

Chapter 460A

Options on Three-Month Overnight Index Swap Futures

460A00. SCOPE OF CHAPTER

This chapter is limited in application to trading in put and call options on 3-Month Overnight Index Swap (OIS) futures (“OIS 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.

460A01. OPTION CHARACTERISTICS

460A 01.A. Contract Months and Trading Hours

Option 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.

460A01.B. Trading Unit

The trading unit shall be an option to buy, in the case of the call, or to sell, in case of the put, one OIS futures contract as specified in Chapter 460.

460A 01.C. Minimum Fluctuations

The price of an option shall be quoted in IMM Index points. Each .01 IMM Index point (1 basis point) shall represent \$25. For example, a quote of 0.35 represents an option price of \$875 (35 basis points x \$25).

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

For any option that expires in the March quarterly cycle (i.e., March, June, September, and December) and that references an underlying futures contract that trades in a minimum fluctuation of 0.0025 IMM Index point (\$6.25), the minimum fluctuation shall be 0.0025 IMM Index point (\$6.25).

2. All Other Contract Months

The minimum fluctuation shall be 0.005 IMM Index point (\$12.50), with the following exceptions:

2.a. Options that expire in the nearest or second-nearest March quarterly contract month, and that are trading at a premium of no more than 0.05 IMM Index points, may trade in

increments of 0.0025 IMM index points.

2.b. Options that expire in the nearest or second-nearest contract months that are not March quarterly contract months, and that are trading at a premium of no more than 0.05 IMM Index points, may trade in increments of 0.0025 IMM index points.

2.c. For any option spread or option combination that trades at a net premium of no more than 0.05 IMM Index points, and that consists solely of option contracts identified in 2.a. and/or 2.b., the options in said spread or combination may trade in increments of 0.0025 IMM index points.

2.d. For the purpose of Rule 813. – Settlement Prices, the minimum fluctuation shall be 0.0025 IMM Index point (\$6.25).

2.e. Trades may occur at a price of 0.0025 IMM Index point (\$6.25), whether or not such trades result in the liquidation of positions for both parties to the trade.

460A01.D. Underlying Futures Contracts

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

For options in the March quarterly cycle (i.e., March, June, September, and December), the underlying futures contract shall be the futures contract that expires three months after the corresponding option contract.

For example:

The December option contract expires into the March futures contract.

The March option contract expires into the June futures contract.

The June option contract expires into the September futures contract.

The September option contract expires into the December futures contract.

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

For options 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 shall be the futures contract that expires either four and five months after the corresponding option contract.

For example:

The October and November option contracts expire into the March futures contract.

The January and February option contracts expire into the June futures contract.

The April and May option contracts expire into the September futures contract.

The July and August option contracts expire into the December futures contract.

460A01.E. Exercise Prices

1. 25 Point Exercise Prices

Exercise prices shall be stated in terms of the IMM Index for the OIS futures contract that is deliverable upon exercise of the option and shall be stated in intervals whose last two digits are 00, 25, 50, and 75 (“25-point exercise prices”) for all IMM Index levels, e.g., 88.00, 88.25, 88.50, 88.75, etc.

At the commencement of trading in a contract expiration, the Exchange shall list put and call options at the exercise price that is nearest the previous day's settlement price of the

respective underlying futures contract. All eligible exercise prices in a range of 5.50 IMM Index points above and 5.50 IMM Index points below the exercise price that is nearest the futures price shall be listed for trading. Thereafter, the Exchange shall add for trading all eligible exercise prices in a range of 5.50 IMM Index points above and 5.50 IMM Index points below the exercise price nearest the previous day's settlement price. New options may be listed for trading up to and including the termination of trading.

2. 12.5 Point Exercise Prices

Additional exercise prices shall be stated in intervals whose last three digits are 12.5, 37.5, 62.5, and 87.5 ("12.5-point exercise prices") for all IMM Index levels, 93.125, 93.375, 93.625, 93.875, etc.

The Exchange shall list put and call options with a 12.5-point exercise price in a range of 1.50 IMM Index points above and 1.50 IMM Index points below the exercise price nearest the previous day's settlement price of the underlying futures contract month.

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

460A01.F. Position Accountability

A person owning or controlling a combination of options and underlying futures contracts that exceeds 10,000 futures-equivalent contracts net on the same side of the market in all contract months combined 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.

460A01.G. [Reserved]

460A01.H. 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.

460A01.I. [Reserved]

460A01.J. Termination of Trading

Trading in OIS options shall terminate at the close of trading on the Friday preceding the third Wednesday of the contract month. If the foregoing date for termination is not a business day, options trading shall terminate on the immediately preceding business day.

460A01.K. Contract Modifications

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 contract shall be subject to such government orders.

460A01. EXERCISE

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of OIS options.

460A02.A. Exercise of Option by Buyer

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. on the day of exercise.

An option 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 day of expiration by the clearing member representing the option buyer, be exercised automatically.

Corrections to option exercises may be accepted by the Clearing House after 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 instruction 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.

460A02.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 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 or 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.

460A03. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES

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

(End Chapter 460A