



Timothy Elliott
Executive Director and Associate General Counsel
Legal Department

March 7, 2014

VIA E-MAIL

Ms. Melissa Jurgens
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

RE: CFTC Regulation 40.2(a) Certification. Notification Regarding the Listing of Options on Yen Denominated Nikkei Stock Average Futures Contract. CME Submission No. 14-068

Dear Ms. Jurgens:

Chicago Mercantile Exchange Inc. ("CME" or "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying the listing of Options on Yen Denominated Nikkei Stock Average futures contract (Rulebook Chapter 352C; Commodity Code: Quarterly NKW/Serial NKY) for trading on CME Globex and for submission for clearing through CME ClearPort on Sunday, April 13, 2014, for trade date Monday, April 14, 2014.

Pursuant to Commission Regulation 40.6(a), CME will separately be self-certifying block trading on this contract with a minimum threshold of 50 contracts.

The underlying futures contract, Yen Denominated Nikkei Stock Average futures, began trading at CME on February 23, 2004.

The Exchange is also notifying the CFTC that it is self-certifying the insertion of the terms and conditions for the new futures contracts into the Position Limit, Position Accountability and Reportable Level Table and Header Notes located in the Interpretations and Special Notices Section of Chapter 5 of the CME Rulebook in relation to the listing of the contract. (See Appendix B: Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (attached under separate cover)).

In addition, the Exchange is self-certifying the insertion of the non-reviewable ranges ("NRR") for the futures contracts into Rule 588.H. (See Appendix A: Rule 588.H – Non-Reviewable Range Table).

Section 1 of Appendix A discusses the terms and conditions of the associated option on 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 options on stock index futures contracts including many previously listed on CME, this description and justification is abbreviated accordingly. Section 2 of Appendix A provides a complete set of the proposed rules governing trading of Options on Yen Denominated Nikkei Stock Average futures. Section 3 includes rule amendments necessitated by the introduction of Options on Yen Denominated Nikkei Stock Average futures.

The Research Department and the Legal Department collectively reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA” or “Act”). During the review, we identified that the new product may have some bearing on the following Core Principles:

- Compliance with Rules: Trading in this contract will be subject to the rules in Rulebook Chapter 4 which includes prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Additionally, trading in this contract will also be subject to the full panoply of trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the Rulebook. As with all products listed for trading on one of CME Group’s designated contract markets, activity in the new product will be subject to extensive monitoring and surveillance by CME Group’s Market Regulation Department. The Market Regulation Department has the authority to exercise its investigatory and enforcement power where potential rule violations are identified.
- Contracts Not Readily Susceptible to Manipulation: The new contract is not readily susceptible to manipulation due to the deep liquidity and robustness in the underlying cash equity market, which provides diverse participation and sufficient spot transactions to support the final settlement index as assessed by Nikkei Keizai Shimbun.
- Prevention of Market Disruption: Trading in this contract will be subject to Rulebook Chapters 4 and 7 which include prohibitions on manipulation, price distortion and disruptions of the delivery or cash-settlement process. As with all products listed for trading on one of CME Group’s designated contract markets, activity in the new product will be subject to extensive monitoring and surveillance by CME Group’s Market Regulation Department.
- Position Limitations or Accountability: In CME Submission 13-370 (September 6, 2013), the Exchange adopted combined limits for Yen and USD Denominated Nikkei Stock Average futures of 20,000 contracts. Options on Yen Denominated Nikkei Stock Average futures will be subject to the same position limit and contract aggregation requirements that apply to Yen Denominated Nikkei Stock Average futures.
- Availability of General Information: The Exchange will publish information on the contracts’ specification on its website, together with daily trading volume, open interest and price information.
- Daily Publication of Trading Information: Trading volume, open interest and price information will be published daily on the Exchange’s website and via quote vendors.
- Execution of Transactions: The new option contract is listed for trading on the CME Globex trading platform. The CME Globex electronic trading platform provides for a competitive and open execution of transactions due to its advanced functionality, high reliability and global connectivity. It runs continuously, so it is not restricted by borders or time zones. CME Globex remains among the fastest global electronic trading systems.
- Trade information: All required trade information is included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.
- Financial Integrity of Contracts: All contracts traded on the Exchange will be cleared by the CME Clearing House which is a registered derivatives clearing organization with the Commission and is subject to all Commission regulations related thereto.

- Protection of Market Participants: Rulebook Chapters 4 and 5 contain multiple prohibitions precluding intermediaries from disadvantaging their customers. These rules apply to trading on all of the Exchange's competitive trading venues and will be applicable to transactions in this product.
- Disciplinary Procedures: Chapter 4 of the Rulebook contains provisions that allow the Exchange to discipline, suspend or expel members or market participants that violate the rules. Trading in this contract will be subject to Chapter 4, and the Market Regulation Department has the authority to exercise its enforcement power in the event rule violations in these products are identified.
- Dispute Resolution: Disputes with respect to trading in this contract will be subject to the arbitration provisions set forth in Chapter 6 of the Rulebook. The rules in Chapter 6 allow all nonmembers to submit a claim for financial losses resulting from transactions on the Exchange to arbitration. A member named as a respondent in a claim submitted by a nonmember is required to participate in the arbitration pursuant to the rules in Chapter 6. Additionally, the Exchange requires that members resolve all disputes concerning transactions on the Exchange via arbitration.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.2, the Exchange hereby certifies that the attached contracts comply with the Act, including regulations under the Act. There were no substantive opposing views to this proposal. A description of the cash markets for these new products is attached.

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>.

If you require any additional information regarding this action, please contact me at 312-466-7478 or via e-mail at tim.elliott@cmegroup.com.

Sincerely,

/s/ Tim Elliott
Executive Director and Associate General Counsel

Attachments: Appendix A: Rule Chapters, Rule 588.H, Contract Specifications
Appendix B: Position Limit, Position Accountability, and Reportable Level Table
in Chapter 5 of the NYMEX Rulebook (attached under separate cover)

Appendix A

1. Description of Individual Contract Terms

In order to facilitate the certification process, the Exchange offers the following description and explanation of Options on Yen Denominated Nikkei Stock Average futures contract terms and conditions. Note that this contract replicates other extant options on stock index futures contracts in most respects. Note further that the Exchange intends to offer Options on Yen Denominated Nikkei Stock Average futures on the CME Globex electronic trading platform only.

Contract Size – Rule 352C01.B. Trading Unit, provides that “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 Yen Denominated Nikkei Stock Average futures contract as specified in Chapter 352B.”

Quotation Specification – Rule, 352C01.C. Minimum Fluctuations, specifies that “The price of an option shall be quoted in index points. Each index point shall represent ¥500. The minimum fluctuation shall be 1.00 index points (¥500, also known as one tick).”

Non-Reviewable Range (NRR) – The Globex trade cancellation policy is amended to specify a “Non-Reviewable Range” of 20% of premium up to 1/4 the underlying futures non-reviewable range with a minimum of 1 tick. The NRR for Yen Denominated Nikkei Stock Average futures is 12 index points.

Block Trading – Block trading is allowed with a minimum order quantity requirement of fifty contracts.

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

CME Group Options on Yen Denominated Nikkei Stock Average Futures

Contract Specifications

Launch Date	April 14, 2014
Contract Size	One CME Yen Denominated Nikkei Stock Average futures contract
Option Ticker Symbols	Quarterly Options: NKW Serial Options: NKY
Trading Venue	Globex only
Tick Size	Outrights: 1 index point (= ¥ 500)
Strike Price Interval	50 point strike price intervals: \pm 40% From ATM Strike Price
Hours of Trading All times listed are Central Time (CT)	MON – FRI: 17:00 (Prior Day) – 16:15
Contract Months	Two months in the March Quarterly Cycle (e.g. March, June, September, December cycle); Two serial months (e.g. January, February, April, May, July, August, October, November)
Expiration Date & Time	Quarterly Options: 4:15 p.m. CT on the Thursday prior to the on the 2 nd Friday of the quarterly contract expiration month Serial Options: 3:00 p.m. Osaka, Japan time on the 2 nd Friday of the contract month
Exercise Procedure	Quarterly Options: American Style Serial Options: European Style
Daily Settlement Time	15:15 CT
Settlement at Expiration	<p>Quarterly Options: Option exercise results in a position in the underlying cash-settled futures contract (For example, the underlying futures contract for an option on the Nikkei Yen Denominated Stock Average futures that expires in March is the March futures contract). Options which are in-the-money on the last day of trading are automatically exercised. In-the-money Quarterly Options are exercised into expiring cash-settled futures, which settle to the Special Opening Quotation (“SOQ”).</p> <p>Serial Options: Option exercise results in a position in the underlying cash-settled Futures contract (For example, the underlying futures contract for options on the Nikkei Yen Denominated Stock Average futures that expire in January or February is the March futures contract); Options which are in-the-money on the last day of trading are automatically exercised. A 3:00 p.m. Osaka, Japan time price fixing based on the volume weighted average price of OSE mini Nikkei futures traded in the last 30 seconds of trading (2:59:30 to 3:00:00 p.m. Osaka, Japan time) on serial option expiration day will be used to determine which options are in-the-money. Contrarian instructions are not permitted on serial options.</p>
Daily Price Limits	Options trading is not permitted during trading halts due to price limit events
Block Trade Eligible	Yes
Min Block Size	50 Contracts
Position Limits	Work in conjunction with existing Nikkei (Yen) futures and E-mini Nikkei (Yen) futures position limits
Rulebook Chapter	352C

2. Rules Governing Options on Yen Denominated Nikkei Stock Average Futures

Chapter 352C Options on Yen Denominated Nikkei Stock Average Futures

352C00. SCOPE OF CHAPTER

This chapter is limited in application to options on Yen Denominated Nikkei Stock Average ("Yen Nikkei") futures. In addition to this chapter, options on Yen Nikkei futures shall be subject to the general rules and regulations of the Exchange insofar as applicable.

For purposes of this chapter, unless otherwise specified, times referred to herein shall refer to and indicate Chicago time.

352C01. OPTIONS CHARACTERISTICS

352C01.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 Exchange.

352C01.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 Yen Denominated Nikkei Stock Average futures contract as specified in Chapter 352B.

352C01.C. Minimum Fluctuations

The price of an option shall be quoted in index points. Each index point shall represent ¥500. The minimum fluctuation shall be 1.00 index points (¥500, also known as one tick).

352C01.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.

352C01.E. Exercise Prices

1. Options in the March Quarterly Cycle

The exercise prices shall be stated in terms of the Yen Denominated Nikkei Stock Average futures contract.

At the commencement of trading, the Exchange shall list all exercise prices in a range of 40 percent of the referencing index above and below the previous day's settlement price of the underlying futures contract that are integers divisible by 50 without remainder, e.g. 14,050, 14,100, 14,150, 14,200 etc.

Thereafter, when a daily settlement price in the underlying futures contract occurs at, or passes through, any exercise price, the Exchange shall list, on the next Trading Day, all eligible exercise prices in the corresponding ranges.

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.

The Exchange may modify the provisions governing the establishment of exercise prices as it deems appropriate.

352C01.F. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

352C01.G. [Reserved]

352C01.H. [Reserved]

352C01.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 second 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 Date, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

352C01.J. [Reserved]

352C02. EXERCISE AND ASSIGNMENT

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of options on Yen Denominated Nikkei Stock Average futures.

352C02.A. Exercise of Option by Buyer

352C02.A.1 Options in the March Quarterly Cycle

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.

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.

358C02.A.2 European Style Options not in the March Quarterly Cycle

Following the termination of trading of an option, all in-the-money options shall be automatically exercised by the Clearing House on the day of expiration for the option. All out-of-the-money options shall be abandoned by the Clearing House on the day of expiration for the option. Whether an option is in or out of the money shall be determined based on the Fixing Price of the CME Yen Denominated Stock Average futures on the day of expiration as follows:

- Tier1 The Fixing Price shall be equal to the volume-weighted average price of the Nikkei 225 mini Futures trades executed on the Osaka Securities Exchange ("OSE") from 2:59:30 to 3:00:00 p.m. Osaka, Japan time.
- Tier2 If no transactions occur from 2:59:30 to 3:00:00 p.m., Osaka, Japan time, the Fixing Price shall be the average of the midpoints of each bid/ask spread in the OSE Nikkei 225 mini Futures contract during that thirty (30) second interval; however, bid/ask spread pairs wider than three (3) ticks (30 index points), shall not be included in the calculation to determine the Fixing Price.
- Tier3 If the Fixing Price cannot be determined pursuant to Tiers 1 and 2 above, designated Exchange staff shall calculate a Fixing Price based on the volume-weighted average price of the CME Yen Denominated Nikkei Stock Average Futures based on trades executed on the CME from 2:59:30 to 3:00:00 p.m. Osaka, Japan time.
- Tier4 If the Fixing Price cannot be determined pursuant to Tiers 1, 2 and 3 above, designated Exchange staff shall consider any other information deemed relevant to determine the Fixing Price. Alternatives upon which Exchange staff may determine the Fixing Price include, but are not limited to, the following: (1) deriving the Fixing Price based on the basis relationship to the underlying cash index level; or (2) deriving the Fixing Price by repeating Tier 1, Tier 2 or Tier 3 calculations at increasing thirty (30) second increment intervals until data is obtained.

The calculation of the Fixing Price shall be rounded to the nearest 0.01 index points.

In the event of an option expiring on a shortened Trading Day, the Fixing Price calculation shall be performed based on the market activities during the thirty-second period immediately preceding the close of the underlying stock market.

An option is deemed in the money if the Fixing Price of the underlying futures contract lies strictly above the exercise price in the case of a call, or lies strictly below the exercise price in the case of a put. For example, if the Fixing Price were 12,500.01 or higher, then 12,500 Calls shall be exercised. If the Fixing Price were 12,500.00 or lower, then 1250 Calls shall be abandoned. Similarly, if the Fixing Price were 12,499.99 or lower, then 12,500 Puts shall be exercised. If the Fixing Price were 12,500.00 or higher, then 12,500 Puts shall be abandoned.

European Style Options not in the March Quarterly Cycle may not be exercised prior to the

expiration of the options. At the expiration, in-the-money options may not be abandoned and out-of-the-money options may not be exercised.

352C02.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 of acceptance by the Clearing House of the exercise notice.

352C03. [RESERVED]

(End Chapter 352C)

3. Other Rule Amendments Associated with Options on Yen Denominated Nikkei Stock Average futures

The following amendments to Exchange Rules are necessitated by the introduction of Options on Yen Denominated Nikkei Stock Average futures. Additions are underlined, deletions are bracketed and overstruck.

588.H. Globex Non-Reviewable Trading Ranges

Options

Instrument	Bid/Ask Reasonability	Non-Reviewable Range (NRR)
<u>Yen Denominated Nikkei Stock Average Options</u>	<u>The greater of the delta times the underlying futures non-reviewable range or 20% of the fair value premium up to the underlying futures non-reviewable range with a minimum reasonability of 10 index points</u>	<u>20% of premium up to 1/4 the underlying futures non-reviewable range with a minimum of 1 tick.</u>

Appendix B

Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the CME Rulebook

(attached under separate cover)

Contract Name

Rule Chapter

Quarterly Options on Yen Denominated Nikkei Stock Average Futures

352C

Serial Options on Yen Denominated Nikkei Stock Average Futures

352C

**Commodity
Code**

Contract Size

Contract Units

NKW

500 Yen x Nikkei Stock Average

NKY

500 Yen x Nikkei Stock Average

Type

Am. Option

Eu. Option

Settlement

Exercises into Financial Futures

Exercises into Financial Futures

Group	Diminishing Balance Contract	Reporting Level	Position Limit in Shipping Certificates, Warehouse Receipts	Spot Month Position Comprised of Futures and Deliveries	Spot Month Aggregate Into Futures Equivalent Leg (1)
<u>Equity</u>			<u>25</u>		
<u>Equity</u>			<u>25</u>		

**Spot Month
Aggregate Into
Futures Equivalent
Leg (2)**

**Spot-Month
Aggregate Into
Ratio Leg (1)**

**Spot-Month
Aggregate Into
Ratio-Leg (2)**

**Spot-Month
Accountability
Level**

**Initial Spot-Month
Limit (In Net Futures
Equivalents) Leg (1)/
Leg (2)**

Spot-Month

Initial Spot-Month Limit Effective Date

	Second Spot-Month		
Spot-Month Limit (In Contract Units) Leg (1) / Leg (2)	Second Spot-Month Limit (In Net Futures Equivalents) Leg (1)/ Leg (2)	Second Spot- Month Limit Effective Date	Single Month Aggregate Into Futures Equivalent Leg (1)

Single Month

**Single Month
Aggregate Into
Futures Equivalent
Leg (2)**

**Single Month
Aggregate Into
Ratio Leg (1)**

**Single Month
Aggregate Into
Ratio Leg (2)**

**Single Month Accountability
Level Leg (1) / Leg (2)**

Single Month Limit (In Net Futures Equivalents) Leg (1) / Leg (2)	"Intra Crop Year Spread Allowance"	All Month Limit Aggregate Into Futures Equivalent Leg (1)	All Month Limit Aggregate Into Futures Equivalent Leg (2)	All Month Aggregate Into Ratio Leg (1)
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NK

NK

1 NKW : 1 NK

1 NKY : 1 NK

All Month

All Month Aggregate Into Ratio Leg (2)	All Month Accountability Level Leg (1) / Leg (2)	All Month Limit (In Net Futures Equivalents) Leg (1) / Leg (2)
-------------------------------------------------------	-------------------------------------------------------------	---------------------------------------------------------------------------

20,000

20,000