

INTEREST RATE PRODUCTS

Flexible Options on U.S. Treasury Futures

Flex Options combine customization with the benefits of exchange-traded products.

Overview

Traders often find themselves in need of a tool that allows them to either fine tune an existing position or gain the precise exposure they desire. Flexible Options on U.S. Treasury futures (Flex Options) — exchange-traded options that offer non-standard features — provide the dexterity to manage a position and gain market exposure without sacrificing the benefits of an exchange-traded derivative. CME Group offers Flex Options on 2-Year, 5-Year and 10-Year Treasury Note futures, as well as the Treasury Bond futures contract.

About the Contracts

Flex Options give you the ability to enhance the components of your position by customizing option contract specifications that are typically standardized: strike price, exercise style, expiration date and expiration month.

The non-standard features of Flex Options, coupled with the fact that they are exchange-traded, bring greater transparency to what otherwise would be an over-the-counter (OTC) transaction. Moreover, since CME

Clearing becomes the counterparty to each trade, Flex Options eliminate the counter-party risk that is characteristic of OTC option transactions. Any option strategy can be constructed using Flex Options.

Some Important Points about Flex Option Trades

Strike Price — The chosen strike price cannot be beyond the range of currently listed strike prices for the standard option.

Exercise Style — You may choose either American- or European-style expiration.

Expiration Date — The expiration date can be any date that is not a weekend or an exchange holiday but cannot go beyond the listed options expiration date. For instance, if the standard September option expires on August 26, then any Flex Option that expires into September futures must expire on or before that date.

Expiration Month — The expiration month cannot be beyond the range of currently listed underlying futures contract months in which a trade has occurred.

Benefits

- **Access to a currently unavailable option.** Flex Options allow you to establish a position in an option before it is listed. For example, if the target month of your trade is not accommodated by the currently listed standard option months, you can use Flex Options to match the time horizon of the trade.
- **Options with non-standard characteristics.** Flex Options can be structured with components that are different from the standard options and therefore could not be listed. This allows you to execute options that exactly match an underlying position, or have an expiration date keyed to economic releases.
- **Cost efficiencies.** Flex Options provide a cost effective way to establish a position by adjusting some of the factors that impact the option price, e.g., the strike price, time to expiration and exercise style.

FLEXIBLE OPTIONS ON U.S. TREASURY FUTURES CONTRACT SPECIFICATIONS

| 2-YEAR U.S. TREASURY NOTE FLEXIBLE OPTIONS | |
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| Contract Size | One 2-Year Treasury Note futures contract of a specified delivery month |
| Description | Flexible options on 2-Year Treasury Note futures are permitted in puts and calls which do not have the same underlying futures contract, same strike price, same exercise style, and same last day of trading as standard options. However, flexible options are also permitted in put and calls that have the same underlying futures contract, same strike price, same exercise style, and same last day of trading as standard options that are not at that time listed for trading. The minimum size for requesting a quote and/or trading in a flexible option series is 50 contracts, each having a face value at maturity of \$100,000, with the exception that a quote and/or trade in a flexible option series may be less than 50 contracts but only to entirely close out a position in a flexible series |
| Tick Size | 1/2 of 1/64 of a point (\$15.625 per contract) rounded up to the nearest cent per contract |
| Expiration Months | Trading may be conducted in flexible options in any month up through the most distant futures contract |
| Strike Prices | Strike prices must be specified in points and 64ths of points per 2-Year Treasury Note futures contract. Strike prices can be any strike that is not beyond the range of currently listed strike prices for the standard options in which a trade has occurred |
| Last Trading Day | Options cease trading on the last Friday, which precedes by at least two business days, the last business day of the month preceding the option month. Options cease trading at the close of the regular daytime open auction trading session for the corresponding 2-Year Treasury Note futures contract |
| Expiration | Unexercised flexible options on 2-Year Treasury Note futures shall expire at 7:00 p.m. Central Time (CT) on the last day of trading. The expiration date can be any date that is not a weekend or an exchange holiday but cannot go beyond the standard options expiration date. Those flexible options that have the features of yet-to-be listed standard options become standard options when the series is listed. These options follow the expiration and exercise procedures as specified in the standard option regulations |
| Exercise | European-style: The buyer of the futures option may exercise only at expiration American-style: The buyer of the futures option may exercise the option on any business day prior to expiration by giving notice to CME Clearing by 6:00 p.m. CT. Options that expire in-the-money are automatically exercised into a futures position, unless specific instructions are given to CME Clearing |
| Trading Hours | Open Outcry Only: 7:20 a.m. – 2:00 p.m. CT, Monday – Friday |
| Ticker Symbols | American-style options: ATC for calls/ATP for puts European-style options: ETC for calls/ETP for puts |
| 5-YEAR U.S. TREASURY NOTE FLEXIBLE OPTIONS | |
| Contract Size | One 5-Year Treasury Note futures contract of a specified delivery month |
| Description | Flexible options on 5-Year Treasury Note futures are permitted in puts and calls which do not have the same underlying futures contract, same strike price, same exercise style, and same last day of trading as standard options. However, flexible options are also permitted in put and calls that have the same underlying futures contract, same strike price, same exercise style, and same last day of trading as standard options that are not at that time listed for trading. The minimum size for requesting a quote and/or trading in a flexible option series is 50 contracts, each having a face value at maturity of \$100,000, with the exception that a quote and/or trade in a flexible option series may be less than 50 contracts but only to entirely close out a position in a flexible series |
| Tick Size | 1/64 of a point (\$15.625 per contract) rounded up to the nearest cent per contract |
| Expiration Months | Trading may be conducted in flexible options in any month up through the most distant futures contract in which a trade has occurred |
| Strike Prices | Strike prices must be specified in points and 64ths of points per 5-Year Treasury Note futures contract. Strike prices can be any strike that is not beyond the range of currently listed strike prices for the standard options |
| Last Trading Day | Options cease trading on the last Friday, which precedes by at least two business days, the last business day of the month preceding the option month. Options cease trading at the close of the regular daytime open auction trading session for the corresponding 5-Year Treasury Note futures contract |
| Expiration | Unexercised flexible options on 5-Year Treasury Note futures shall expire at 7:00 p.m. CT on the last day of trading. The expiration date can be any date that is not a weekend or an exchange holiday but cannot go beyond the standard options expiration date. Those flexible options that have the features of yet-to-be listed standard options become standard options when the series is listed. These options follow the expiration and exercise procedures as specified in the standard option regulations |
| Exercise | European-style: The buyer of the futures option may exercise only at expiration American-style: The buyer of the futures option may exercise the option on any business day prior to expiration by giving notice to CME Clearing by 6:00 p.m. CT. Options that expire in-the-money are automatically exercised into a futures position, unless specific instructions are given to CME Clearing |
| Trading Hours | Open Outcry Only: 7:20 a.m. – 2:00 p.m. CT, Monday – Friday |
| Ticker Symbols | American-style options: AFC for calls/AFP for puts European-style options: EFC for calls/EFP for puts |

10-YEAR U.S. TREASURY NOTE FLEXIBLE OPTIONS

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| Contract Size | One 10-Year Treasury Note futures contract of a specified delivery month |
| Description | Flexible options on 10-Year Treasury Note futures are permitted in puts and calls which do not have the same underlying futures contract, same strike price, same exercise style, and same last day of trading as standard options. However, flexible options are also permitted in put and calls that have the same underlying futures contract, same strike price, same exercise style, and same last day of trading as standard options that are not at that time listed for trading. The minimum size for requesting a quote and/or trading in a flexible option series is 50 contracts, each having a face value at maturity of \$100,000, with the exception that a quote and/or trade in a flexible option series may be less than 50 contracts but only to entirely close out a position in a flexible series |
| Tick Size | 1/64 of a point (\$15.625 per contract) rounded up to the nearest cent per contract |
| Expiration Months | Trading may be conducted in flexible options in any month up through the most distant futures contract in which a trade has occurred |
| Strike Prices | Strike prices must be specified in points and 32nds of points per 10-Year Treasury Note futures contract. Strike prices can be any strike that is not beyond the range of currently listed strike prices for the standard options |
| Last Trading Day | Options cease trading on the last Friday, which precedes by at least two business days, the last business day of the month preceding the option month. Options cease trading at the close of the regular daytime open auction trading session for the corresponding 10-Year Treasury Note futures contract |
| Expiration | Unexercised flexible options on 10-Year Treasury Note futures shall expire at 7:00 p.m. CT on the last day of trading. The expiration date can be any date that is not a weekend or an exchange holiday but cannot go beyond the standard options expiration date. Those flexible options that have the features of yet-to-be listed standard options become standard options when the series is listed. These options follow the expiration and exercise procedures as specified in the standard option regulations |
| Exercise | European-style: The buyer of the futures option may exercise only at expiration American-style: The buyer of the futures option may exercise the option on any business day prior to expiration by giving notice to CME Clearing by 6:00 p.m. CT. Options that expire in-the-money are automatically exercised into a futures position, unless specific instructions are given to CME Clearing |
| Trading Hours | Open Outcry Only: 7:20 a.m. – 2:00 p.m. CT, Monday – Friday |
| Ticker Symbols | American-style options: ANC for calls/ANP for puts European-style options: ENC for calls/ENP for puts |

30-YEAR U.S. TREASURY BOND FLEXIBLE OPTIONS

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| Contract Size | One 30-Year Treasury Bond futures contract of a specified delivery month |
| Description | Flexible options on 30-Year Treasury Bond futures are permitted in puts and calls which do not have the same underlying futures contract, same strike price, same exercise style, and same last day of trading as standard options. However, flexible options are also permitted in put and calls that have the same underlying futures contract, same strike price, same exercise style, and same last day of trading as standard options that are not at that time listed for trading. The minimum size for requesting a quote and/or trading in a flexible option series is 50 contracts, each having a face value at maturity of \$100,000, with the exception that a quote and/or trade in a flexible option series may be less than 50 contracts but only to entirely close out a position in a flexible series |
| Tick Size | 1/64 of a point (\$15.625 per contract) rounded up to the nearest cent per contract |
| Expiration Months | Trading may be conducted in flexible options in any month up through the most distant futures contract |
| Strike Prices | Strike prices must be specified in points and 32nds of points per 30-Year U.S. Treasury Bond futures contract. Strike prices can be any strike that is not beyond the range of currently listed strike prices for the standard options |
| Last Trading Day | Options cease trading on the last Friday, which precedes by at least two business days, the last business day of the month preceding the option month. Options cease trading at the close of the regular daytime open auction trading session for the corresponding 30-Year Treasury Bond futures contract |
| Expiration | Unexercised flexible options on 30-Year Treasury Bond futures shall expire at 7:00 p.m. CT on the last day of trading. The expiration date can be any date that is not a weekend or an exchange holiday but cannot go beyond the standard options expiration date. Those flexible options that have the features of yet-to-be listed standard options become standard options when the series is listed. These options follow the expiration and exercise procedures as specified in the standard option regulations |
| Exercise | European-style: The buyer of the futures option may exercise only at expiration American-style: The buyer of the futures option may exercise the option on any business day prior to expiration by giving notice to CME Clearing by 6:00 p.m. CT. Options that expire in-the-money are automatically exercised into a futures position, unless specific instructions are given to CME Clearing |
| Trading Hours | Open Outcry Only: 7:20 a.m. – 2:00 p.m. CT, Monday – Friday |
| Ticker Symbols | American-style options: ABC for calls/ABP for puts European-style options: EBC for calls/EBP for puts |

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