

Chapter 501A

Options on Three-month Euroyen Futures

501A00. SCOPE OF CHAPTER

This chapter is limited in application to trading in put and call options on Three-Month Euroyen Time Deposit futures contracts ("Euroyen options"). The procedures for trading, clearing, inspection, delivery and settlement and any other matters not specifically covered herein shall be governed by the rule of the Exchange.

501A01. OPTION CHARACTERISTICS

501A01.A. Contract Months, Trading Hours and Trading Halts ¹

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 Exchange.

501A01.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 Three-Month Euroyen Time Deposit futures contract as specified in Chapter 501.

501A01.C. Minimum Fluctuations ²

The price of an option shall be quoted in IMM Index points. Each .01 IMM Index point (1 basis point) shall represent 2,500 Japanese yen per contract. For example, a quote of 0.35 represents an option price of 87,500 Japanese yen (35 basis points x 2,500 Japanese yen).

For any option that is exercisable into any Three-Month Euroyen futures contract for which the minimum price increment is .0025 IMM Index points, per CME Rule 50102.C., the minimum fluctuation in option premium shall be .0025 IMM Index points (625 Japanese yen per contract).

For any option that is exercisable into any Three-Month Euroyen futures contract for which the minimum price increment is .005 IMM Index points, per CME Rule 50102.C., the minimum fluctuation in option premium shall be .005 IMM Index points (1,250 Japanese yen per contract).

Trades may also occur at a price of 300 Japanese yen, whether or not such trades result in the liquidation of positions for both parties to the trade.

501A01.D. Underlying Futures Contract

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.

501A01.E. Exercise Prices ³

For any option, the exercise price shall be stated in terms of the IMM Index for the Three-Month Euroyen futures contract (CME Rule 50102.C.) that is deliverable upon exercise of such option. Customarily, and without limitation, the Exchange shall list exercise price levels as follows:

¹ Revised December 2001.

² Revised September 1997; November 1997; May 2010.

³ Revised December 2001; March 2011.

1. Quarter-Point Exercise Prices

For any given option expiration month (Rule 501A01.D.) the Exchange shall list options with exercise prices at intervals for which the last two digits are 00, 25, 50, or 75 ("quarter point exercise prices"), e.g., 93.00, 93.25, 93.50, 93.75.

At the commencement of trading in options for any given option expiration month, the Exchange shall list put and call options at the exercise price that is nearest to the previous daily settlement price of the respective underlying futures contract ("at-the-money exercise price"). The Exchange also shall list options for exercise at all eligible price levels within and including 1.50 IMM Index points above and 1.50 IMM Index point below such at-the-money exercise price level.

2. Special Listings of Eighth-Point Exercise Prices

At the commencement of trading in options for any given option expiration month, the Exchange shall list additional options with exercise prices at intervals for which the last three digits are 125, 375, 625, and 875 ("eighth point exercise prices"), e.g., 93.125, 93.375, 93.625, 93.875. The Exchange shall list options for exercise at all such price levels within and including 1.50 IMM Index points above and 1.50 IMM Index points below the at-the-money exercise price (Rule 501A01.E.1.).

Thereafter, the Exchange shall ensure that put and call options are listed for trading at all eligible exercise price levels (Rule 501A01.E.1. and 501A01.E.2.) within and including 1.50 IMM Index points above and 1.50 IMM Index points below the exercise price that is nearest to the previous daily settlement price of the respective underlying futures contract. For any given option expiration month, options may be listed for trading up to and including their termination of trading.

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

501A01.F. [Reserved]

501A01.G. Position Limits

No person shall own or control a combination of options and underlying futures contracts that exceeds 5,000 futures-equivalent contracts net on the same side of the market in all contract months combined.

For the purposes 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.

501A01.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.

501A01.I. 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.

501A01.J. Termination of Trading ⁴

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.

⁴ Revised December 2001.

2. Options Not in the March Quarterly Cycle

Options trading for contracts not in the March quarterly cycle 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 a scheduled Exchange holiday, options trading 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.

501A01.K. 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 government orders.

501A02. EXERCISE

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of Three–Month Euroyen options.

501A02.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 in the March quarterly cycle that is in the money⁵ 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 the clearing member representing the option buyer by 7:00 p.m. on the day of determination of the Final Settlement Price of the underlying Three–Month Euroyen futures contract, be exercised automatically.

In–the–money options⁶ 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 expiration by the clearing member representing the option buyer, be exercised automatically.

501A02.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 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.

501A03. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES

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

⁵ An option is in the money if the Final Settlement 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.

⁶ An option that expires in a month other than those in the March quarterly cycle is in the money if the settlement price of the underlying futures contract at the termination of trading lies above the exercise price in the case of a call, or lies below the exercise price in the case of a put.

(End Chapter 501A)

**INTERPRETATIONS & SPECIAL NOTICES
RELATING TO CHAPTER 501A**

**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 option rule.