



Special Executive Report

S-5513

December 6, 2010

REDUCED STRIKE PRICE INTERVALS IN CORN, SOYBEAN, AND SOYBEAN MEAL OPTIONS

Effective December 27, 2010, the CBOT will begin generating reduced strike price intervals (half strikes) in standard Corn and Soybean options when they become the third deferred listed contract month and in Soybean Meal options when they become the first deferred listed contract month.

Due to customer demand, the Exchange expanded the listing cycle for Corn and Soybean options to assure the first three option expirations were always listed (see SER – 5359). Serial option strike prices are always listed in reduced strike intervals; however, standard options automatically list reduced strike intervals only when they become the second deferred contract. Thus, under the current listing cycle, when a serial option is the third deferred option contract, it has reduced strike intervals, but when a standard option is the third deferred option contract, it does not automatically have reduced strike intervals. This change automatically adds reduced strike intervals to standard Corn and Soybean options when they become the third rather than the second deferred contract month and assures reduced strike intervals are always available in the third deferred contract expiration whether that option is a serial or standard option.

Options on Soybean Meal futures have a two-tiered system that determines the interval between strike prices. For strike prices less than \$200 per ton, the strike interval is \$5 per ton and for strike prices greater than and equal to \$200 per ton, the strike interval is \$10 per ton. Soybean meal option rules do not provide for reduced strike intervals for strike prices above \$200 per ton. Due to customer demand, however, the Exchange is adding reduced strike price intervals (\$5 per ton) to Soybean Meal options, regardless of strike price level, when an option becomes the first deferred contract expiration.

With implementation planned for December 27, the first standard Corn and Soybean options to be affected will be the May 2011 expiration, which will receive automatic reduced strike intervals on 1/24/2011; the first Soybean Meal option to be affected will be the February 2011 serial option, which will receive automatic reduced strike intervals on 12/27/2010.

Questions may be directed to Fred Seamon in Research and Product Development (312-634-1587 or Fred.Seamon@CMEGroup.com).

Additions are bold and underlined

[Deletions are bracketed with strikethrough]

**Chapter 10A
Options on Corn Futures**

10A01.E. Exercise Prices

Trading shall be conducted for put and call options with striking prices in integral multiples of five (5) cents and ten (10) cents per bushel per Corn futures contract as follows:

1.
 - a. At the commencement of trading for each option contract, the Exchange shall list a strike closest to the previous day's settlement price of the underlying Corn futures contract (the at-the-money strike), and strikes in integral multiples of ten cents in a range of 50 percent above and below the at-the-money strike. If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two.
 - b. Over time, new ten cent strikes will be added to ensure that all strikes within 50 percent of the previous day's settlement price in the underlying futures contract are listed.
2.
 - a. At the commencement of trading for options that are traded in months in which Corn futures are not traded, and for standard option months the business day they become the ~~second~~ **third** listed month, the Exchange shall list a strike closest to the previous day's settlement price of the underlying Corn futures contract (the at-the-money strike), and strikes in integral multiples of five cents in a range of 25 percent above and below the at-the-money strike. If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two. For example, five-cent strike price intervals for the September contract would be added on the first business day after the expiration of the July options contract.
 - b. Over time, new five-cent strike prices will be added to ensure that all strikes within 25 percent of the previous day's settlement price in the underlying futures are listed.
3. All strikes will be listed prior to the opening of trading on the following business day. Upon demand and at the discretion of the Exchange, new out-of-current-range strike prices at regularly defined intervals may be added for trading on as soon as possible basis. The Exchange may modify the procedures for the introduction of strikes as it deems appropriate in order to respond to market conditions. As new 5 and 10 cent strikes are added, existing strikes outside the newly determined strike ranges without open interest may be de-listed.

Chapter 11A Options on Soybean Futures

11A01.E. Exercise Prices

Trading shall be conducted for put and call options with striking prices in integral multiples of ten (10) cents and twenty (20) cents per bushel per Soybean futures contract as follows:

1.
 - a. At the commencement of trading for each option contract, the Exchange shall list a strike closest to the previous day's settlement price of the underlying Soybean futures contract (the at-the-money strike), and strikes in integral multiples of twenty cents in a range of 50 percent above and below the at-the-money strike. If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two.
 - b. Over time, new twenty cent strikes will be added to ensure that all strikes within 50 percent of the previous day's settlement price in the underlying futures contract are listed.
2.
 - a. At the commencement of trading for options that are traded in months in which Soybean futures are not traded, and for standard option months the business day they become the ~~[second]~~ **third** listed month, the Exchange shall list a strike closest to the previous day's settlement price of the underlying Soybean futures contract (the at-the-money strike), and strikes in integral multiples of ten cents in a range of 25 percent above and below the at-the-money strike. If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two. For example, ten-cent strike price intervals for the September contract would be added on the first business day after the expiration of the July options contract.
 - b. Over time, new ten-cent strike prices will be added to ensure that all strikes within 25 percent of the previous day's settlement price in the underlying futures are listed.
3. All strikes will be listed prior to the opening of trading on the following business day. Upon demand and at the discretion of the Exchange, new out-of-current-range strike prices at regularly defined intervals may be added for trading on as soon as possible basis. The Exchange may modify the procedures for the introduction of strikes as it deems appropriate in order to respond to market conditions. As new 10 and 20 cent strikes are added, existing strikes outside the newly determined strike ranges without open interest may be de-listed.

Chapter 13A
Options on Soybean Meal Futures

13A01.E. Exercise Prices

Trading shall be conducted for put and call options with striking prices (the “strikes”) in integral multiples of five (5) dollars per ton per Soybean Meal futures contract for all strikes less than two hundred dollars and in integral multiples of ten (10) dollars per ton per Soybean Meal futures contract for all strikes greater than or equal to two hundred dollars as follows:

1.
 - a. At the commencement of trading for each option contract, the Exchange shall list a strike closest to the previous day’s settlement price of the underlying Soybean Meal futures contract (the at-the-money strike), and strikes in a range of 50 percent above and below the at-the-money strike. If the previous day’s settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two.
 - b. Over time, strikes shall be added as necessary to ensure that all strikes within 50 percent of the previous day’s settlement price in the underlying futures are listed.

2.

a. For option months the business day they become the first listed month, the Exchange shall list a strike closest to the previous day’s settlement price of the underlying Soybean Meal futures contract (the at-the-money strike), and strikes in integral multiples of five dollars per ton in a range of 50 percent above and below the at-the-money strike. If the previous day’s settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two.

b. Over time, new 5 dollar strike prices shall be added to ensure that all strikes within 50 percent of the previous day’s settlement price in the underlying futures are listed.

[2.] **3.** All strikes will be listed prior to the opening of trading on the following business day. Upon demand and at the discretion of the Exchange, new out-of-current-range strike prices at regularly defined intervals may be added for trading on as soon as possible basis. The Exchange may modify the procedures for the introduction of strikes as it deems appropriate in order to respond to market conditions. As new strikes are added, existing strikes outside the newly determined strike ranges without open interest may be de-listed.