

Equity Index Products Price Limit FAQ

Q1. How long has CME Group had price limits (circuit breakers) in equity index futures and options?

Price limits were instituted in 1988 and have changed many times since then. Percentage-based price limit system began on April 15, 1998.

Q2. How often are U.S. equity price limits set?

Price limits are established on a quarterly basis and are triggered by market declines of 10 percent, 20 percent and 30 percent. New limits go into effect at the beginning of each calendar quarter.

Q3. How are price limit levels determined?

The percentages (10 percent, 20 percent and 30percent) are based on the average closing price of the lead month futures contract in December, March, June and September. The average closing price of the lead month futures contract determines the level for the next quarter.

For **S&P 500, E-mini S&P 500, NASDAQ-100, E-mini NASDAQ-100, E-mini NASDAQ Composite** and **E-mini NASDAQ Biotechnology futures**, the 10 percent limit is computed as 10 percent of that average, rounded down to a multiple of 10 index points.

For **S&P MidCap 400, E-mini S&P MidCap 400, S&P 500/Growth and S&P 500/ Value futures**, the 10 percent limit is rounded down to a multiple of 5 index points.

For **S&P SmallCap 600, E-mini S&P SmallCap 600 and SPCTR futures**, the 10 percent limit is rounded down to a multiple of 2 index points. The 20 percent limit is twice the 10 percent limit, while the 30 percent is three times the 10 percent limit. The overnight 5 percent limit is one-half the 10 percent limit, rounded down to a multiple of 1 index point.

For **Dow Jones Industrial Average (DJIA) contracts**, the limits calculations are based on the average closing of the underlying spot Dow Jones Industrial Average for the prior month, rounded to the nearest 50 points.

Q4. Are CME Group price limits coordinated with the primary securities market?

Yes, CME Group price limits are coordinated with price limit policies in the primary securities markets. NYSE Rule 80B provides for price limits based upon a 10 percent, 20 percent and 30 percent decline in the Dow Jones Industrial Average (DJIA). NYSE Rule 80B provides that if the DJIA declines by 10 percent prior to 2:00 p.m. Eastern Time (ET), a one-hour trading halt ensues. If the DJIA declines by 10 percent at or after 2:00 p.m. but before 2:30 p.m. (ET), a half-hour trading halt ensues. Finally, the 10 percent limit becomes inapplicable if the DJIA is down by 10 percent at or after 2:30 ET. Further, if the DJIA declines by 20 percent before 1:00 p.m. ET, a two-hour halt ensues. At or after 1:00 but before 2:00 p.m. ET, a one-hour halt ensues. If the DJIA declines by 20 percent at or after 2:00, the market is closed for the remainder of the trading session. Finally, there is an absolute daily limit of 30 percent such that if the DJIA should decline

by 30 percent, trading is halted for the remainder of the day. Activity on the NASDAQ and AMEX exchanges is coordinated with NYSE Rule 80B.

Likewise, trading in CME Group domestic stock index products is halted whenever a NYSE Rule 80B is in effect. Trading in CME Group domestic stock index products recommences when trading recommences in the primary securities market and CME Group domestic stock index products become unconstrained by the corresponding price limit provisions. Thus, if a NYSE Rule 80B trading halt is triggered by a 10 percent limit and trading in the primary security markets subsequently recommences, then trading in CME Group domestic stock index products will recommence. The 10 percent limit will thereupon no longer be in force with respect to CME Group products regardless of whether it has been touched or not in the context of the CME Group market. Similarly, if the DJIA declines by 10 percent at or after 2:30 p.m. ET, and the NYSE Rule 80B 10 percent price limit becomes inapplicable with respect to the primary security markets, then the 10 percent price limit likewise becomes inapplicable with respect to CME Group domestic stock index products.

Q5 How does the 10 percent limit work?

The 10 percent limit is initiated if the lead month futures contract is limit offered. Once this has occurred, the limit is in effect for 10 minutes. This means you cannot trade below the limit, but it does allow you to trade at or above it. Once the 10 minutes has expired one of two things can happen. If the lead month futures contract is not limit offered after 10 minutes, trading will continue with the 20 percent limit in effect. If the lead month futures contract is limit offered after 10 minutes, trading will halt for two minutes. Once the two minutes has expired, trading will resume with the 20 percent limit in effect.

Under NYSE Rule 80B, the 10 percent price limit is not in effect after 2:30 p.m. ET (1:30 p.m. Chicago time). Therefore, after 1:30 p.m. Chicago time, the 10 percent limit is removed and the 20 percent limit would be in effect. For example, if E-mini S&P 500 futures were down 5 percent at 1:30 p.m. ET, the 10 percent limit in E-mini S&P 500 futures would be removed and the 20 percent limit would now be in effect.

For example:

Suppose the previous days' settlement price for (the lead month of) a particular index futures is 1000.00. Furthermore, the 10 percent limit is set at 100.00 index points. The 10 percent limit would be triggered if the lead month of the futures reaches 900.00 index points.

If the (lead month) futures reaches a limit offer of 900.00 index points without NYSE declaring a Rule 80B trading halt at 1:15 p.m. Chicago time for the first time during the trading session, the 10 percent limit would be in effect for 10 minutes. Between 1:15 p.m. and 1:25 p.m., futures will be allowed to trade at or above the price of 900.00.

Assuming that the market for the lead month contract remains limit offered at 900.00 at the conclusion of the 10-minute period (1:25 p.m.) without NYSE declaring a Rule 80B trading halt, there will be a trading halt of two minutes. Following the trading halt, and assuming that there is no NYSE Rule 80B trading halt in effect, the market will re-open (at 1:27 p.m. Chicago time, in this example) with the 20 percent limit in effect. The 10 percent limit will no longer be in effect following the trading halt and reopening.

If the market of the lead month futures is trading at a price higher than 900.00 following the initial 10-minute period (at 1:25 p.m. Chicago time in this example), there will be no trading halt,



assuming that the market is not halted due to NYSE Rule 80B. The 10 percent limit will no longer be in effect for the remainder of the trading session, however.

If the lead month futures contract reaches a limit offer of 900.00 at 1:19 p.m. Chicago time for the first time in the trading session, the 10 percent limit will be in effect for a 10-minute period concluding at 1:29 p.m. Assuming that the market remains locked limit offer at the level of 900.00, the market will be halted. Assuming that the NYSE has not declared a trading halt due to Rule 80B, the 10 percent limit due to Rule 80B no longer will be in effect as of 1:30 p.m. Chicago time. The futures market will reopen at 1:30 p.m. Chicago time. The trading halt will not extend to cover the full two-minute period.

If the lead month futures contract reaches a limit offer of 900.00 at 1:25 p.m. Chicago time for the first time in the trading session, the 10 percent limit shall be in effect. However, assuming that the NYSE has not declared a trading halt due to Rule 80B prior to 1:30 p.m. Chicago time, the 10 percent limit due to Rule 80B will cease to be in effect at that point. The 10 percent limit in the futures market also will be lifted at 1:30 p.m. Chicago time

If NYSE declares a Rule 80B trading halt, all domestic index futures will be halted for trading. The reopening of the futures market shall be coordinated with the reopening of the stock markets.

Q6 How does the 20 percent limit work?

The 20 percent limit is very similar to the 10 percent limit. The 20 percent limit is initiated once the lead month futures contract is limit offered. Once this has occurred, the limit is in effect for 10 minutes. This means you cannot trade below the limit, but it does allow you to trade at or above it. Once the 10 minutes has expired, one of two things can happen. If the lead month futures contract is not limit offered after 10 minutes, trading will continue with the 30 percent limit in effect. If the lead month futures contract is limit offered after 10 minutes, trading will halt for two minutes. Once the two minutes has expired, trading will resume with the 30 percent limit in effect.

Q7 What is the maximum daily futures and options limit?

The maximum daily limit is 30 percent. Trading can occur at or above this limit and cannot trade below this limit.

Q8 Do E-mini contracts and their respective pit-based contracts have the same limits?

Yes. E-mini contracts have the same limits as their respective larger pit-traded futures contracts. E-mini futures contracts will initiate the 10 percent and 20 percent limits. This means that these limits will go into effect for both the E-mini and their respective larger pit-based contracts once the lead month E-mini futures contract is limit offered.

Q9 Do E-mini contracts and their respective pit-based contracts stop trading when the E-mini futures halt?

Yes, trading in both the E-mini and their respective larger pit-based contracts will stop trading whenever a halt is determined in the lead month E-mini futures.

Q10 Are CME Group price limits in effect for both up and down markets?

Price limits are in effect for down markets only during Regular Trading Hours (RTH). Extended Trading Hours (ETH) have both up and down limits.

Q11 What are the ETH limits?

For CME Globex non-pit trading hours, there is a single price limit set at 5 percent. Trading may occur only at or above the 5 percent price limit on the downside and at or below the 5 percent limit on the upside.

If equity index futures are locked limited at 8:15 a.m. Chicago time (CT) and remain so at 8:25 a.m. CT in the lead month futures contract, there will be a trading halt in effect until the commencement of Regular Trading Hours (RTH). During the trading halt, the exchange will provide an Indicative Opening Price (IOP) of the re-opening of trading on CME Globex, if applicable. If the lead month futures contract is no longer locked limited at 8:25 a.m. CT, trading will continue with the 5 percent limit in effect. At 8:30 a.m. CT, the 5 percent ETH limit no longer will be applicable.

Please note that, on the expiration day of a futures contract month, the futures contract will not be reopened at 8:30 a.m. CT at the commencement of the RTH, regardless of whether a trading halt had been invoked from 8:25 a.m. to 8:30 a.m. CT. CME Globex trading will be delayed until 6:00 p.m. CT if an NYSE trading halt is in effect at 3:00 p.m. CT or if the lead month futures contract in the E-mini S&P 500 futures is limit offered at 3:15 p.m. CT.

For example:

Suppose that the previous days' settlement price for (the lead month of) a particular index futures is 1000.00. Further, the 5 percent limit is set at 50.00 index points. The 5 percent limit would be triggered if the lead month of the futures reaches either 950.00 or 1050.00 index points.

If the market reaches either limit at 8:15 a.m. CT and is also at the same limit at 8:25 a.m. CT, the market will be halted. The market will re-open at 8:30 a.m. CT with the 10 percent price limit in effect. (Please note that there is only 10 percent limit on the downside of the market.)

If the market is not at either limit at 8:15 a.m. CT, the market will not be halted at 8:25 a.m. CT even if the market does reach the 5 percent limit following 8:15 a.m. CT and prior to 8:30 a.m. CT, when the 5 percent limit ceases to be in effect.

Q12 Do U.S. index options on futures halt or trade in conjunction with futures trading halts?

Whenever the lead month futures contract is officially declared at a limit, options trading halts, with one exception: There is no maximum daily price limit on an option's last day of trading.

Q13 Are there price limits on non-domestic futures?

Yes. Nikkei 225, E-mini S&P Asia 50 and E-mini FTSE/Xinhua China 25 futures have daily price limits. The daily price limits are determined each month. Limits are based on the settlement price of the lead month futures contract on the last business day of the previous month. For example, the settlement price of the March 2009 Nikkei 225 futures contract on December 31, 2008 will determine the price limits for the entire month of January 2009.



There is no daily price limit in a contract on its last day of trading. The daily price limit is derived from the following:

Nikkei 225	
Lead Month Futures Settlement	Daily Limit (Index Points)
0-20,000	1,000 (up & down)
20,005-30,000	1,500 (up & down)
30,005 and up	2,000 (up & down)

E-mini FTSE/Xinhua China 25	
Lead Month Settlement	Daily Limit (Index Points)
0-20,000	2,000
20,005-30,000	3,000
30,005 and up	4,000

E-mini S&P Asia 50	
Lead Month Settlement	Daily Limit (Index Points)
0 - 2,000	100
2,000 - 3,000	150
3,000 - 4,000	200
4,000 and up	250

Q14 Are there any price limits on Nikkei 225 options on futures?

No. Nikkei 225 options on futures will continue to trade when the lead month futures contract is at a limit bid or offer.



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