/22/2008		33	103	125	150	171	581
Average		42	98	113	120	117	490
Rolled Up Volumes		42	140	253	373	490	490

REAL		Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Total
1/22/2008		0	0	0	0	0	0
2/20/2008		0	0	0	0	0	0
9/11/2008		4	6	10	10	8	37
9/22/2008		8	5	5	2	5	26
Average		3	3	4	3	3	16
Rolled Up Volumes		3	6	9	13	16	16

RUBLE

	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Total
1/22/2008	31	49	0	0	0	80
2/20/2008	34	42	0	0	0	75
9/11/2008	39	3	1	0	0	44
9/22/2008	27	13	8	4	2	55
Average	33	27	2	1	1	63
Rolled Up Volumes	33	60	62	63	63	63

RAND

	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Total
1/22/2008	21	47	62	59	54	244
2/20/2008	1	2	2	3	1	9
9/11/2008	24	1	0	0	0	25
9/22/2008	27	19	20	0	0	65
Average	18	17	21	16	14	86
Rolled Up Volumes	18	35	56	72	86	86

EURO/GBP

	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Total
1/22/2008	10	8	6	2	3	28
2/20/2008	19	13	7	3	2	44
9/11/2008	9	6	2	3	3	23
9/22/2008	7	7	4	2	1	21
Average	11	8	5	3	2	29
Rolled Up Volumes	11	19	24	27	29	29

EURO/YEN

	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Total
1/22/2008	9	11	10	6	5	41
2/20/2008	16	17	16	12	8	70
9/11/2008	7	4	3	3	3	20
9/22/2008	8	8	3	2	2	24
Average	10	10	8	6	4	39
Rolled Up Volumes	10	20	28	34	39	39

Sources: CME Group Infosource and Equity, FX & Alternative Investments Research