CME Group

Special Executive Report

S-5916 **September 2, 2011**

S&P 500 Index Options Box Spread Tick Rule Revised

Effective on trade date Tuesday, September 6, 2011, the Exchange Rules governing box spreads for options on S&P 500 futures will allow trades in half ticks, or 0.05 increments. These contracts are listed by and subject to the rules of CME.

Box spreads are essentially a financing vehicle, allowing customers to either borrow, or lend, funds via the box spread. A S&P 500 box spread is a delta neutral spread. A box spread includes a long call and a short put position at one strike price level and a short call and a long put position at another strike price level, such as the 750 and the 1,250 S&P 500 strikes.

CME box spreads are at a competitive disadvantage to SPX spreads which trade in penny increments. Additional pricing granularity for options on S&P 500 futures (for box spreads only) will support more effective pricing of box spreads.

Please consult the Rulebook for a complete description of the application of the circuit breaker provisions. Or, you may wish to direct any inquiries to Lucy Wang, Research and Product Development at 312-648-5478 or lucy.wang@cmegroup.com; or John Nyhoff, Research and Product Development at 312-930-2310 or john.nyhoff@cmegroup.com.

Text of Rule Amendments

(*Additions are underlined, deletions are bracketed and overstruck*)

Chapter 351A

Options on Standard and Poor's 500 Stock Price Index™ Futures

351A01. OPTION CHARACTERISTICS

[351A01.*A. and B. remain unchanged.*]

351A01.C. Minimum Fluctuations

The price of an option shall be quoted in index points. Each .01 index point shall represent $2.5. The minimum fluctuation shall be .10 index points ($25.00, also known as one tick). Trades may also occur at a price of .05 index points ($12.50, also known as one-half tick), 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, e.g., .15 index points ($37.50, also known as one and one-half ticks), and 1.95 index points ($487.50 also known as nineteen and one-half ticks).

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.

<u>For the purpose of this rule, an option box spread is defined to be a spread of four (4) options: buy call at strike 1, sell put at strike 1, sell call at strike 2 and buy put at strike 2, all with the same expiration date. For an option box spread trade the minimum fluctuation shall be 0.05 ($12.50, also known as one-half tick) index points.</u>

[*The remainder of Chapter 351A remains unchanged.*]