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Special Executive Report

S-4063

February 9, 2004

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1. CONSUMER PRICE INDEX FUTURES CONTRACTS BEGIN TRADING ON SUNDAY, FEBRUARY 8, 2004

Trading in Consumer Price Index (CPI) futures on Chicago Mercantile Exchange ("CME" or "Exchange") will commence on Sunday, February 8, 2004 at 5:30 pm Chicago time on the GLOBEX[®] electronic trading platform for the trade date of Monday, February 9, 2004. The futures contract will be allocated to the IMM Division and will be included in the Exchange's "New Product Access Program". Options will not be listed at this time. Trading will be supported by a LMM mechanism.

The CPI futures contract is designed so as to resemble the Eurodollar futures. It represents the inflation on a notional value of \$1,000,000 for a period of three calendar months, implied by the Consumer Price Index – U.S. city average for all urban consumers, all items, not seasonally adjusted series published by the Bureau of Labor Statistics of the Department of Labor (CPI-U). The contract has the familiar IMM-style pricing structure of 100 minus the contracted inflation rate, where each 0.01 IMM point is worth \$25. The ticker symbol will be "CPI".

The contract will be cash settled against the final settlement price of 100 minus the annualized inflation in the latest three months implied by the CPI-U.

The Exchange will list twelve (12) consecutive March quarterly contract months, starting with the March 2004 through the December 2006 contracts at the commencement of trading. The leading March 2004 contract will expire on March 17, 2004 and will settle to 100 less the annualized inflation implied by the CPI-U for the three-month period between November 2003 (released on December 16, 2003) and February 2004 (released on March 17, 2004).

Hours of trading shall be similar to that of Eurodollar futures, i.e., Sundays from 5:30 p.m. to 4:00 p.m. the following day; on Mondays through Thursdays from 5:00 p.m. to 4:00 p.m. the following day (all times are Chicago times).

Contacts:

Mr. Sayee Srinivasan, Associate Director, Research and Product Development, at (312) 454-5205
Mr. Larry Grannan, Associate Director, Interest Rate, at (312) 454-8312.

2. OVERVIEW OF CPI FUTURES

When developing the CPI futures, a conscious effort has been made to retain a contract design that would appeal to a broad class of market participants. To that effect, we propose a design that is reminiscent of short-term interest rate contracts such as Eurodollar futures. The goal is to retain simplicity and general applicability. We have also included features so as to maintain consistency with the Treasury Inflation-Indexed Securities (TIPS) issued since 1997 by the U.S. Department of the Treasury. In this section, we highlight the salient features of the CPI futures.

CPI Futures Design in a Nutshell – The contract is designed such that it trades as if it is a three-month \$1,000,000 notional value Eurodollar contract, with the usual IMM-style quoting convention of 100 minus the contracted annualized rate of inflation for a three-month period, where each 0.01 IMM point is worth \$25¹.

Settlement of the CPI futures is effected by cash settlement against the final settlement price of 100 minus the annualized inflation in the latest three months² implied by the Consumer Price Index - U.S. city average for all urban consumers, all items, not seasonally adjusted series (CPI-U).

Benchmark Consumer Price Index series – Of the many Consumer Price Index series published by the Bureau of Labor Statistics (BLS), one price index emerges as the natural candidate for the futures contract, viz. Consumer Price Index, U.S. city average for all urban consumers, all items, not seasonally adjusted (CPI-U). The inflation-indexed Treasury securities, TIPS, employ the same price index series for determining inflation accretion in the face value of the securities.

CPI-U is based on a market-basket of goods ‘consumed’ by a wide spectrum of households (adding up to about 87 percent of the total U.S. population) and reflects the buying habits of wage earners and clerical worker households, groups such as professional, managerial, and technical workers, the self-employed, short-term workers, the unemployed, and retirees and others not in the labor force. The market basket comprises goods and services that these households purchase for day-to-day living. The basket includes food, clothing, shelter, fuels, transportation, charges for doctors’ and dentists’ services, and drugs. The BLS tracks changes in consumer spending patterns and accordingly modifies the contents of the market basket as well as the weights assigned to individual items.

The sample area of the CPI-U survey covers 87 urban areas across the country, and includes about 50,000 housing units and approximately 23,000 retail establishments. Prices are collected from various retail outlets and service centers; for example, department stores, supermarkets, hospitals, and filling stations. All prices are inclusive of any taxes on the purchase and use of goods and services in the index. Except for fuels and a few other items whose prices are obtained every month in all 87 locations, price information for other items in the index market basket is typically collected every month in the three

¹ While the Exchange rule stipulates that the contract shall be an index future based on the Reference CPI Futures Index with a multiplier of \$2,500, the implied \$25 value for each 0.01 Index point is identical to that of the Eurodollar futures. Thus, one may interpret the contract as futures on a three-month instrument with a notional value of \$1,000,000.

² A couple of comments are in order: (i) unlike the Eurodollar, the CPI futures are necessarily “backward looking.” The expiring futures contract is settled against the inflation history of the immediate past; (ii) as we will discuss later, there is a slight lag in the release of the CPI numbers associated with the calendar month. Thus, the three-month period covered by a quarterly contract month is not a calendar quarter; (iii) short-term interest rate futures seldom, if ever, trade “overpar,” i.e. at prices over 100.00. However, overpar valuation of CPI futures is a distinct possibility. A price of over 100.00 in CPI futures reflects a deflation in the three-month period covered by the contract.

largest geographic areas and every other month in other areas. These surveys are conducted by BLS representatives either by personal visit or by telephone.

The Bureau publishes both seasonally adjusted and unadjusted price index series. The proposed futures contract will be based on the latter. The following table shows the historical CPI-U index value since 1999 (1982-84 = 100.0).

Reference Month	CPI-U Index	Reference Month	CPI-U Index	Reference Month	CPI-U Index
Jan-99	164.3	Jan-01	175.1	Jan-03	181.7
Feb-99	164.5	Feb-01	175.8	Feb-03	183.1
Mar-99	165.0	Mar-01	176.2	Mar-03	184.2
Apr-99	166.2	Apr-01	176.9	Apr-03	183.8
May-99	166.2	May-01	177.7	May-03	183.5
Jun-99	166.2	Jun-01	178.0	Jun-03	183.7
Jul-99	166.7	Jul-01	177.5	Jul-03	183.9
Aug-99	167.1	Aug-01	177.5	Aug-03	184.6
Sep-99	167.9	Sep-01	178.3	Sep-03	185.2
Oct-99	168.2	Oct-01	177.7	Oct-03	185.0
Nov-99	168.3	Nov-01	177.4	Nov-03	184.5
Dec-99	168.3	Dec-01	176.7	Dec-03	184.3
Jan-00	168.8	Jan-02	177.1		
Feb-00	169.8	Feb-02	177.8		
Mar-00	171.2	Mar-02	178.8		
Apr-00	171.3	Apr-02	179.8		
May-00	171.5	May-02	179.8		
Jun-00	172.4	Jun-02	179.9		
Jul-00	172.8	Jul-02	180.1		
Aug-00	172.8	Aug-02	180.7		
Sep-00	173.7	Sep-02	181.0		
Oct-00	174.0	Oct-02	181.3		
Nov-00	174.1	Nov-02	181.3		
Dec-00	174.0	Dec-02	180.9		

The Bureau of Labor Statistics usually publishes the index for the calendar month on a pre-announced day towards the middle of the following month. For example, the CPI figure for the month of July 2003 was release on August 15, 2003. The following table shows the release dates or scheduled release dates of CPI statistics from January 2003 to December 2004. Note that the release dates do not necessarily fall on a particular weekday. Generally speaking, the Bureau sets the release dates for the immediately following year towards the end of the current calendar year.

Reference Month	Release Date	Reference Month	Release Date
Jan-03	Friday, February 21, 2003	Jan-04	Friday, February 20, 2004
Feb-03	Friday, March 21, 2003	Feb-04	Wednesday, March 17, 2004
Mar-03	Wednesday, April 16, 2003	Mar-04	Wednesday, April 14, 2004
Apr-03	Friday, May 16, 2003	Apr-04	Friday, May 14, 2004
May-03	Tuesday, June 17, 2003	May-04	Tuesday, June 15, 2004
Jun-03	Wednesday, July 16, 2003	Jun-04	Friday, July 16, 2004
Jul-03	Friday, August 15, 2003	Jul-04	Friday, August 17, 2004
Aug-03	Tuesday, September 16, 2003	Aug-04	Thursday, September 16, 2004
Sep-03	Thursday, October 16, 2003	Sep-04	Tuesday, October 19, 2004
Oct-03	Tuesday, November 18, 2003	Oct-04	Wednesday, November 17, 2004
Nov-03	Tuesday, December 16, 2003	Nov-04	Friday, December 17, 2004
Dec-03	Thursday, January 15, 2004	Dec-04	Wednesday, January 19, 2005

Final Settlement Procedure - The final settlement price of CPI futures shall be 100 minus the annualized inflation rate over the three months immediately preceding the contract month. For a December 2003 contract, the relevant inflation rate would be determined by the CPI-U for the months August and November 2003 (released in September and December 2003 respectively). So as we pointed out earlier, an expiring futures contract is settled against the inflation history of the recent past. To the extent that the actual compilation of the CPI-U requires time, it is not possible to utilize the contract month as the concluding calendar month for the three-month period for which inflation is determined.

As shown in the table above, CPI numbers for a particular contract month are always released with a lag. As release dates are published to cover the immediate following calendar year, it is very likely that when a deferred contract month is listed for trading, the precise expiration date will not be known. In such instances, the last trading day of the contract month will be set as the tentative expiration date, which will be finalized once BLS publishes its release schedule.

Any index measures changes in prices in comparison to a reference date. It is typically the case that the value of the index on this reference or base date is set to 100.0. The base date for the CPI-U is the period 1982-84. The CPI-U for the month of July 2003 was 183.9. This indicates that prices for the basket of goods and services underlying the index have risen 83.9 percent since the base period of 1982-84. In other words, if one unit of this basket cost \$10.00 in 1982-84, the same basket would cost \$18.39 in the month of July 2003.

So as to keep the index relevant, the Bureau of Labor Statistics could change the base date anytime in the future. Given the impact of the change, the Bureau will tend to give sufficient notice before implementing it. Based on prior experience, even after the change it will continue to publish the index using both the old and new base dates. As per current rules, the final settlement price of our CPI futures for the nearby contract month will refer to the index value computed using the old base. All succeeding contract months will be based on the new index series.

Though CPI-U release dates for different contract months are known in advance, unforeseen delays are possible, though highly improbable. In the event that the scheduled release is postponed, trading may be extended until the earlier of, the actual announcement, or the end of the calendar month. As long as the applicable CPI-U value is released before the end of the calendar month, the usual procedure for determining the final settlement price for the expiring remains applicable. If the delay extends beyond the calendar month, the final settlement price for the affected contract will be calculated using a specific procedure similar to the inflation estimation in TIPS trading. This methodology is described in detail in the next section when we explain the specific contract terms.

If you have any questions, please contact Mr. Sayee Srinivasan, Associate Director, Research and Product Development, at (312) 454-5205.

3. REVIEW OF INDIVIDUAL CONTRACT TERMS FOR CPI FUTURES

This section offers a description and explanation of CPI futures contract terms and conditions. The Exchange intends to offer CPI futures contracts on the GLOBEX® electronic trading platform. Rules pertaining to contract size, final settlement price, quote specification, and tick size, mirror those for our Eurodollar futures contracts. Other terms replicate extant stock index futures and option contracts.

Contract Size – Rule 41001., COMMODITY SPECIFICATIONS, provides that “[e]ach futures contract shall be valued at \$2500.00 times the Reference CPI Futures Index defined as 100.00 less the annualized percentage change, in the three months immediately preceding the contract month, in the Consumer Price Index, U.S. city average for all urban consumers, all items, non-seasonally adjusted series, published by the Bureau of Labor Statistics, United States Department of Labor.” The implied \$25 value for each 0.01 Index point is identical to that of the Eurodollar futures. Thus, one may interpret the contract as futures on a three-month instrument with a notional value of \$1,000,000.

Quotation Specification - Rule 41002.C., Price Increments, specifies that “[b]ids and offers shall be quoted in IMM terms of the Reference CPI Futures Index defined as 100.00 less the annualized percentage change, in the three months immediately preceding the contract month, in the Consumer Price Index, U.S. city average for all urban consumers, all items, non-seasonally adjusted series, published by the Bureau of Labor Statistics, United States Department of Labor. (Three-month inflation at the rate of 3.20% per annum shall be quoted as 96.80). The minimum fluctuation of the futures contract shall be .005 index points,” equivalent to \$12.50 per contract. A minimum price variation at 0.005 index point is identical to other short-term interest rate futures, e.g. Eurodollar futures.

Position Limits - Per Rule 41002.D., Position Limits, states that “[a] person shall not own or control more than 5,000 contracts net long or net short in all contract months combined.” Rule 41002.F., Exemptions, clarifies that the above limits “shall not apply to bona fide hedge positions meeting the requirements of Regulation 1.3(z)(1) of the CFTC and the rules of the Exchange, and shall not apply to arbitrage positions and intercommodity spread positions subject to Rule 543.B.”

Final Settlement Price - Per Rule 41003.A., the Final Settlement Price shall be “the Reference CPI Futures Index for the contract month, rounded to the nearest 1/10000th of a percentage point.” This rounding convention is the same as those for Eurodollar futures and interest rate swap futures contracts.

“The Reference CPI Futures Index shall be determined by the annualized percentage change, in the three months immediately preceding the contract month, in Consumer Price Index, U.S. city average for all urban consumers, all items, non-seasonally adjusted series, published by the Bureau of Labor Statistics, United States Department of Labor (CPI-U). For example, the Reference CPI Futures Index for the June 2003 contract is computed using the annualized percentage change from the CPI-U for February 2003 (released in March 2003) to CPI-U for May 2003 (released in June 2003). Suppose the CPI-U for February and May 2003 are 183.1 and 183.5 respectively, the Reference CPI Futures Index for the June 2003 contract shall be 100.00 less the following value,

$$4 \times 100.00 \times \frac{183.5 - 183.1}{183.1} = 0.873839432,$$

rounded to 0.8738. The Reference CPI Futures Index as well as the Final Settlement Price shall be $100.00 - 0.8738 = 99.1262$.”

Notice that at final settlement the inflation covered by the CPI futures is derived for the most recent three-month period. To the extent that the actual compilation of the Consumer Price Index requires time, it is not possible to utilize the contract month as the concluding calendar month in the three-month period for which Reference CPI Futures Index is being determined.

Rule 41003.A., Final Settlement Price, clarifies that “[s]ubsequent revisions to the CPI-U data shall not be recognized.” It also states that “[i]n the event that the Bureau of Labor Statistics changes the base period, the Reference CPI Futures Index and the Final Settlement Price for the nearby contract month shall be determined by referencing the CPI-U calculated using the old base period.”

In case the CPI-U numbers have not been released by the end of the contract month, “the Reference CPI Futures Index and the Final Settlement Price shall be computed using the CPI-U value calculated based on the last twelve-month change in the CPI-U available. If the CPI for month M is not reported by the end of the next month, the Exchange will use the following formula to calculate the index number (assuming the last reported CPI-U was N months prior to month M):

$$CPI_M = CPI_{M-N} \times \left[\frac{CPI_{M-N}}{CPI_{M-N-12}} \right]^{\frac{N}{12}}$$

Suppose the August 2005 CPI-U has not been released by the end of the September 2005 contract month. The last released CPI-U for May 2005 was 120.1; the CPI-U for May 2004 was 105.0. The CPI-U for August 2005 shall be

$$120.1 \times \left[\frac{120.1}{105.0} \right]^{\frac{3}{12}} = 124.2028137,$$

rounded to 124.2. Such CPI-U calculations in the case of delays by the Bureau of Labor Statistics in the release of CPI-U data beyond the contract month, shall reference only CPI-U data released by the Bureau of Labor Statistics or any other U.S. governmental agency or body. Calculated values shall be referenced only for the purpose of determining the Reference CPI Futures Index and the Final Settlement Price for contract months for which relevant CPI-U data have not been released.”

This extrapolation technique is similar to that adopted by the U.S. Treasury for its TIPS securities to compute coupon payments for months for which the Bureau of Labor Statistics has not yet released the CPI-U numbers. Inclusion of this rule helps the Exchange avoid the less preferred option of keeping the contract open beyond the contract month.

If you have any questions, please contact Mr. Sayee Srinivasan, Associate Director, Research and Product Development, at (312) 454-5205.

4. LEAD MARKET MAKER (LMM) PROGRAM

The Exchange has designated Barclays Capital Inc. to act as a lead market maker (LMM) for CPI futures. The LMM program will be as per CME Rule 580 – GLOBEX TRADE ALGORITHMS and CME Rule 581 – GLOBEX LEAD MARKET MAKER PROGRAM. As long as the LMM posts bids and offers of the width and depth as agreed, it will be entitled to a waiver of GLOBEX system fees during the term for which the designated LMM continues to act as such. Further, the LMM will receive guaranteed allocation using the LMM matching algorithm without the “TOP” order functionality as per the Interpretation of Rule 580 – GLOBEX TRADE ALGORITHMS.

Additions are underlined in the following INTERPRETATION OF RULE 580 - GLOBEX TRADE ALGORITHMS.

INTERPRETATION OF RULE 580 - GLOBEX TRADE ALGORITHMS

Pro Rata Allocation Algorithm
(No change)

Implied Order Algorithm
(No change)

Lead Market Maker (LMM) Allocation Algorithms

The Exchange may designate, per the provisions of Rule 581, GLOBEX Lead Market Maker Program, multiple Lead Market Makers (LMMs) in specified futures and option markets traded on the GLOBEX Electronic Trading System. The Exchange has determined to use either LMM Allocation Algorithm (Option A) or LMM Allocation Algorithm (Option B) as described below to match orders in such specified markets. Two-, Five- and Ten-Year Swap Rate futures shall be subject to LMM Allocation Algorithm (Option A). Weather futures and CPI futures shall be subject to LMM Allocation Algorithm (Option B). All other futures and options contracts, unless specifically referenced in this Interpretation, will continue to use the normal matching algorithm based on price and time priority.

(The remainder of the interpretation is unchanged.)

If you have any questions, please contact Mr. Larry Grannan, Associate Director, Interest Rate, at (312) 454-8312.

5. INITIAL TRADING HOURS

On Sunday, February 8, 2004, CPI futures will begin trading at 5:30 p.m. (Chicago time).

GLOBEX

Sundays from 5:30 p.m. to 4:00 p.m. the following day; on Mondays through Thursdays from 5:00 p.m. to 4:00 p.m. the following day.

If you have any questions, please contact Mr. Sayee Srinivasan, Associate Director, Research and Product Development, at (312) 454-5205.

6. INITIAL CONTRACT MONTHS AND LISTING PROCEDURES

The futures listing schedule includes twelve (12) March quarterly cycle months.

The last trading day for all contracts will be 7:00 a.m. Chicago Time on the day CPI announcement is made in the contract month. If the release of the relevant CPI data by the Bureau of Labor Statistics is postponed beyond the contract month, trading ceases at 7:00 a.m. Chicago Time on the first business day following the contract month.

At the initial listing of a contract month, if the scheduled date of the release of the CPI for the contract month is undetermined, the Last Trading Day shall be tentatively set to 7:00 a.m. Chicago Time on the first business day following the contract month. Upon the announcement of the CPI release schedule for the contract month, the Last Trading Day shall be reset to 7:00 a.m. Chicago Time on the scheduled day of CPI release.

Please note at this time, the BLS has announced release dates extending through to the December 2004 CPI numbers which will be announced on January 19, 2005. Updated information will be available at www.bls.gov/cpi and www.cme.com/cpi.

INITIAL FUTURES CONTRACT MONTHS

<u>Outrights</u>	<u>GLOBEX</u>	<u>Expiration/Tentative Expiration</u>
Quarter 1	March 2004	March 17, 2004
Quarter 2	June 2004	June 15, 2004
Quarter 3	September 2004	September 16, 2004
Quarter 4	December 2004	December 17, 2004
Quarter 5	March 2005	April 1, 2005
Quarter 6	June 2005	July 1, 2005
Quarter 7	September 2005	October 3, 2005
Quarter 8	December 2005	January 2, 2006
Quarter 9	March 2006	April 3, 2006
Quarter 10	June 2006	July 3, 2006
Quarter 11	September 2006	October 2, 2006
Quarter 12	December 2006	January 2, 2007

<u>Calendar Spreads</u>	<u>GLOBEX</u>
Quarter 2 vs. Quarter 1	June 2004 and March 2004
Quarter 3 vs. Quarter 1	September 2004 and March 2004
Quarter 4 vs. Quarter 1	December 2004 and March 2004
Quarter 3 vs. Quarter 2	September 2004 and June 2004
Quarter 4 vs. Quarter 2	December 2004 and June 2004
Quarter 4 vs. Quarter 3	December 2004 and September 2004

FUTURES CONTRACT MONTH LISTING PROCEDURES

CME will list the next March quarterly futures contract month not yet listed for trading on the business day following termination of the nearby March quarterly futures contract month.

If you have any questions about the listing of contract months on GLOBEX®, please contact Mr. John Restivo, Director, GLOBEX® Control Center (GCC), at (312) 648-5475.

7. MEMBERSHIP ACCESS/NEW PRODUCT ACCESS PROGRAM

CPI futures will be allocated to the IMM Division. Also, according to CME Rule 194 - NEW PRODUCT ACCESS PROGRAM, the CPI futures contract will be included in the Exchange's "New Product Access Program." One effect of this provision is that GEM members trading these products will be charged lessee clearing fee rates rather than out-of-division rates for a limited time.

GEM members wanting to spread CPI futures with Eurodollar futures must enter orders for those trades either simultaneously with or after the CPI futures leg.

Additions are underlined in the following interpretation of Rules 135.A. and 135.B. REGARDING ALLOWABLE SPREADS FOR GEM MEMBERS.

INTERPRETATION OF RULES 135.A. AND 135.B. REGARDING ALLOWABLE SPREADS FOR GEM MEMBERS

Rule 135.A. provides that GEM members may not while on the floor of the Exchange enter orders for products of other Divisions except for bona fide spread transactions involving products within the GEM Division and that GEM members may not solicit business from the floor of the Exchange except for business in products traded in the GEM Division and bona fide spread involving such products.

The only allowable spreads involving non-GEM products that GEM members may enter into or solicit while on the trading floor are listed below:

GSCI	with	Live Cattle and Lean Hogs
Russell 2000	with	S&P 500, S&P Mid-Cap
S&P/Barra Growth and Value	with	S&P 500, S&P Mid-Cap
Live Cattle Serial (Odd) Months	with	Live Cattle Even Months*
CME\$INDEX™	with	Euro FX, Japanese yen, British pound, Swiss franc, Australian dollar, Canadian dollar, Swedish krona
E-Mini NASDAQ	with	E-Mini NASDAQ-100, E-Mini S&P 500, E-Mini S&P MidCap 400, E-Mini Russell 2000, S&P SmallCap 600, Russell 1000, Financial SPCTR, Technology SPCTR
CPI	with	Eurodollar

*Provided the GEM member also maintains a Serial Month Live Cattle Permit.

When such spreads are executed on a legged basis, the GEM leg of the spread must always precede the non-GEM leg with the exception of the Live Cattle Serial Months/Live Cattle Even Months spread where either leg may be executed first. Please note that these restrictions do not apply to spreads in which all of the component parts are GEM products.

If you have any questions, please contact Ms. Lori Aldinger, Senior Market Analyst, Financial Product Development, at (312) 930-2337.

8. REPORTABLE POSITION LEVELS AND UNDERLYING CASH INSTRUMENT FOR A CPI FUTURES EFP

For purposes of Rule 817- REPORTS OF LARGE POSITIONS, the minimum levels at which positions must be reported to the Exchange is 25.

At this point in time, CPI futures will not be eligible for EFP.

If you have any questions, please call Mr. Steven Mair, Manager, Currency Market Surveillance, at (312) 466-4382.

9. BLOCK TRADING

Block trading is allowed in the CPI futures with a minimum threshold set at 50 contracts. Rule 526 – BLOCK TRANSACTIONS defines procedures for block trading. See also the Block Trading FAQ on the CME Web site for frequently asked questions concerning block trading and the minimum thresholds for executing blocks (<http://www.cme.com/allaire/spectra/system/securedmediastore/blocktrad.pdf>).

If you have any questions, please call Ms. Lori Aldinger, Senior Market Analyst, Financial Product Development, at (312) 930-2337.

10. SELECTED QUOTE VENDORS AND CUSTOMER SERVICE NUMBERS

Vendor Name	Customer Service Number	System Name	CPI Futures (CPI)
Bloomberg	1-609-279-4110	Bloomberg	JDA<index>
CGI Group Inc.	1-800-387-8121	Starquote	CPIimmy
CQG Inc.	1-800-525-1085	CQG for Windows	CPI~
Data Transmission Network	1-800-779-5000		@CPI
E-Signal	1-800-762-7538	eSignal	CPI my
E-Signal/BMI	1-800-762-7538	Market Center	CPI my
Futuresource	1-800-678-6333	Futures Source	CPI
Hyperfeed/PC Quote	1-800-778-0445		/Tlym
ILX Systems	1-800-225-5459	ILX Workstation	OW/my
Reuters	1-800-325-4357	IDN (ETH)	0#CPI:
Bridge	1-800-325-4357	BIS	us@CPI.1
Telerate	1-800-325-4357	Telerate	CPIyymm
Telesphere	1-800-325-4357	Telesphere	n/a
S&P Comstock	1-914-381-7000	S&P Comstock	
Sungard	1-877-278-6371	PowerPartner	1CP*
Track Data	1-212-612-2100	MX	CPI`
CME Quote Vendor Services	1-312-930-8193		

If you have any questions, please contact Ms. Laura Sutor, Market Data Analyst, Market Data Operations, at (312) 648-5480.

11. GLOBEX ERROR TRADE POLICY

The standard GLOBEX error trade policy for Eurodollar futures will apply to CPI futures too. This includes a no bust range of "5 basis points or less" which is currently applicable for Eurodollar futures.

Additions are underlined in the following INTERPRETATIONS AND SPECIAL NOTICES TO CHAPTER 5, CME GLOBEX ERROR TRADE POLICY.

CME GLOBEX ERROR TRADE POLICY

[Rules A to F are unchanged.]

G. Busting Trades After System Freeze

In certain types of GLOBEX system failures, it is possible that the matching engine will freeze with live orders in the queue waiting to be matched. When the system is unfrozen, the pending orders can be matched before the GCC can halt the matching engine. The GCC is authorized to bust trades resulting from matches in these circumstances if, and only if, the price of such trades is outside of the No Bust Range at the time that a confirmation of the trades was sent.

GLOBEX Error Trade Tick Range List

<u>Futures Contract</u>	<u>No Bust Range</u>
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[Eurodollar through TIIE and CETES entries are unchanged.]

<u>CPI Futures</u>	<u>5 basis points or less</u>
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[Currency Futures through remainder of rule are unchanged.]

If you have any questions, please contact Mr. John Restivo, Director, GLOBEX® Control Center (GCC), at (312) 648-5475.

12. GLOBEX PRICE BANDS

There are no price limits for GLOBEX trading for CPI futures contracts, but price banding is in effect. The price band will be set at twenty basis points (0.20), or forty (40) ticks, or four (4) times the no bust range of five (5) basis points, for both outright and calendar spreads.

On CPI announcement/release dates, for one (1) hour before and for one (1) hour after the scheduled announcement time (which is 7:30 am Chicago time), the price band will be widened to two hundred basis points (2.00), or four hundred (400) ticks, or forty (40) times the no bust range of five (5) basis points, for both outright and calendar spreads.

Here is the current list of CPI announcement dates for the rest of 2004. Please note that all times are Chicago times. The BLS tends to announce future release dates towards the end of the calendar year. Updated information is available at www.bls.gov/cpi.

Reference Month	Release Date	Release Time (Chicago Time)
January 2004	Feb. 20, 2004	7:30 am
February 2004	Mar. 17, 2004	7:30 am
March 2004	Apr. 14, 2004	7:30 am
April 2004	May 14, 2004	7:30 am
May 2004	Jun. 15, 2004	7:30 am
June 2004	Jul. 16, 2004	7:30 am
July 2004	Aug. 17, 2004	7:30 am
August 2004	Sept. 16, 2004	7:30 am
September 2004	Oct. 19, 2004	7:30 am
October 2004	Nov. 17, 2004	7:30 am
November 2004	Dec. 17, 2004	7:30 am
December 2004	Jan. 19, 2005	7:30 am

If you have any questions, please contact Mr. John Restivo, Director, GLOBEX® Control Center (GCC), at (312) 648-5475.

13. GLOBEX ORDER ENTRY MAXIMUM

Size restrictions will be imposed on orders for CPI futures at levels similar to those for the Swap Rate futures contracts. Orders for outright exceeding 1,000 contracts must be entered on GLOBEX as multiple entries each of which must not exceed 1,000 contracts. The same order entry maximum will be imposed on calendar spread orders for CPI futures.

Additions are underlined in the following CME RULE 560. RESTRICTIONS ON INTEREST RATE FUTURES TRADED ON GLOBEX.

560. RESTRICTIONS ON INTEREST RATE FUTURES TRADED ON GLOBEX

560.A. General

The following provisions apply to the trading of interest rate futures contracts on GLOBEX. To the extent that this rule is inconsistent with any other rule, this rule shall control.

560.B. Execution of Orders

1. Orders of any quantity may be accepted for interest rate futures for entry on the GLOBEX System. However, orders for 10-Year Swap Rate, 5-Year Swap Rate and 2-Year Swap Rate futures or option contracts and CPI futures contracts exceeding 1,000 contracts must be entered on the GLOBEX System as multiple entries each of which must not exceed 1,000 contracts. Orders for Eurodollar futures contracts exceeding 2,000 contracts must be entered on the GLOBEX System as multiple entries each of which must not exceed 2,000 contracts.

2. Reserved
3. Reserved
4. Calendar spread or combination orders of any quantity may be accepted for Eurodollar futures contracts for entry on the GLOBEX System. However, calendar spread or combination orders exceeding 2,000 contracts per month must be entered on the GLOBEX System as multiple entries each of which must not exceed 2,000 contracts.
5. There shall be no post-settlement session 10-Year Swap Rate, 5-Year Swap Rate and 2-Year Swap Rate futures or option contracts.
6. Calendar spread orders of any quantity may be accepted for 10-Year Swap Rate, 5-Year Swap Rate and 2-Year Swap Rate futures or option contracts and CPI futures contracts for entry on the GLOBEX System. However, calendar spread orders exceeding 1,000 contracts per contract month must be entered on the GLOBEX System as multiple entries each of which must not exceed 1,000 contracts.
7. Cross-trades are not permitted in 10-Year Swap Rate, 5-Year Swap Rate and 2-Year Swap Rate futures or option contracts.
8. Reserved

If you have any questions, please contact Mr. John Restivo, Director, GLOBEX® Control Center (GCC), at (312) 648-5475.

14. PERFORMANCE BOND REQUIREMENTS

CPI Futures Outrights

Rate Type	Current Initial	Current Maintenance	Initial	Maintenance
Spec	N/A	N/A	\$945	\$700
Hedge/Member	N/A	N/A	\$700	\$700

CPI Futures Calendar Spread Rates

Rate Type	Current Initial	Current Maintenance	Initial	Maintenance
Spec	N/A	N/A	\$378	\$280
Hedge/Member	N/A	N/A	\$280	\$280

CPI vs. Eurodollar (1:1)

CPI Futures Inter-Commodity Spread Rates

Rate Type	Current Initial	Current Maintenance	Initial	Maintenance
Spec	N/A	N/A	\$945	\$700
Hedge/Member	N/A	N/A	\$700	\$700

If you have any questions, please contact the Risk Control Department at (312) 648-3888.

15. PROMOTIONAL FEE WAIVER

The CPI futures contract will be eligible for a six-month exchange fee waiver program. The six-month period begins on the trade date of Monday, February 9, 2004 and ends on the trade date of Friday, August 6, 2004. After the conclusion of the 6-month fee waiver program, the following fee schedule will be in effect on a per side per contract basis:

Account	Clearing Fees	GLOBEX Fees
Equity/Clearing Member	\$0.08	\$0.10
106.I Members and their 100% owned subsidiaries	\$0.08	\$0.10
Rule 106.D Lessees / Rule 106.F Employees	\$0.29	\$0.10
106 H/N Firms	\$0.49	\$0.10
Customers of Member Firms	\$0.64	\$0.80
	CPI	
Block Trade Surcharge	\$1.00	

If you have any questions, please contact Mr. Larry Grannan, Associate Director, Interest Rate at (312) 454-8312, or Mr. Sayee Srinivasan, Associate Director, Research and Product Development, at (312) 454-5205.

16. SUMMARY OF FUTURES CONTRACT SPECIFICATIONS

Consumer Price Index Futures Contract Specification Summary

Ticker Symbol	GLOBEX = CPI; Clearing = CU
Contract Size	Contract Valued at \$2,500 times Reference CPI Futures Index
Reference CPI Futures Index	100.00 - annualized inflation rate in the three-month period preceding the contract month based on the Consumer Price Index, U.S. city average for all urban consumers, all items, not seasonally adjusted ("CPI-U" or "CPI").
Contract Months	12 consecutive "March quarterly" contract months
Trading Venue and Hours	Traded on GLOBEX® on Sundays from 5:30 p.m. to 4:00 p.m. the following day; on Mondays through Thursdays from 5:00 p.m. to 4:00 p.m. the following day (All times refer to local Chicago times)
Minimum Price Fluctuation	0.005 Index points or \$12.50
Price Limit	No price limits. Price banding will be in effect as follows: On non-CPI announcement/release dates, the price band will be set at 0.20, i.e., 40 ticks, for both outright and calendar spreads. On CPI announcement/release dates, 60 minutes before and 60 minutes after the scheduled announcement time (7:30 a.m. Chicago time), the price band will be widened to 2.00, i.e., 400 ticks, for both outright and calendar spreads.
Last Trading Day³	7:00 a.m. Chicago Time on the day CPI announcement is made in the contract month. If the release of the relevant CPI data by the Bureau of Labor Statistics is postponed beyond the contract month, trading ceases at 7:00 a.m. Chicago Time on the first business day following the contract month.
Final Settlement Price	By cash settlement on the last day of trading. The final settlement price shall be calculated as 100 less the annualized % change in CPI-U over past 3-months, rounded to four (4) decimal places, or $100 - [400 \times ((\text{CPI}_t \div \text{CPI}_{t-3}) - 1)]$ <p><i>E.g., for the June 2003 contract, the applicable CPI-U figures are those for May 2003 (183.5, released on June 17, 2003) and February 2003 (183.1, released on March 21, 2003). The final settlement price shall be</i></p> $99.1262 = 100 - [400 \times ((183.5 \div 183.1) - 1)]$

³ At the initial listing of a contract month, if the scheduled date of the release of the CPI for the contract month is undetermined, the Last Trading Day shall be tentatively set to 7:00 a.m. Chicago Time on the first business day following the contract month. Upon the announcement of the CPI release schedule for the contract month, the Last Trading Day shall be reset to 7:00 a.m. Chicago Time on the scheduled day of CPI release.

	Note that a price of over 100.0 suggests deflation during the three-month period.
Position Limits	5,000 CPI Futures Contracts, net long or short in all contract months combined

If you have any questions, please contact Mr. Sayee Srinivasan, Associate Director, Research and Product Development, at (312) 454-5205.

17. FUTURES CONTRACT RULES

CHAPTER 410: FUTURES ON THE CONSUMER PRICE INDEX

41000. SCOPE OF CHAPTER

This chapter is limited in application to futures trading in Consumer Price Index, U.S. city average for all urban consumers, all items, non-seasonally adjusted series, published by the Bureau of Labor Statistics, United States Department of Labor (CPI-U). The procedures for trading, clearing, delivery, settlement and any other matters not specifically contained herein shall be governed by the rules of the Exchange.

41001. COMMODITY SPECIFICATIONS

Each futures contract shall be valued at \$2500.00 times the Reference CPI Futures Index defined as 100.00 less the annualized percentage change, in the three months immediately preceding the contract month, in the Consumer Price Index, U.S. city average for all urban consumers, all items, non-seasonally adjusted series, published by the Bureau of Labor Statistics, United States Department of Labor.

41002. FUTURES CALL

41002.A. Trading Schedule

Futures contracts shall be scheduled for trading and delivery during such hours and in such months as may be determined by the Board of Directors.

41002.B. Trading Unit

The size of the unit of trading shall be the \$2,500.00 times the Reference CPI Futures Index defined as 100.00 less the annualized percentage change, in the three months immediately preceding the contract month, in the Consumer Price Index, U.S. city average for all urban consumers, all items, non-seasonally adjusted series, published by the Bureau of Labor Statistics, United States Department of Labor.

41002.C. Price Increments

Bids and offers shall be quoted in IMM terms of the Reference CPI Futures Index defined as 100.00 less the annualized percentage change, in the three months immediately preceding the contract month, in the Consumer Price Index, U.S. city average for all urban consumers, all items, non-seasonally adjusted series, published by the Bureau of Labor Statistics, United States Department of Labor. (Three-month inflation at the rate of 3.20% per annum shall be quoted as 96.80).

Minimum fluctuations of the futures contract shall be in multiples of .005. For each .005 increase in the futures contract the Clearing House shall credit (\$12.50 per contract) those clearing members holding open long positions and debit (\$12.50 per contract) those clearing members holding open short positions.

41002.D. Position Limits

A person shall not own or control more than 5,000 contracts net long or net short in all contract months combined.

41002.E. Accumulation of Positions

For 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.

41002.F. Exemptions

The foregoing position limits shall not apply to bona fide hedge positions meeting the requirements of Regulation 1.3(z)(1) of the CFTC and the rules of the Exchange, and shall not apply to arbitrage positions and intercommodity spread positions subject to Rule 543.B.

41002.G. Termination of Trading

Futures trading shall terminate at 7:00 a.m. Chicago Time on the day of the release of the Consumer Price Index by the Bureau of Labor Statistics, United States Department of Labor in the contract month. If the Bureau of Labor Statistics does not report a Consumer Price Index in the contract month, futures trading shall terminate at the 7:00 a.m. Chicago Time on the first business day following the contract month.

41002.H. Contract Modifications

Specifications shall be fixed as of the first day of trading on a contract, except that all deliveries must conform to government regulations in force at the time of delivery. If any U.S. governmental agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules and all open and new contracts shall be subject to such government orders.

41002.I. [Reserved]

41003. SETTLEMENT PROCEDURES

Delivery under the Consumer Price Index futures contracts shall be by cash settlement.

41003.A. Final Settlement Price

The Final Settlement Price shall be the Reference CPI Futures Index for the contract month, rounded to the nearest 1/10000th of a percentage point. The Reference CPI Futures Index shall be determined by the annualized percentage change, in the three months immediately preceding the contract month, in Consumer Price Index, U.S. city average for all urban consumers, all items, non-seasonally adjusted series, published by the Bureau of Labor Statistics, United States Department of Labor (CPI-U).

For example, the Reference CPI Futures Index for the June 2003 contract is computed using the annualized percentage change from the CPI-U for February 2003 (released in March 2003) to CPI-U for May 2003 (released in June 2003). Suppose the CPI-U for February and May 2003 are 183.1 and 183.5 respectively, the Reference CPI Futures Index for June 2003 contract shall be 100.00 less the following value,

$$4 \times 100.00 \times \frac{183.5 - 183.1}{183.1} = 0.873839432,$$

rounded to 0.8738. The Reference CPI Futures Index as well as the Final Settlement Price shall be $100.00 - 0.8738 = 99.1262$.

For the purpose of determining the Reference CPI Futures Index and the Final Settlement Price, the CPI-U data as originally released shall be referenced in the calculations. Subsequent revisions to the CPI-U data shall not be recognized. For example, the CPI-U for February 2003 as originally released in March 2003 shall be referenced in the calculation of the Reference CPI Futures Index for the June 2003 contract. Any subsequent revision to the CPI-U for February 2003 shall not be recognized.

In the event that the Bureau of Labor Statistics does not publish the CPI-U during the contract month, the Reference CPI Futures Index and the Final Settlement Price shall be computed using the CPI-U value calculated based on the last twelve-month change in the CPI-U available. If the CPI for month M is not reported by the end of the next month, the Exchange will use the following formula to calculate the index number (assuming the last reported CPI-U was N months prior to month M):

$$CPI_M = CPI_{M-N} \times \left[\frac{CPI_{M-N}}{CPI_{M-N-12}} \right]^{\frac{N}{12}}$$

Suppose the August 2005 CPI-U has not been released by the end of the September 2005 contract month. The last released CPI-U for May 2005 was 120.1; the CPI-U for May 2004 was 105.0. The CPI-U for August 2005 shall be

$$120.1 \times \left[\frac{120.1}{105.0} \right]^{\frac{3}{12}} = 124.2028137,$$

rounded to 124.2. Such CPI-U calculations in the case of delays by the Bureau of Labor Statistics in the release of CPI-U data beyond the contract month, shall reference only CPI-U data released by the Bureau of Labor Statistics or any other U.S. governmental agency or body. Calculated values shall be referenced only for the purpose of determining the Reference CPI Futures Index and the Final Settlement Price for contract months for which relevant CPI-U data have not been released.

In the event that the Bureau of Labor Statistics changes the base period, the Reference CPI Futures Index and the Final Settlement Price for the nearby contract month shall be determined by referencing the CPI-U calculated using the old base period. The Reference CPI Futures Index and the Final Settlement Price for all succeeding contract months shall be determined by referencing the CPI-U calculated using the new base period.

41003.B. Final Settlement

Clearing members holding open positions in Consumer Price Index futures contract at the time of termination of trading in that contract shall make payment to or receive payment from the Clearing House in accordance with normal variation performance bond procedures based on a settlement price equal to the final settlement price.

41004. EMERGENCIES, ACTS OF GOD, ACTS OF GOVERNMENT

If the Exchange President determines that the calculation of the Final Settlement Price is prevented by strike, fire, accident, act of government, or act of God, 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.

(End Chapter 410)

If you have any questions, please contact Mr. Sayee Srinivasan, Associate Director, Research and Product Development, at (312) 454-5205.