

Chapter 255A

Options on Australian Dollar Futures

255A00. SCOPE OF CHAPTER

This chapter is limited in application to trading in put and call options on Australian dollar futures contracts. The procedures for trading, clearing, inspection, delivery and settlement and any other matters not specifically covered herein shall be governed by the rules of the Exchange.

255A01. OPTION CHARACTERISTICS

255A01.A. Contract Months, Trading Hours, and Trading Halts

Options contracts shall be listed for such contract months (i.e., expirations) and scheduled for trading during such hours, except as indicated below, as may be determined by the Board of Directors.¹

There shall be no trading in any Australian dollar option contract when the primary futures contract for that currency is limit bid or offered.²

For purposes of this rule, the primary futures contract shall be defined as the futures contract trading in the lead month configuration in the pit.³

For purposes of this rule, Exchange staff for the Australian dollar shall have the responsibility of determining during RTH whether the primary futures contract is limit bid or offered. During Electronic Trading Hours (ETH), the determination shall be made by the GLOBEX Control Center.⁴

255A01.B Trading Unit

The trading unit shall be an option to buy, in the case of the call, or to sell, in the case of the put, one Australian dollar futures contract as specified in Chapter 255.

¹ Revised January 1995, December 2001.

² Revised December 1995.

³ Revised September 1990; November 1995; December 1998.

⁴ Revised September 1990; November 2000.

255A01.C. Price Increments¹

The price of an option shall be quoted in U.S. dollars per Australian dollar. Each \$0.0001 per Australian dollar (one point) shall represent \$10.00. For example, a quote of .0075 represents an option price of \$750.00 (75 points x \$10.00 per point) of premium. The minimum fluctuation shall be one point (also known as one tick). A trade may also occur at a price of \$.00005 (\$5, also known as one-half tick), \$.00015 (\$15, also known as one and one-half ticks), \$.00025 (\$25, also known as two and one-half ticks), \$.00035 (\$35, also known as three and one-half ticks), and \$.00045 (\$45, also known as four and one-half ticks).

If options are quoted in volatility terms pursuant to Rule 584, the minimum fluctuation shall be 0.025 percent for the volatility quote. Also, following a volatility trade, when CME Globex converts the volatility-traded options position into a premium-based options position for clearing, the minimum price increment for the premium-based option position shall be \$0.00001 per Australian dollar (equal to \$1.00).

255A01.D. Underlying Futures Contract²

The underlying futures contract is the nearest futures contract in the March quarterly cycle (i.e., March, June, September and December) whose termination of trading follows the option's last day of trading by more than two Exchange business days. This rule applies to March quarterly, serial, and weekly options on Australian dollar futures contracts.³

255A01.E. Position Accountability⁴

A person owning or controlling a combination of options and underlying futures contracts that exceeds 6,000 futures-equivalent contracts net on the same side of the market in all contract months combined for Australian Dollar futures and options shall provide, in a timely fashion, upon request by the Exchange, information regarding the nature of the position, trading strategy, and hedging information if applicable.⁵

¹ Revised December 1988; June 1992; November 1992; December 1992; February 1997, March 2008.

² Revised November 1986; March 1992; January 1995; November 1995.

³ Revised June 1998; February 1999; September 2000.

⁴ See "Interpretations & Special Notices" at the end of this chapter. Paragraph one applicable to September 1988, December 1988 and all subsequently listed contracts. Revised March 1986; November 1986; December 1987; September 1988; February 1991; January 1992; April 1993; April 1995; November 1995; July 1996; April 1998; August 2000.

⁵ Revised April 1993; September 1993; May 1997; December 1997; February 1999.

For the purpose of this rule, the futures equivalent of an option contract is 1 times the previous business day's IOM risk factor for the option series. Also for purposes of this rule, a long call option, a short put option and a long underlying futures contract are on the same side of the market; similarly, a short call option, a long put option and a short underlying futures contract are on the same side of the market.

255A01.F. Accumulation of Positions¹

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, shall be cumulated.

255A01.G. {Reserved}

255A01.H. Termination of Trading for American-Style Exercise Options²

1. Monthly Options in the March Quarterly Cycle ("Quarterly Options")

Trading in monthly options in the March quarterly cycle (i.e., March, June, September and December) shall terminate at the close of trading on the second Friday immediately preceding the third Wednesday of the contract month. If the foregoing date for termination is a scheduled Exchange holiday, trading in monthly options shall terminate on the immediately preceding business day. In the event that the underlying futures market does not open on the scheduled expiration day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

2. Monthly Options Not in the March Quarterly Cycle ("Serial Options")

Trading in monthly options not in the March quarterly cycle (i.e., January, February, April, May, July, August, October and November) shall terminate at the close of trading on the second Friday immediately preceding the third Wednesday of the contract month. If the foregoing date for termination is a scheduled Exchange holiday, trading in monthly options shall terminate on the immediately preceding business day. In the event that the underlying futures market does

¹ Revised September 1986.

² Revised December 1986; February 1990; March 1992; January 1995; November 1995; June 1997 April 1998; September 2000; December 2001; December 2008.

not open on the scheduled expiration day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

3. Weekly Options

Trading in weekly options shall terminate at the close of trading on those Fridays that are not also the termination of trading of a monthly option as described in the preceding sections 1 and 2. If the foregoing date for termination is a scheduled Exchange holiday, trading in weekly options shall terminate on the immediately preceding business day. In the event that the underlying futures market does not open on the scheduled expiration day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

255A01.I. Termination of Trading and Expiration Days for European-Style Exercise Options¹

1. Monthly Options in the March Quarterly Cycle (“Quarterly Options”)

The options expire on the second Friday immediately preceding the third Wednesday of the contract month (usually at 9:00 a.m. Central time). If the foregoing date for expiration is a scheduled Exchange holiday, option expiration shall occur at the same time on the immediately preceding business day. Trading in monthly options in the March quarterly cycle (i.e., March, June, September and December) on the trading floor shall terminate at the close of trading (usually 2:00 p.m. Central time) on the business day immediately preceding the expiration of the contract month. Trading in monthly options in the March quarterly cycle (i.e., March, June, September and December) on the CME Globex® platform shall terminate at 9:00 a.m. Central time on the contract month expiration day. In the event that the underlying futures market does not open on the scheduled expiration day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

2. Monthly Options Not in the March Quarterly Cycle (“Serial Options”)

The options expire on the second Friday immediately preceding the third Wednesday of the contract month (usually at 9:00 a.m. Central time). If the foregoing date for expiration is a scheduled Exchange holiday, options expiration shall occur at the same time on the immediately preceding business day. Trading in monthly options not in the March quarterly

¹ Adopted December 2008.

cycle (i.e., January, February, April, May, July, August, October and November) on the trading floor shall terminate at the close of trading (usually 2:00 p.m. Central time) on the business day immediately preceding the expiration of the contract month. Trading in monthly options not in the March quarterly cycle (i.e., January, February, April, May, July, August, October and November) on the CME Globex platform shall terminate at 9:00 a.m. Central time on the contract month expiration day. In the event that the underlying futures market does not open on the scheduled expiration day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

3. Weekly Options

The options expire (usually at 9:00 a.m. Central time) on those Fridays that are also not expirations for either monthly options in the March quarterly cycle or monthly options not in the March quarterly cycle. If the foregoing date for expiration is a scheduled Exchange holiday, option expiration shall occur at the same time on the immediately preceding business day. Trading in weekly options on the trading floor shall terminate at the close of trading (usually 2:00 p.m. Central time) on those business days immediately preceding the expiration of the weekly option that are not also the termination of trading of a monthly option as described in the preceding sections 1 and 2. Trading in weekly options on the CME Globex platform shall terminate at 9:00 a.m. Central time on the contract month expiration days that are not also the contract month expiration days of a monthly option as described in the preceding sections 1 and 2. In the event that the underlying futures market does not open on the scheduled expiration day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

255A01.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 these rules and all open and new options contracts shall be subject to such governmental orders.

255A01.K. Exercise Prices¹

Regular exercise prices shall be stated in terms of U.S. dollars per Australian dollar at intervals of \$.005, e.g., \$.705, \$.710, \$.715, etc.

255A02. LISTING OF EXERCISE PRICES²1. Monthly Options in the March Quarterly Cycle ("Quarterly Options")³

At the commencement of trading in a contract month, the Exchange shall list put and call options at the regular exercise price that is nearest the previous day's settlement price of the underlying futures contract. For options on Australian dollar futures, the Exchange shall list put and call options at the next twenty-one higher and next twenty-one lower regular exercise prices.

When a sale, bid, offer, or settlement price in the underlying futures occurs within half a regular exercise price interval of the twenty-first highest or twenty-first lowest existing regular exercise price for options on Australian dollar futures, put and call options at the next higher or next lower regular exercise price shall be listed for trading on the next trading day. New options may be listed for trading up to and including the termination of trading.⁴

The Board may modify the provisions governing the establishment of exercise prices as it deems appropriate.⁵

2. Options Not in the March Quarterly Cycle ("Serial" and "Weekly Options")⁶

Upon demand, the Exchange shall list put and call options at any regular exercise price listed for trading in the next March quarterly cycle futures option that is nearest the expiration of the option. New options may be listed for trading up to and including the termination of trading.

3. Dynamically-Listed Exercise Prices.

Upon demand and at the discretion of the Exchange, new out-of-current-range exercise prices

¹ Revised August 1990; March 1992; January 1995; November 2002.

² Revised November 1986; June 1987; August 1990; April 1998; November 2002; December 2003.

³ Revised August 1990; July 1991; January 1995; July 1995; November 1995; January 1997; September 2000; March 2003.

⁴ Revised November 1986; February 1990; August 1990; July 1991; July 1992; November 1995.

⁵ Revised September 1993, December 2001.

⁶ Revised November 1986; August 1990; January 1995.

at regularly defined intervals may be added for trading on as soon as possible basis.

255A03. EXERCISE¹

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of option contracts on Australian dollar futures. Both American-style and European-style exercise options on currency futures are available for trading.

255A03.A.1. Exercise of American-Style Options by Buyer²

An option may be exercised by the buyer on any business day that the option is traded. To exercise an option the clearing member representing the buyer shall present an exercise notice to the Clearing House by 7:00 p.m. Central time on any day of exercise except on the termination of trading day.

All Australian dollar options that are in the money³ and have not been liquidated or exercised prior to the termination of trading, shall be exercised automatically.

255A03.A.2. Exercise of European-Style Exercise Options⁴

All in-the-money options are automatically exercised by the Clearing House on the day of expiration for the option. All out-of-the money options are abandoned by the Clearing House on the day of expiration for the option. To determine whether an option is in or out of the money on this day, the Exchange shall calculate the relevant "CME currency fixing price" from GLOBEX-traded underlying futures contracts as follows:

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|--------|---|
| Tier 1 | Take the 30-second average of sale (trade) prices, weighted by volume, from 8:59:30 to 8:59:59 a.m. Central time on the day of determination of the CME currency fixing price. |
| Tier 2 | If less than three or no sales (trades) occurred during the 30-second interval noted above, take the midpoint of each bid & ask spread where available and average the resulting midpoints over the 30-second interval. |

¹ Revised April 1998; December 2008.

² Revised December 1986; February 1990; March 1992; December 1995, March 2008; December 2008.

³ An option is in the money if the settlement price of the underlying futures contract at termination lies above the exercise price in the case of a call, or lies below the exercise price in the case of a put.

⁴ Adopted December 2008.

Tier 3 If no sales (trades) and no bid and ask prices occurred during the 30-second interval, then Exchange staff shall derive the CME currency fixing price (as a synthetic futures price) from quote vendor spot rates and appropriate maturity forward points.

The calculation of the CME currency fixing price at Tiers 1 to 3 shall be rounded to each contract's Price Increment's definition. For example, for Euro with a Price Increment of \$0.0001 per Euro, the CME currency fixing price shall be rounded to the nearest \$0.0001 per Euro (with \$0.00005 and above rounded up to \$0.0001, and \$0.00004 and below rounded down to \$0.0000).

An option is in the money if the CME currency fixing price of the underlying futures contract lies above the exercise price in the case of a call, or lies below the exercise price in the case of a put. For example, if the CME currency fixing price were 1.3051 or higher, then 1.3050 Calls shall be exercised. If the CME currency fixing price for Euro were 1.3050 or lower, then 1.3050 calls shall be abandoned. Similarly, if the CME currency fixing price were 1.3049 or lower, then 1.3050 Puts shall be exercised. If the CME currency fixing price for Euro were 1.3050 or higher, then 1.3050 Puts shall be abandoned.

255A03.B. Assignment¹

Exercise notices accepted by the Clearing House shall be assigned through a process of random selection to clearing members with 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, but not later than 45 minutes before the opening of Regular Trading Hours in the underlying futures contract on the following business day.

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.

¹ Revised February 1990.

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.

255A04. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES

(Refer to Rule 701. – ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES)

(End Chapter 255A)

**INTERPRETATIONS & SPECIAL NOTICES
RELATING TO CHAPTER 255A**

**CLARIFICATION OF NEW NON-AGRICULTURAL OPTION SPECULATIVE POSITION
LIMIT RULE**

(Special Executive Report S-1618, March 31, 1986)

Please note that the new non-agricultural option speculative position limit rule supersedes the speculative position rule for the underlying futures contract. Therefore, for example, a trader may hold a gross futures position that exceeds the futures position limit rule if that gross position is part of a spread with options, such that the net position across options and futures is less than the applicable limit set in the option rule.