

## Chapter 358A

### Options on E-mini® Standard and Poor's 500 Stock Price Index Futures

#### 358A00. SCOPE OF CHAPTER

This chapter is limited in application to trading in put and call options on the E-Mini Standard and Poor's 500 Stock Price Index futures contract ("E-Mini S&P options"). 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.

#### 358A01. OPTION CHARACTERISTICS

##### 358A01.A. Contract Months, Trading Hours, and Trading Halts <sup>1</sup>

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

There shall be no trading in any option contract when the E-Mini S&P 500 Stock Price Index primary futures contract is limit bid or offered at any price limit except at the total daily price limit on an option's last day of trading.

There shall be no trading in any option contract during a period when trading in the primary futures contract is terminated pursuant to Rule 35802.1.

For purposes of this rule, the primary E-Mini futures contract shall be defined as the nearest E-Mini S&P 500 futures contract month.

For purposes of this rule, Exchange staff shall have the responsibility of determining whether the primary E-Mini futures contract is trading at its limit during Regular Trading Hours (RTH). During Electronic Trading Hours (ETH), the determination shall be made by the Globex Control Center.

##### 358A01.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 E-Mini Standard and Poor's 500 Stock Price Index futures contract as specified in Chapter 358.

##### 358A01.C. Minimum Fluctuations <sup>2</sup>

The price of an option shall be quoted in index points. Each .01 index point shall represent \$0.50.

The minimum fluctuation shall be .25 index points (also known as one tick). Trades may also occur at a price of .05 index points \$2.50, whether or not such trades result in the liquidation of positions for both parties to the trade. A trade with a price equal to or less than 5.00 index points may also occur at a price in multiples of .05 index points, \$2.50.

Each leg of a combination trade of options contracts shall be traded at a price conforming to the minimum fluctuation. Notwithstanding, options in a combination trade can be traded at an increment of .05 index points regardless of the premium level if the net premium of the options combination is at or below 5.00 index points.

##### 358A01.D. Underlying Futures Contract<sup>3</sup>

###### 1. Options in the March Quarterly Cycle

For options that expire in the March quarterly cycle (i.e., March, June, September, and December), the underlying futures contract is the futures contract for the month in which the option expires. For example, the underlying futures contract for an option that expires in March is the March futures contract.

###### 2. Options Not in the March Quarterly Cycle

For options that expire in months other than those in the March quarterly cycle (i.e., January, February, April, May, July, August, October, and November), the underlying futures contract is the next futures contract in the March quarterly cycle that is nearest the expiration of the option. For example, the underlying futures contract for options that expire in January or February is the March futures contract.

<sup>1</sup> Revised November 2000, December 2001.

<sup>2</sup> Revised November 2004; January 2007.

<sup>3</sup> Revised August 2009.

### 3. Options in the "End-of-Month" Option Series

For options in the "End-of-Month" options series, the underlying futures contract is the next futures contract in the March quarterly cycle that is nearest the expiration of the option. For example, the underlying futures contract for options in the January or February "End-of-Month" option series is the March futures contract, while the underlying futures contract for options in the March "End-of-Month" option series is the June futures contract.

### 4. Options in the European style Weekly Option Series

For options in the European style weekly options series, the underlying futures contract is the next futures contract in the March quarterly cycle that is nearest the expiration of the option. For example, the underlying futures contract for the 1<sup>st</sup> and 2<sup>nd</sup> April, May and June weekly options shall be the June futures contract.

#### **358A01.E. Exercise Prices<sup>1</sup>**

##### 1. Options in the March Quarterly Cycle

The exercise prices shall be stated in terms of the E-Mini Standard and Poor's 500 Stock Price Index futures contract.

At the commencement of trading, the Exchange shall list all exercise prices in a range of 50 percent of the referencing index above and below the previous day's settlement price of the underlying futures contract that are integers divisible by 25 without remainder, e.g. 1200, 1225, 1250, etc.

Exercise prices that are integers divisible by 10 without remainder shall be added, if they have not already been listed, within a range of 20 percent of the referencing index above and below the previous day's settlement price of the underlying futures contract.

When a contract month becomes the second-nearest contract month in the March quarterly cycle, the Exchange shall add exercise prices at an interval that is an integer divisible by 5 without remainder in a range of 10 percent of the referencing index above and below the previous day's settlement price of the underlying futures contract.

Thereafter, when a daily settlement price in the underlying futures contract occurs at, or passes through, any exercise price, the Exchange shall list, on the next trading day, all eligible exercise prices in the corresponding ranges.

Exchange Staff, under delegated authority from the Board may modify the provisions governing the establishment of exercise prices as it deems appropriate.

##### 2. Options not in the March Quarterly Cycle

Exercise prices for options not in the March quarterly cycle listed for trading shall be identical to the exercise prices that are listed for the March quarterly options on the same underlying futures contract. For example, the exercise prices listed for the January contract shall be identical to those listed for the March contract.

##### 3. Options in the "End-of-Month" Options Series

Exercise prices for options in the "End-of-Month" Options Series listed for trading shall be identical to the exercise prices that are listed for the March quarterly options on the same underlying futures contract. For example, the exercise prices listed for the January "End-of-Month" option series shall be identical to those listed for the March Quarterly options series.

##### 4. Options in the European Style Weekly Options Series

Exercise prices for options in the European style Weekly Options Series listed for trading shall be identical to the exercise prices that are listed for the March quarterly options on the same underlying futures contract. For example, the exercise prices listed for the January European style Weekly option series shall be identical to those listed for the March Quarterly options series.

Exchange Staff, under delegated authority from the Board may modify the provisions governing the establishment of exercise prices as it deems appropriate.

#### **358A01.F. Position Limits<sup>2</sup>**

<sup>1</sup> Revised October 1998, December 2001; September 2005, November 2005; January 2008; August 2009.

<sup>2</sup> Revised December 1998.

No person shall own or control a combination of options and underlying futures contract that exceeds 20,000 S&P 500 Stock Price Index futures-equivalent contracts net on the same side of the market in all contract months combined. For the purpose of this rule, each E-Mini S&P 500 futures-equivalent contract shall be deemed equal to one-fifth (0.20) of an S&P 500 Stock Price Index futures-equivalent contract.

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.

#### **358A01.G. Accumulation of Positions**

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.

#### **358A01.H. Exemptions**

The foregoing position limits shall not apply to commercially appropriate risk reducing option positions defined in accordance with Regulation 1.3(z)(1) of the CFTC and meeting the requirements of Rule 559 and shall not apply to other option positions exempted pursuant to Rule 559.

#### **358A01.I. Termination of Trading <sup>1</sup>**

##### **1. Options in the March Quarterly Cycle**

For options that expire in the March quarterly cycle, options trading shall terminate at the same date and time as the underlying futures contract.

##### **2. Options Not in the March Quarterly Cycle**

For options that expire in months other than those in the March quarterly cycle, options trading shall terminate on the third Friday of the contract month. If that day is not a scheduled Exchange business day, options trading shall terminate on the first 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.

##### **3. Options in the "End-Of-Month" Options Series**

For options in the "End-of-Month" Options Series, electronic trading on Globex of the options shall terminate at 3:00p.m. Chicago Time on the last business day of the contract month. In the event that the underlying futures market does not open on the scheduled options expiration day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

##### **4. Options in the European style Weekly Options Series**

For options in the European style Weekly Options Series, trading shall terminate at 3:00p.m. Chicago Time on the Friday of the first two weeks of the contract month.

For the first (1<sup>st</sup>) weekly option of the month, if the first Friday of the month is a scheduled Exchange holiday, the option shall terminate on the first business day immediately preceding the Friday. However, if the first business day immediately preceding the Friday falls in the preceding calendar month, the first weekly option shall not be listed for trading.

For the second (2<sup>nd</sup>) weekly option of the month, if the second Friday of the month is a scheduled Exchange holiday, the option shall terminate on the first business day immediately preceding the Friday.

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

#### **358A01.J. Contract Modification**

Specifications shall be fixed as of the first day of trading of a contract except that all options must

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<sup>1</sup> Revised December 2001.

conform to government regulations in force at the time of exercise. If the US 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 new options contracts shall be subject to such governmental orders.

## **358A02. EXERCISE**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of E-Mini S&P 500 options.

### **358A02.A. Exercise of Option by Buyer <sup>1</sup>**

#### **358A02.A.1 Options Not in the “End-of-Month” Series**

An option may be exercised by the buyer on any business day that the option is traded. Exercise of an option is accomplished by the clearing member representing the buyer presenting an exercise notice to the Clearing House by 7:00 p.m. on the day of exercise.

An option in the March quarterly cycle that is in the money and has not been liquidated or exercised prior to the termination of trading shall, in the absence of contrary instructions delivered to the Clearing House by 7:00 p.m. on the business day following the termination of trading by the clearing member representing the option buyer, be exercised automatically.

In-the-money options that expire in months other than those in the March quarterly cycle and have not been liquidated or exercised prior to the termination of trading shall, in the absence of contrary instructions delivered to the Clearing House by 7:00 p.m. on the day of the expiration by the clearing member representing the option buyer, be exercised automatically.

Corrections to option exercises may be accepted by the Clearing House after the 7:00 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 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 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.

#### **358A02.A.2 Options in the “End-of-Month” Series and the European style Weekly Options Series**

Following the termination of trading of an option, all in-the-money options shall be automatically exercised by the Clearing House on the day of expiration for the option. All out-of-the-money options shall be abandoned by the Clearing House on the day of expiration for the option. Whether an option is in or out of the money shall be determined based on the fixing price of the CME E-mini S&P 500 stock index futures on the day of expiration as follows:

- Tier1 Take the thirty (30) second average of sale prices of the underlying futures contract on Globex, weighted by volume, from 2:59:30 to 3:00:00 p.m. Chicago time.
- Tier2 If no sales occurred during the thirty-second interval noted above, take the midpoint of each bid and ask spread and average the resulting midpoints over the thirty-second interval. However, when looking at each bid / ask spread, if it is wider than 2 ticks (0.50 index points), the bid/ask pair shall be discarded in the calculation.
- Tier3 If the fixing price cannot be determined by both Tiers 1 and 2, or there is a trading interruption in the underlying futures market on Globex at any point from 2:58:00 to 3:00:00 p.m. Chicago time due to system outage or trading stoppages, including stoppages pursuant to Rule 580.3, take the thirty (30) second average of sale prices of the S&P 500 futures contract of the same contract month as the underlying futures contract, from 2:59:30 to 3:00:00 p.m. Chicago time.
- Tier 4 If the fixing price cannot be determined pursuant to Tiers 1, 2 and 3, Exchange Staff shall take into consideration any other information it deems appropriate to determine the fixing price. This information may include, but is not limited to, the following, and procedures to determine the information may be performed in any order by Exchange Staff: (1) derive the fixing price based on basis relationship against the underlying cash index level; (2) repeat Tier 1, 2, or 3 at ever increasing 30 second increment intervals until data is

<sup>1</sup> Revised August 2004.

obtained.

The calculation of the fixing price shall be rounded to the nearest 0.01 index points.

An option is deemed in the money if the fixing price of the underlying futures contract lies strictly above the exercise price in the case of a call, or lies strictly below the exercise price in the case of a put. For example, if the fixing price were 1250.01 or higher, then 1250 Calls shall be exercised. If the fixing price were 1250.00 or lower, then 1250 Calls shall be abandoned. Similarly, if the CME currency fixing price were 1249.99 or lower, then 1250 Puts shall be exercised. If the fixing price were 1250.00 or higher, then 1250 Puts shall be abandoned.

Options in the "End-of-Month" options series may not be exercised prior to the expiration of the options. At the expiration, in-the-money options may not be abandoned and out-of-the-money options may not be exercised.

#### **358A02.B. Assignment**

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 prior to the opening of trading 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 was exercised or a long position if a put was exercised. The clearing member representing the option buyer shall be assigned a long position in the underlying futures contract if a call was exercised and a short position if a put was 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.

### **358A03. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

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

(End Chapter 358A)

### **INTERPRETATIONS AND SPECIAL NOTICES RELATING TO CHAPTER 358A**

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### **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 spread with options, such

that the net position across options and futures is less than the applicable limit set in the options rule.