

## Chapter 20A

### Standard Options on Medium-Term U.S. Treasury Note Futures

#### **20A00. SCOPE OF CHAPTER**

This chapter is limited in application to put and call options on Medium-Term U.S. Treasury Note futures. In addition to the rules of this chapter, transactions in options on Medium-Term U.S. Treasury Note futures shall be subject to the general rules of the Exchange insofar as applicable.

#### **20A01. OPTIONS CHARACTERISTICS**

##### **20A01.A. Contract Months**

Trading may be conducted in Medium-Term U.S. Treasury Note futures options for a thirty-six month period extending from the nearby contract month, provided however, that the Exchange may determine not to list a contract month. Both serial and quarterly options may be listed to expire into either front-month or deferred futures as determined by the Exchange.

##### **20A01.B. Trading Unit**

One \$100,000 face value Medium-Term U.S. Treasury Note futures contract of a specified contract month.

##### **20A01.C. Minimum Fluctuations<sup>1</sup>**

The premium for Medium-Term U.S. Treasury Note 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 futures options at a premium ranging from \$1.00 to \$7.00, in \$1.00 increments per option contract.

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

##### **20A01.D. Trading Hours**

The hours of trading for options on Medium-Term U.S. Treasury Note futures contracts shall be determined by the Exchange. Medium-Term U.S. Treasury Note futures options shall be opened and closed for all months and strike prices simultaneously or in such other manner as the Exchange shall direct.

On its last day of trading, an expiring Medium-Term U.S. Treasury Note futures option shall cease trading at the same time as the close of trading for the corresponding futures contract on that trading day.

##### **20A01.E. Exercise Prices**

Trading shall be conducted for put and call options with striking prices in integral multiples of one-half (1/2) point per Medium-Term U.S. Treasury Note futures contract as follows:

At the commencement of trading for such option contracts, the following striking prices shall be listed: one with a striking price closest to the Medium-Term U.S. Treasury Note futures contract's previous day's settlement price and the next fifteen consecutive higher and the next fifteen consecutive lower striking prices closest to the previous day's settlement price. If the previous day's settlement price is midway between two striking prices, the closest price shall be the larger of the two. Over time, new striking prices will be added to ensure that at least fifteen striking prices always exist above and below the previous day's settlement price on the underlying futures. All new striking prices will be added prior to the opening of trading on the following business day.

The Exchange may modify the procedure for the introduction of striking prices as it deems appropriate in order to respond to market conditions.

##### **20A01.F. Reserved**

##### **20A01.G. Nature of Options on Medium-Term U.S. Treasury Note Futures**

The buyer of one Medium-Term U.S. Treasury Note futures put option may exercise his option at any time prior to expiration (subject to Regulation 20A02.A.) to assume a short position of

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<sup>1</sup> Revised March 2008.

one Medium-Term U.S. Treasury Note futures contract of a specified contract month at a striking price set at the time the option was purchased. The seller of one Medium-Term U.S. Treasury Note futures put option incurs the obligation of assuming a long position of one Medium-Term U.S. Treasury Note futures contract of a specified contract month at a striking price set at the time the option was sold, upon exercise by a put option buyer.

The buyer of one Medium-Term U.S. Treasury Note futures call option may exercise his option at any time prior to expiration (subject to Regulation 20A02.A.) to assume a long position of one Medium-Term U.S. Treasury Note futures contract of a specified contract month at a striking price set at the time the option was purchased. The seller of one Medium-Term U.S. Treasury Note futures call option incurs the obligation of assuming a short position of one Medium-Term U.S. Treasury Note futures contract of a specified contract month at a striking price set at the time the option was sold, upon exercise by a call option buyer.

**20A01.H. Reserved**

**20A01.I. Termination of Trading**

Subject to the provisions of 20A01.D., no trades in Medium-Term U.S. Treasury Note futures options expiring in the current month shall be made after the close of trading for the corresponding Medium-Term U.S. Treasury Note futures contract on the last Friday which precedes by at least two business days, the last business day of the month preceding the option month. If such Friday is not a business day, or there is a Friday which is not a business day which precedes by one business day the last business day of the month preceding the option month, the last day of trading shall be the business day prior to such Friday.

**20A01.J. Contract Modification**

Specifications shall be fixed as of the first day of trading of a contract except that all options must conform to government regulations in force at the time of exercise. If the U.S. government, an agency, or duly constituted body thereof issues an order, ruling, directive, or law inconsistent with these rules, such order, ruling, directive, or law shall be construed to become part of the rules and all open and new options contracts shall be subject to such government orders.

**20A02. EXERCISE AND ASSIGNMENT**

In addition to the applicable procedures and requirements in Chapter 7, the following shall apply to the exercise and assignment of Medium-Term U.S. Treasury Note Options.

**20A02.A. Exercise of Option**

The buyer of a Medium-Term U.S. Treasury Note futures option may exercise the option on any business day prior to expiration by giving notice of exercise to the Clearing House by 6:00 p.m., or by such other time designated by the Exchange, on such day.

After the close on the last day of trading, all in-the-money options shall be automatically exercised, unless notice to cancel automatic exercise is given to the Clearing House. Notice to cancel automatic exercise shall be given to the Clearing House by 6:00 p.m., or by such other time designated by the Exchange, on the last day of trading.

Unexercised Medium-Term U.S. Treasury Note futures options shall expire at 7:00 p.m. on the last day of trading.

**20A02.B. Assignment**

Exercise notices accepted by the Clearing House shall be assigned through a process of random selection to clearing members' 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.

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.

**20A03. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

(Refer to Rule 701.).

**20A04. CORRECTIONS TO OPTIONS EXERCISES**

Corrections to option exercises, including automatic exercises, may be accepted by the Clearing House after the 6:00 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 un-reconciled 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 as to 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.

**20A05. PAYMENT OF OPTION PREMIUM**

The option premium must be paid in full by each clearing member to the Clearing House and by each option customer to his futures commission merchant at the time that the option is purchased, or within a reasonable time after the option is purchased.