CME Group

Special Executive Report

DATE: **October 25, 2016**

SER#: **7754**

SUBJECT: **Amendments to Minimum Fluctuation Rule of Twelve (12) Treasury Options Contracts.**

Effective on Sunday, November 6, 2016 for trade date Monday, November 7, 2016 The Board of Trade of the City of Chicago, Inc. ("CBOT" or "Exchange") will implement amendments to the Minimum Fluctuation rule of the twelve (12) Treasury Options contracts (the "Contracts") listed below:

Chapter	Contract Title
18A	Standard Options on U.S. Treasury Bond Futures
18B	Flexible Options on U.S. Treasury Bond Futures
19A	Standard Options on Long-Term U.S. Treasury Note Futures
19B	Flexible Options on Long-Term U.S. Treasury Note Futures
20A	Standard Options on Medium-Term U.S. Treasury Note Futures
20B	Flexible Options on Medium-Term U.S. Treasury Note Futures
21A	Standard Options on Short-Term U.S. Treasury Note Futures
21B	Flexible Options on Short-Term U.S. Treasury Note Futures
26A	Standard Options on 10-Year U.S. Treasury Note Futures
26B	Flexible Options on 10-Year U.S. Treasury Note Futures
40A	Standard Options on Long-Term U.S. Treasury Bond Futures
40B	Flexible Options on Long-Term U.S. Treasury Bond Futures

The amendments are intended to clarify differences in cabinet pricing of the Contracts between the open outcry and CME Globex electronic trading venues as outlined in the related Market Regulation Advisory Notice concerning Cabinet Transactions in Option Products.

Appendix A provides the amendments in blackline format.

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Appendix A

Chapter 18A--Standard Options on U.S. Treasury Bond Futures

18A01.C. Minimum Fluctuations

The price of an option shall be in price points of such option's Underlying Futures Contract (Rule 18A01.D.), such that for each Underlying Futures Contract par is on the basis of 100 points, and each point is equal to $1,000 per Underlying Futures Contract (Rule 18102.C.).

The minimum price fluctuation for such option shall be one sixty-fourth (1/64th) of one point (equal to $15.625 per option contract), *provided that* a position in such option may be initiated or liquidated **at any price level** ~~at a price per option contract~~ ranging from $1.00 to $15.00 **per option contract**, in $1.00 increments**, unless otherwise specified in the current CBOT Market Regulation Advisory Notice entitled Cabinet Transactions in Options Products**.

Where the price of such option is quoted in volatility terms, the minimum price fluctuation shall be one tenth (1/10th) of one percent per annum (e.g., 9.9 percent, 10.0 percent, 10.1 percent, 10.2 percent).

Chapter 18B--Flexible Options on U.S. Treasury Bond Futures

18B01.C. Minimum Fluctuations

The premium for U.S. Treasury Bond Flexible futures options shall be in multiples of one sixty-fourth (1/64) of one percent (1%) of a $100,000 U.S. Treasury Bond futures contract which shall equal $15.625 per 1/64 and $1,000 per full point.

However, a position may be initiated or liquidated in U.S. Treasury Bond Flexible futures options ~~at a premium ranging from $1.00 to $15.00, in $1.00 increments per option contract.~~ **at any price level ranging from $1.00 to $15.00 per option contract, in $1.00 increments, unless otherwise specified in the current CBOT Market Regulation Advisory Notice entitled Cabinet Transactions in Options Products**.

If options are quoted in volatility terms, the minimum fluctuation shall be **0**.10 percent (i.e. -10.0%, 10.1%, 10.2%, etc.).

Chapter 19A--Standard Options on Long-Term U.S. Treasury Note Futures

19A01.C. Minimum Fluctuations

The price of an option shall be in price points of such option's Underlying Futures Contract (Rule 19A01.D.), such that for each Underlying Futures Contract par is on the basis of 100 points, and each point is equal to $1,000 per Underlying Futures Contract (Rule 19102.C.).

The minimum price fluctuation for such option shall be one sixty-fourth (1/64th) of one point (equal to $15.625 per option contract), *provided that* a position in such option may be initiated or liquidated **at any price level** ~~at a price per option contract~~ ranging from $1.00 to $15.00 **per option contract**, in $1.00 increments**, unless otherwise specified in the current CBOT Market Regulation Advisory Notice entitled Cabinet Transactions in Options Products**.

Where the price of such option is quoted in volatility terms, the minimum price fluctuation shall be one tenth (1/10th) of one percent per annum (e.g., 9.9 percent, 10.0 percent, 10.1 percent, 10.2 percent).

Chapter 19B--Flexible Options on Long-Term U.S. Treasury Note Futures

19B01.C. Minimum Fluctuations

The premium for Long-Term U.S. Treasury Note Flexible futures options shall be in multiples of one sixty-fourth (1/64) of one percent (1%) of a $100,000 Long-Term U.S. Treasury Note futures contract which shall equal $15.625 per 1/64 and $1,000 per full point.

However, a position may be initiated or liquidated in Long-Term U.S. Treasury Note Flexible futures options ~~at a premium ranging from $1.00 to $15.00, in $1.00 increments per option contract.~~ **at any price level ranging from $1.00 to $15.00 per option contract, in $1.00 increments, unless otherwise specified in the current CBOT Market Regulation Advisory Notice entitled Cabinet Transactions in Options Products**.

If options are quoted in volatility terms, the minimum fluctuation shall be **0**.10 percent (i.e. 10.0%, 10.1%, 10.2%, etc.).

Chapter 20A--Standard Options on Medium-Term U.S. Treasury Note Futures

20A01.C. Minimum Fluctuations

The price of an option shall be in price points of such option's Underlying Futures Contract (Rule 20A01.D.), such that for each Underlying Futures Contract par is on the basis of 100 points, and each point is equal to $1,000 per Underlying Futures Contract (Rule 20102.C.).

The minimum price fluctuation for such option shall be one half (1/2) of one sixty-fourth (1/64th) of one point (equal to $7.8125 per option contract), *provided that* a position in such option may be initiated or liquidated **at any price level** ~~at a price per option contract~~ ranging from $1.00 to $7.00 **per option contract**, in $1.00 increments**, unless otherwise specified in the current CBOT Market Regulation Advisory Notice entitled Cabinet Transactions in Options Products**.

Where the price of such option is quoted in volatility terms, the minimum price fluctuation shall be one tenth (1/10th) of one percent per annum (e.g., 9.9 percent, 10.0 percent, 10.1 percent, 10.2 percent).

Chapter 20B--Flexible Options on Medium-Term U.S. Treasury Note Futures

20B01.C. Minimum Fluctuations

The premium for Medium-Term U.S. Treasury Note Flexible futures options shall be in multiples of one-half of one sixty-fourth of one percent (1%) of a $100,000 Medium-Term U.S. Treasury Note futures contract which shall equal $7.8125 per one-half of one sixty-fourth and $1,000 per full point.

However, a position may be initiated or liquidated in Medium-Term U.S. Treasury Note Flexible futures ~~at a premium ranging from $1.00 to $7.00, in $1.00 increments per option contract.~~ **at any cabinet price level ranging from $1.00 to $7.00 per option contract, in $1.00 increments, unless otherwise specified in the current CBOT Market Regulation Advisory Notice entitled Cabinet Transactions in Options Products**.

If options are quoted in volatility terms, the minimum fluctuation shall be **0**.10 percent (i.e. 10.0%, 10.1%, 10.2%, etc.)

Chapter 21A--Standard Options on Short-Term U.S. Treasury Note Futures

21A01.C. Minimum Fluctuations

The price of an option shall be in price points of such option's Underlying Futures Contract (Rule 21A01.D.), such that for each Underlying Futures Contract par is on the basis of 100 points, and each point is equal to $2,000 per Underlying Futures Contract (Rule 21102.C.).

The minimum price fluctuation for such option shall be one half (1/2) of one sixty-fourth (1/64th) of one point (equal to $15.625 per option contract), *provided that* a position in such option may be initiated or liquidated **at any price level** ~~at a price per option contract~~ ranging from $1.00 to $15.00 **per option contract**, in $1.00 increments**, unless otherwise specified in the current CBOT Market Regulation Advisory Notice entitled Cabinet Transactions in Options Products**.

Where the price of such option is quoted in volatility terms, the minimum price fluctuation shall be one tenth (1/10th) of one percent per annum (e.g., 9.9 percent, 10.0 percent, 10.1 percent, 10.2 percent).

Chapter 21B--Flexible Options on Short-Term U.S. Treasury Note Futures

21B01.C. Minimum Fluctuations

The premium for Short-Term U.S. Treasury Note Flexible futures options shall be in multiples of one-half of one sixty-fourth of one percent (1%) of a $200,000 Short-Term U.S. Treasury Note futures contract which shall equal $15.625 per one-half of one sixty-fourth and $2,000 per full point.

However, a position may be initiated or liquidated in Short-Term U.S. Treasury Note Flexible futures options ~~at a premium ranging from $1.00 to $15.00, in $1.00 increments per option contract.~~ **at any price level ranging from $1.00 to $15.00 per option contract, in $1.00 increments, unless otherwise specified in the current CBOT Market Regulation Advisory Notice entitled Cabinet Transactions in Options Products**.

If options are quoted in volatility terms, the minimum fluctuation shall be **0**.10 percent (i.e. 10.0%, 10.1%, 10.2%, etc.).

Chapter 26A--Standard Options on 10-Year U.S. Treasury Note Futures

26A01.C. Minimum Fluctuations

The price of an option shall be in price points of such option's Underlying Futures Contract (Rule 26A01.D.), such that for each Underlying Futures Contract par is on the basis of 100 points, and each point is equal to $1,000 per Underlying Futures Contract (Rule 26102.C.).

The minimum price fluctuation for such option shall be one sixty-fourth (1/64th) of one point (equal to $15.625 per option contract), *provided that* a position in such option may be initiated or liquidated **at any price level** ~~at a price per option contract~~ ranging from $1.00 to $15.00 **per option contract**, in $1.00 increments**, unless otherwise specified in the current CBOT Market Regulation Advisory Notice entitled Cabinet Transactions in Options Products**.

Where the price of such option is quoted in volatility terms, the minimum price fluctuation shall be one tenth (1/10th) of one percent per annum (e.g., 9.9 percent, 10.0 percent, 10.1 percent, 10.2 percent).

Chapter 26B--Flexible Options on 10-Year U.S. Treasury Note Futures

26B01.C. Minimum Fluctuations

The premium for flexible options on 10-Year U.S. Treasury Note futures shall be in multiples of one sixty-fourth (1/64) of one percent (1%) of a $100,000 10-Year U.S. Treasury Note futures contract which shall equal $15.625 per 1/64 and $1,000 per full point.

However, a position may be initiated or liquidated in 10-Year U.S. Treasury Note Flexible futures options ~~at a premium ranging from $1.00 to $15.00, in $1.00 increments per option contract.~~ **at any price level ranging from $1.00 to $15.00 per option contract, in $1.00 increments, unless otherwise specified in the current CBOT Market Regulation Advisory Notice entitled Cabinet Transactions in Options Products**.

If options are quoted in volatility terms, the minimum fluctuation shall be **0**.10 percent (i.e. 10.0%, 10.1%, 10.2%, etc.).

Chapter 40A--Standard Options on Long-Term U.S. Treasury Bond Futures

40A01.C. Minimum Fluctuations

The price of an option shall be in price points of such option's Underlying Futures Contract (Rule 40A01.D.), such that for each Underlying Futures Contract par is on the basis of 100 points, and each point is equal to $1,000 per Underlying Futures Contract (Rule 40102.C.).

The minimum price fluctuation for such option shall be one sixty-fourth (1/64th) of one point (equal to $15.625 per option contract), *provided that* a position in such option may be initiated or liquidated **at any price level** ~~at a price per option contract~~ ranging from $1.00 to $15.00 **per option contract**, in $1.00 increments**, unless otherwise specified in the current CBOT Market Regulation Advisory Notice entitled Cabinet Transactions in Options Products**.

Where the price of such option is quoted in volatility terms, the minimum price fluctuation shall be one tenth (1/10th) of one percent per annum (e.g., 9.9 percent, 10.0 percent, 10.1 percent, 10.2 percent).

Chapter 40B--Flexible Options on Long-Term U.S. Treasury Bond Futures

40B01.C. Minimum Fluctuations

Option premium shall be quoted in terms of Long-Term U.S. Treasury Bond futures price points (Rule 40102.C.). One point equals $1,000.00. Option premium shall be quoted in increments of one sixty-fourth (1/64) of one point ($15.625 per contract).

However, a position may be initiated or liquidated in Long-Term U.S. Treasury Bond Flexible futures options ~~at a premium ranging from $1.00 to $15.00, in $1.00 increments per option contract.~~ **at any price level ranging from $1.00 to $15.00 per option contract, in $1.00 increments, unless otherwise specified in the current CBOT Market Regulation Advisory Notice entitled Cabinet Transactions in Options Products**.

If options are quoted in volatility terms, the minimum fluctuation shall be **0**.10 percent (i.e., 10.0%, 10.1%, 10.2%, etc.).