

INTEREST RATE PRODUCTS

Eurodollar Options

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Overview

Options on Eurodollar futures are among the most actively traded exchange-listed interest rate options contracts in the world. The liquidity of Eurodollar options offers traders and hedgers an opportunity to take advantage of their views on the direction of U.S. interest rates.

Options on Eurodollar futures provide the ability to limit losses while maintaining the possibility of profiting from favorable changes in the futures prices. All options on Eurodollar futures are American-style, meaning that the options may be exercised on or before expiration.

In addition to quarterly and serial options on Eurodollar futures, also listed are Mid-Curve options, which are short-dated, American-style options on Eurodollar futures contracts in the second, third and fifth years of expirations.

Because the options are short-dated, they offer a low-premium, high-time-decay alternative in this segment of the yield curve. Also, weekly expirations on the 1-Year Mid-Curve options are listed which allow risk managers to take a view on upcoming economic releases and their effects upon U.S. interest rate markets.

The suite of weekly Mid-Curve Eurodollar options also includes Treasury Matched Mid-Curve options (TOMMi), whose expirations match the longer-dated U.S. Treasury options. The availability of TOMMi options removes the date mismatch between Treasury and Mid-Curve options, facilitates volatility spreading and creates additional spreading opportunities between Treasury, Eurodollar and over-the-counter (OTC) options.

Benefits

- **Unsurpassed liquidity** with consistently tight bid/offer spreads and lower transaction costs.
- **Variety of trading opportunities**, including hedging, arbitrage and spreading against other contracts.
- **Price transparency** with trading in open, fair and anonymous markets.
- **Virtual around-the-clock access** on CME Globex, with transparent and competitive executions and fast, efficient markets. Also, CME EOS Trader, a web-based front-end system, provides enhanced electronic access to Eurodollar options markets.

EURODOLLAR OPTIONS CONTRACT SPECIFICATIONS

EURODOLLAR OPTIONS	
Listed	Eight quarterly options along with two front month serial options
Underlying Contract	<p>Quarterly: Corresponding Quarterly Eurodollar futures</p> <p>Serial: Corresponding Quarterly Eurodollar futures immediately following the serial</p> <p><i>Example:</i> April serial underlying contract is June futures</p>
Minimum Fluctuation	<p>Quoted in IMM Index points</p> <p>One-quarter of one basis point (.0025 = \$6.25) for options when underlying futures is nearest expiring month, and for the first two quarterly months and the first two serial months when the option premium is below five ticks</p> <p>One-half of one basis point (0.005 = \$12.50) for all other contract months</p>
Strike Increment	<p>Strike prices will be listed in intervals of 12.5 basis points (0.125) in a range of 150 basis points above and 150 basis points below the strike closest to the previous day's underlying futures settle price</p> <p>Listed in intervals of 25 basis points (0.25) in a range of 550 basis points above and 550 basis points below the strike closest to the previous day's underlying futures settle price</p>
Last Trading Day	<p>Quarterly: Options trading shall terminate at 11:00 a.m. (London Time) on the second London bank business day before the third Wednesday of the contract month</p> <p>Serial and Mid-Curve: Options trading shall terminate on the Friday immediately preceding the third Wednesday of the contract month. If the foregoing date for termination is an Exchange holiday, options trading shall terminate on the immediately preceding business day</p>
Settlement/Exercise	Options are American Style and are exercised by notifying CME Clearing by 7:00 p.m. CT on the day of exercise. Unexercised options shall expire at 7:00 p.m. CT on the last trading day. In-the-money options that have not been exercised shall be automatically exercised following expiration in the absence of contrary instructions
Trading Hours	<p>Open Outcry: 7:20 a.m. – 2:00 p.m. CT, Monday through Friday</p> <p>CME Globex Electronic Market: 5:00 p.m. – 4:00 p.m. CT, Sunday through Friday</p>
Symbols	<p>Open Outcry: ED</p> <p>CME Globex: GE</p>

For information on Eurodollar futures and options, visit www.cmegroup.com/eurodollar.

MID-CURVE, WEEKLY MID-CURVE AND TREASURY MATCHED MID-CURVE (TOMMi) OPTIONS CONTRACT SPECIFICATIONS

	MID-CURVE OPTIONS	WEEKLY MID-CURVE OPTIONS	TREASURY MATCHED MID-CURVE OPTIONS (TOMMI)
Listed	<p>Mid-Curve: Four quarterlies along with two front month serials</p> <p>2-Year and 5-Year Mid-Curves: Four quarterly months each</p>	<p>Weekly expirations shall be listed such that including the serial (quarterly) Mid-Curve and TOMMi Options, five consecutive weekly expirations are available for trading</p>	<p>Corresponding to Treasury options listing schedule. A new contract is listed the day after the front month expires</p> <p>U.S. Treasury Options Listings: The first three consecutive contract months (two serial expirations and one quarterly expiration) plus the next four months in the quarterly cycle (Mar, Jun, Sep, Dec)</p>
Underlying Contract	<p>Quarterly Eurodollar future that expires one, two or four years after the option</p>	<p>Quarterly Eurodollar futures that expires one year from the nearest non-expired Quarterly Mid-Curve</p> <p><i>Example:</i></p> <ul style="list-style-type: none"> • June 8, 2007 underlying futures contract is June 2008 Eurodollar • June 22, 2007 underlying futures contract is September 2008 because the June Mid-Curve has already expired 	<p>Quarterly Eurodollar futures that expires one year from the nearest non-expired Quarterly Mid-Curve</p>
Minimum Fluctuation	1/2 of 1 basis point (.005 = \$12.50)	1/2 of 1 basis point (.005 = \$12.50)	1/2 of 1 basis point (.005 = \$12.50)
Strike Increment	<p>12.5 basis points (0.125) increments for 150 basis points from ATM</p> <p>25 basis points (0.25) increments for 550 basis points from ATM</p>	<p>12.5 basis points (0.125) increments for 150 basis points from ATM</p> <p>25 basis points (0.25) increments for 550 basis points from ATM</p>	<p>12.5 basis points (0.125) increments for 150 basis points from ATM</p> <p>25 basis points (0.25) increments for 550 basis points from ATM</p>
Last Trading Day	<p>The Friday preceding the third Wednesday of the contract month</p>	<p>Weekly options trading terminates at the conclusion of trading on each Friday that is not an expiration day for a Quarterly or Serial one-year Mid-Curve option</p>	<p>Corresponding to Treasury Options Expiration: Treasury 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</p> <p><i>Example:</i></p> <ul style="list-style-type: none"> • April 2008 TOMMi expires on Thursday, March 20, 2008 because of Good Friday • June 2008 TOMMi expires on Friday, May 23, 2008
Settlement/Exercise	<p>Options are American Style and are exercised by notifying CME Clearing by 7:00 p.m. CT on the day of exercise. Unexercised options shall expire at 7:00 p.m. CT on the last trading day. In-the-money options that have not been exercised shall be automatically exercised following expiration in the absence of contrary instructions</p>	<p>Options are American Style and are exercised by notifying CME Clearing by 7:00 p.m. CT on the day of exercise. Unexercised options shall expire at 7:00 p.m. CT on the last trading day. In-the-money options that have not been exercised shall be automatically exercised following expiration in the absence of contrary instructions</p>	<p>Options are American Style and are exercised by notifying CME Clearing by 7:00 p.m. CT on the day of exercise. Unexercised options shall expire at 7:00 p.m. CT on the last trading day. In-the-money options that have not been exercised shall be automatically exercised following expiration in the absence of contrary instructions</p>
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Symbols	<p>Open Outcry: E0, E2, E5</p> <p>CME Globex: GE0, GE2, GE5</p>	<p>Open Outcry: 1K, 2K, 3K, 4K, 5K</p> <p>CME Globex: E01, E02, E03, E04, E05</p>	<p>Open Outcry: E0T (E-zero-T)</p> <p>CME Globex: TE0 (T-E-zero)</p>



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