

# Implied Options on Globex

## Livestock and Dairy

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# Implied Options on Globex

- 1 Introduction to Implied Options  
.....
- 2 Activating an Implied Book through an RFQ  
.....
- 3 Additional Information  
.....
- 4 Option Spread Strategies Eligible for Implied Options  
.....
- 5 Products Eligible for Implied Options

# Introduction to Implied Options on Globex

## What

Implied functionality **combines real orders** from multiple outright and spread markets to **create liquidity** that isn't visible when looking at a single book

## Why

**Increases onscreen liquidity**, by (1) combining real outrights into implied spreads, and (2) using real spreads to generate implied outrights

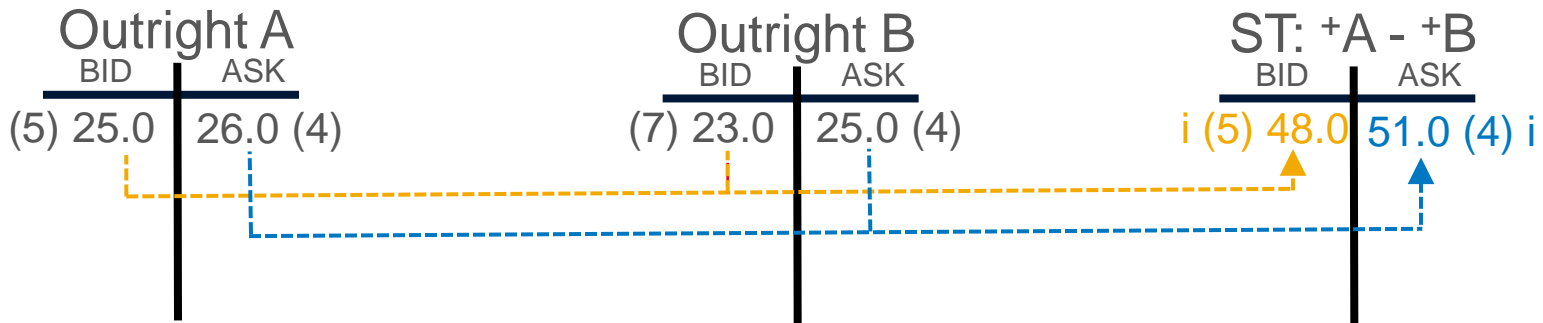
## How

1. **Request for Quote:** Trader submits RFQ on an eligible strategy, which turns on implied processing, and *could* generate an implied market on the strategy or the outright legs
2. **User Defined Spread:** Trader creates UDS, which generates a Quote Request message at instrument creation, turns on implied processing, and *could* generate implied strategies or outrights
3. **Request for Cross Window:** Trader submits a Quote Request message during RFC process, turns on implied processing and *could* generate implied strategies or outrights

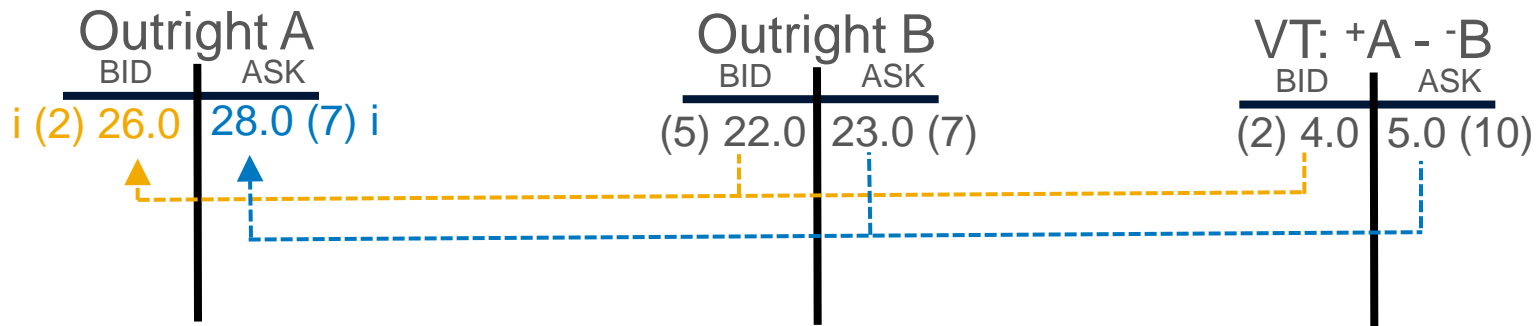
# Introduction to Implied Options on Globex

Implied functionality combines real orders from multiple outright and spread markets to create liquidity that isn't visible when looking at a single book

1. **Implied IN:** Two real outright orders create an implied order in the spread book

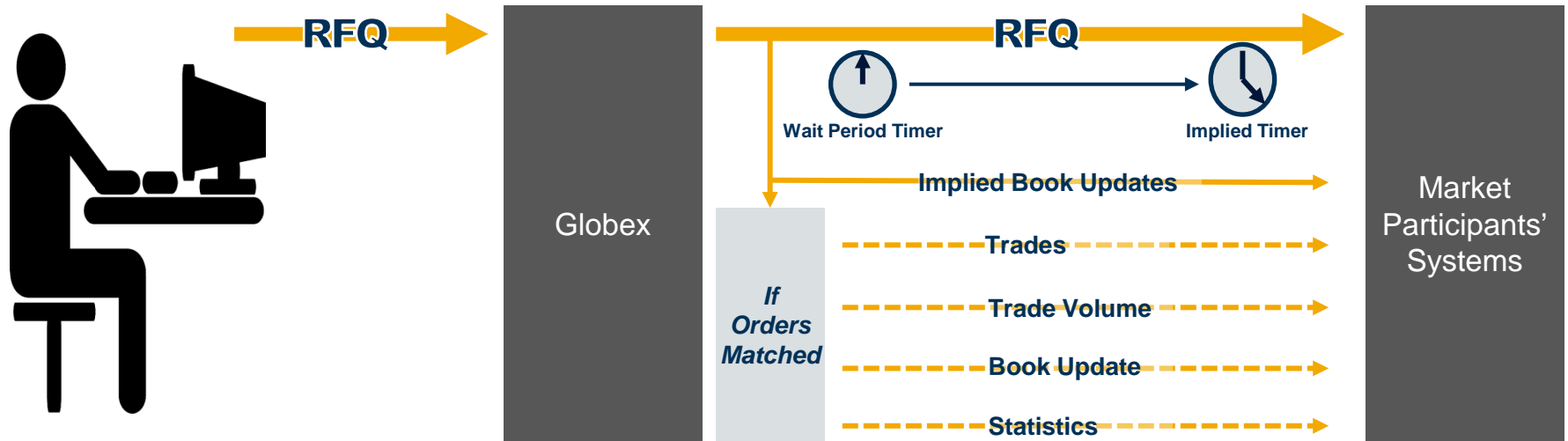


2. **Implied OUT:** Real spread and outright orders create an implied order in an outright book



- Note: Implied OUT also works when anchoring from Outright A to create implied orders in Outright B

# Activating an Implied Book through an RFQ



1. Trader Submits RFQ on Trading Platform
2. Wait Timer runs through cycle (timer TBD)
3. Implied Timer begins and Globex sends Implied book update to Market Participants (timer TBD)
4. If orders matched, Trades, Volume, Book Updates, Statistics, and Implied book Updates are sent to market participants' systems
5. When Implied Timer ends, implied Book Update deletes messages to client systems to remove the implied orders from the implied books

## Notes

- If Implieds become interrupted by a state change away from Open, they will automatically be turned off (except for Pre-Cross and Cross)
- A new RFQ will be required to restart implied functionality

# Additional Information

## Mass Quote Protection

- Implied trades will be included in Mass Quote Protection (MQP) valuations
- MQP will be evaluated and incremented after each trade
- Offsetting positions (buy/sell + delta protections) will always be evaluated at the end of an event, as long as all transactions take place during the same event
- MQP limits may be more easily triggered, because options will be included in generating implied books and potentially implied matches. Customers should adjust their MQP settings accordingly if the instruments that they are trading are implied eligible.

## Implied Order Priority

- **Order Priority**: Aggregated Price / Time with no preferential treatment for real orders
- **Implied Resolution**: Strategy receives price improvement

# Option Spread Strategies Eligible for Implied Options

- Starting with 8 recognized UDS strategies, below
  - All have 2 legs
  - All have 1:1 ratio
- Custom spread strategies will not imply
- Inter-commodities strategies are only allowed to imply as long as both outrights are included within a single product group and the strategy is listed below

Risk Reversal

Calendar

Diagonal

Straddle

Guts

Strangle

Double

Vertical



# Products Eligible for Implied Options

## Livestock

- **Feeder Cattle (GF)**
- **Lean Hogs (HE)**
- **Live Cattle (LE)**
- **Live Cattle Calendar Spread options (LOA, LOB, LOC)**

## Dairy

- **Cash-Settled Butter (CB)**
- **Cash-Settled Cheese (CSC)**
- **Class III Milk (DC)**
- **Class IV Milk (GDK)**
- **Dry Whey (DY)**
- **Non-fat Dry Milk (GNF)**

# Thank you

## Contact Us to Learn More

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