

## Chapter 24A

### Options on 5-Year Interest Rate Swap Futures

#### 24A00. SCOPE OF CHAPTER

This chapter is limited in application to put and call options on 5-Year Interest Rate Swap futures. In addition to the rules of this chapter, transactions in options on 5-Year Interest Rate Swap futures shall be subject to the general rules of the Exchange insofar as applicable.

##### 24A00.A. Definitions

Hereafter in this chapter, the following definitions shall apply.

1. March Quarterly Cycle

"March Quarterly Cycle" shall refer to the months of March, June, September, or December.

2. Months not in the March Quarterly Cycle

"Months not in the March Quarterly Cycle" shall refer to January, February, April, May, July, August, October, or November.

#### 24A01. OPTION CHARACTERISTICS

##### 24A01.A. Expiration Months

Trading may be scheduled in such option expiration months (Rule 24A01.I) as the Exchange shall determine.

##### 24A01.B. Trading Unit

One 5-Year Interest Rate Swap futures contract of a specified delivery month (Rule 24102.).

1. Options in the March Quarterly Cycle

For any option that expires in any month within the March Quarterly Cycle (Rule 24A00.A.1.), the delivery month of the corresponding futures contract shall be identical to the option contract expiration month.

2. Options Not in the March Quarterly Cycle

For any option that expires in any month not within the March Quarterly Cycle (Rule 24A00.A.2.), the delivery month of the corresponding futures contract shall be the next following month in the March Quarterly Cycle after the option contract expiration month.

##### 24A01.C. Option Premium Increments

Option premium shall be quoted in terms of 5-Year Interest Rate Swap futures price points (Rule 24102.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, an option position may be initiated or liquidated at a premium ranging from \$1.00 to \$15.00, in \$1.00 increments per option contract.

##### 24A01.D. Trading Hours

Trading hours shall be determined by the Exchange. Options shall be opened and closed for all expiration months and strike prices simultaneously, or in such other manner as determined by the Exchange.

On its last day of trading (Rule 24A01.I.) an expiring option shall cease trading at the same time as the close of trading for the corresponding 5-Year Interest Rate Swap futures contract on that trading day (Rule 24102.A.).

##### 24A01.E. Exercise Prices

Trading shall be conducted for put and call options with strike prices in multiples of one half (1/2) of one 5-Year Interest Rate Swap futures price point (Rule 24A01.C.).

At the commencement of trading in such option contracts for any given expiration month and for exercise into any given 5-Year Interest Rate Swap futures contract (Rule 24A01.G.), the following strike prices shall be listed:

the strike price closest to the previous day's futures contract settlement price (hereafter in this chapter, the "at-the-money strike price"), and

the next fifteen (15) consecutive higher strike prices closest to the previous day's futures settlement price, and

the next fifteen (15) consecutive lower strike prices closest to the previous day's futures settlement price.

If the previous day's futures settlement price is at the midpoint between two option strike prices, then the at-the-money strike price shall be set equal to the higher of the two option strike prices.

Over time, new strike prices shall be added to ensure that at least fifteen (15) strike prices are listed for trading both above and below the previous day's settlement price for the corresponding futures contract. All new strike prices shall be added prior to the opening of trading on the following business day.

The Exchange may modify the procedure for the introduction of option strike prices as it deems appropriate to market conditions.

**24A01.F. Reserved**

**24A01.G. Nature of Options on 5-Year Interest Rate Swap Futures**

The buyer of a put option may exercise it, at expiration only, subject to Rule 24A02.A., to assume a short position of one 5-Year Interest Rate Swap futures contract of a specified delivery month, at a specified strike price, as specified at the time the buyer purchased such put option.

Upon exercise by a put option buyer, the seller of such put option incurs the obligation of assuming a long position of one 5-Year Interest Rate Swap futures contract of a specified delivery month, at a specified strike price, as specified at the time the seller sold such put option.

The buyer of a call option may exercise it, at expiration only, subject to Rule 24A02.A., to assume a long position of one 5-Year Interest Rate Swap futures contract of a specified delivery month, at a specified strike price, as specified at the time the buyer purchased such call option.

Upon exercise by a call option buyer, the seller of such call option incurs the obligation of assuming a short position of one 5-Year Interest Rate Swap futures contract of a specified delivery month, at a specified strike price, as specified at the time the seller sold such call option.

**24A01.H. Reserved**

**24A01.I. Termination of Trading**

1. Options in the March Quarterly Cycle

For any option that expires in any month within the March Quarterly Cycle (Rule 24A00.A.1.), trading in such expiring option shall terminate on the same date and at the same time as the corresponding 5-Year Interest Rate Swap futures (Rules 24102.A. and 24102.F.).

2. Options Not in the March Quarterly Cycle

For any option that expires in any month not within the March Quarterly Cycle (Rule 24A00.A.2.), trading in such expiring option shall terminate on the Friday preceding the third Wednesday of the option's named month of expiration, at the same time as the close of trading for the corresponding 5-Year Interest Rate Swap futures contract on that trading day (Rule 24A01.D.). If such Friday is a scheduled Exchange holiday, trading in such expiring option shall terminate on the last preceding Exchange business day. In the event that the market in the corresponding 5-Year Interest Rate Swap futures does not open on the scheduled option expiration day, option expiration shall occur on the next following Exchange business day on which such futures market is open for trading.

**24A01.J. Contract Modification**

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

**24A02. EXERCISE AND ASSIGNMENT**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise and assignment of options on 5-Year Interest Rate Swap futures.

**24A02.A. Option Exercise**

Options shall expire at 7:00 p.m. Chicago time on their last day of trading.

The buyer of an option may exercise it only at its expiration. For any option contract that expires in-the-money, positions in such option contract that remain open after the termination of trading shall be automatically exercised, unless instruction to cancel automatic exercise is given to the Clearing House. Such instruction must be given to the Clearing House by 6:00 p.m. Chicago time on the option contract's last day of trading (Rule 24A01.I.), or by such other time designated by the Exchange.

An option is in-the-money if the settlement price of the corresponding 5-Year Interest Rate Swap futures contract is less in the case of a put, or greater in the case of a call, than the strike price of the option.

**24A02.B. Assignment**

For any expiring option contract, the Clearing House shall assign exercise notices, through a process of random selection, to clearing members with open short positions in such option contract. A clearing member to which an exercise notice is assigned shall be notified thereof as soon as practicable after the Clearing House has assigned such notice (Rule 24A02.A.).

The clearing member to whom an exercise notice is assigned shall be assigned a long position in the corresponding futures contract if a put option is exercised, or a short position in the corresponding futures contract if a call option is exercised.

The clearing member representing the option buyer shall be assigned a short position in the underlying futures contract if a put option is exercised, or a long position in the underlying futures contract if a call option is exercised.

All such futures positions shall be assigned at a price equal to the strike price of the option and shall be marked to market in accordance with Rule 814 on the last day of trading in such option.

**24A03. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

(Refer to Rule 701.).

**24A04. CORRECTIONS TO OPTION EXERCISE**

Corrections to option exercises, including automatic exercises, may be accepted by the Clearing House after the 6:00 p.m. Chicago time deadline and up to the beginning of final option expiration processing, provided that any such correction is necessary due to: (1) a bona fide clerical error, (2) an un-reconciled Exchange option transaction(s), or (3) an extraordinary circumstance wherein 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 shall be final.

**24A05. PAYMENT OF OPTION PREMIUM**

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