

## **Chapter 22A**

### **Standard Options on 30-Day Federal Funds Futures**

#### **22A00. SCOPE OF CHAPTER**

This chapter is limited in application to put and call options on 30-Day Fed Fund futures. In addition to the rules of this chapter, transactions in options on 30-Day Fed Fund futures shall be subject to the general rules of the Exchange insofar as applicable.

#### **22A01. OPTIONS CHARACTERISTICS**

##### **22A01.A. Contract Months**

Trading in 30-Day Fed Fund futures options may be scheduled in such months as determined by the Exchange.

##### **22A01.B. Trading Unit**

One 30-Day Fed Fund futures contract of a specified contract month.

##### **22A01.C. Minimum Fluctuations**

The premium for 30-Day Fed Fund futures options shall be in multiples of one-quarter of one basis point or ten dollars and forty-one and three-quarters cents (\$10.4175) per quarter basis point per contract. One full basis point shall equal forty-one dollars and sixty-seven cents (\$41.67) per contract.

However, a position may be initiated or liquidated in 30-Day Fed Fund futures options at a premium ranging from \$1.00 to \$10.00, in \$1.00 increments per option contract.

##### **22A01.D. Trading Hours**

The hours of trading for options on 30-Day Fed Fund futures contracts shall be determined by the Exchange. Options shall be opened and closed for all months and strike prices simultaneously or in such other manner as determined by the Exchange.

On its last day of trading, an expiring 30-Day Fed Fund futures option shall cease trading at the same time as the close of trading for the corresponding futures contract on that trading day.

##### **22A01.E. Exercise Prices**

Trading shall be conducted for put and call options with strike prices in multiples of six and one-quarter basis points (0.0625) per 30-Day Fed Fund futures contract and in multiples of twelve and one-half basis points (0.1250) per 30-Day Fed Fund futures contract as follows:

1. At the commencement of trading for such option contracts, the following strike prices in multiples of six and one-quarter basis points shall be listed: one with a strike price closest to the previous day's settlement price on the underlying 30-Day Fed Fund futures contract and the next ten (10) consecutive higher and the next ten (10) consecutive lower strike prices closest to the previous day's settlement price. If a previous day's settlement price is midway between two strike prices, the closest price shall be the larger of the two. Over time, new striking prices will be added to ensure that at least ten 6-1/4 basis point striking prices always exist above and below the previous day's settlement price in the underlying futures.
2. At the commencement of trading for such option contracts, the following strike prices in multiples of twelve and one-half basis points shall be listed: the next five (5) consecutive higher and the next five (5) consecutive lower strike prices above and below the strike price band as stipulated in Rule 22A01.E.1. Over time, new striking prices will be added to ensure that at least five 12-½ basis point striking prices always exist above and below the strike price band as stipulated in Rule 22A01.E.1.
3. When a new strike price is added for an option contract month, the same strike price will be added to all option contract months for which that strike price is not already listed. All new strike 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 strike prices as it deems appropriate in order to respond to market conditions.

##### **22A01.F. Reserved**

##### **22A01.G. Nature of Options on 30-Day Fed Fund Futures**

The buyer of one 30-Day Fed Fund put option may exercise his option at any time prior to

expiration (subject to Rule 22A02.A.) to assume a short position of one 30-Day Fed Fund futures contract of a specified contract month at a strike price set at the time the option was purchased. The seller of one 30-Day Fed Fund futures put option incurs the obligation of assuming a long position of one 30-Day Fed Fund 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 30-Day Fed Fund futures call option may exercise his option at any time prior to expiration (subject to Rule 22A02.A) to assume a long position in one 30-Day Fed Fund futures contract of a specified contract month at a strike price set at the time the option was purchased. The seller of one 30-Day Fed Fund futures call option incurs the obligation of assuming a short position in one 30-Day Fed Fund 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.

1. Standard Options

Any Standard option shall be exercisable into one 30-Day Fed Fund futures contract for delivery in the same month as such option's expiration month.

2. Mid-Curve Options

3-Month Mid-Curve Options

Any 3-Month Mid-Curve option shall be exercisable into one 30-Day Fed Fund futures contract for delivery three calendar months following such option's expiration month.

6-Month Mid-Curve Options

Any 6-Month Mid-Curve option shall be exercisable into one 30-Day Fed Fund futures contract for delivery six calendar months following such option's expiration month.

9-Month Mid-Curve Options

Any 9-Month Mid-Curve option shall be exercisable into one 30-Day Fed Fund futures contract for delivery nine calendar months following such option's expiration month.

1-Year Mid-Curve Options

Any 1-Year Mid-Curve option shall be exercisable into one 30-Day Fed Fund futures contract for delivery twelve calendar months following such option's expiration month.

**22A01.H. Reserved**

**22A01.I. Termination of Trading**

1. Standard Options

Trading in expiring Standard options shall terminate on the same date and at the same time as the termination of trading in the corresponding futures (Rule 22102.F.).

2. Mid-Curve Options

Trading in any expiring 3-month, 6-month, 9-month, or 1-Year Mid-Curve option shall terminate on the last business day of such option's expiration month. Trading in such Mid-Curve option shall terminate at the same time as that day's close of trading in the corresponding futures contract.

**22A01.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 rules 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.

**22A02. EXERCISE AND ASSIGNMENT**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise and assignment of put and call options on 30-Day Fed Fund futures.

## **22A02.A. Exercise of Option**

### **1. Standard Options**

The buyer of a Standard option on 30-Day Fed Fund futures may exercise the option on any business day up to and including the day such option expires by giving notice of exercise to the Clearing House by 6:00 p.m. Chicago time, or by such other time designated by the Exchange, on such day.

Notwithstanding the aforementioned provisions, all in-the-money options that have not been liquidated or exercised on the last day of trading shall be automatically exercised after 6:00 p.m. on the business day following the last day of trading, or such time designated by the Exchange, 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. on the business day following the last day of trading, or by such other time designated by the Exchange.

An option is in-the-money if the final settlement price of the underlying futures contract is less in the case of a put, or greater in the case of a call, than the exercise price of the option.

Unexercised 30-Day Fed Fund futures options shall expire at 7:00 p.m. Chicago time on the next business day after the termination of trading.

### **2. Mid-Curve Options**

The buyer of a Mid-Curve option on 30-Day Fed Fund futures may exercise such option on any day of trading, except on the day such option expires, by giving notice of exercise to the Clearing House by 6:00 p.m. Chicago time, or by such other time designated by the Exchange, on such day.

All mid-curve options that are in-the-money and have not been liquidated or exercised prior to the termination of trading shall be exercised automatically.

A mid-curve option is in-the-money if the daily settlement price of the underlying futures contract is less in the case of a put, or greater in the case of a call, than the exercise price of the mid-curve option.

Any Mid-Curve option that is out-of-the-money and has not been liquidated or exercised prior to its termination of trading shall expire at 7:00 p.m. Chicago time on its last day of trading (Rule 22A01.1.2.).

## **22A02.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.

## **22A03. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

(Refer to Rule 701.).

## **22A04. 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: 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 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.

**22A05. 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.