

INTEREST RATE PRODUCTS

Flexible Options on U.S. Treasury Futures

Flexible 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.

For information on Flex Options on U.S. Treasury Futures, please refer to the CBOT Rulebook at www.cmegroup.com.

FLEX OPTIONS ON U.S. TREASURY FUTURES CONTRACT SPECIFICATIONS

	2-YEAR U.S. TREASURY NOTE FLEX OPTIONS	5-YEAR U.S. TREASURY NOTE FLEX OPTIONS
Contract Size	One 2-Year Treasury Note futures contract of a specified delivery month	One 5-Year Treasury Note futures contract of a specified delivery month
Description	Flex 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, Flex Options are also permitted in puts 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 Flex Option series is 50 contracts, each having a face value at maturity of \$200,000, with the exception that a quote and/or trade in a Flex Option series may be less than 50 contracts but only to entirely close out a position in a flexible series	Flex 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, Flex Options are also permitted in puts 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 Flex 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 Flex Option series may be less than 50 contracts but only to entirely close out a position in a flexible series
Tick Size	One-half 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 Flex 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 or 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 in which a trade has occurred	
Last Trading Day	The last trading day in the Flex Option shall be the expiration day	
Expiration	Expiration in Flex Options may be specified for any Monday through Friday that is not an exchange holiday, except that expiration may not occur following the last Friday that precedes by at least two business days the last business day of the calendar month preceding the underlying futures contract month. Flex Options expire at 7:00 p.m., Central Time (CT), on the last trading day. However, Flex Options that meet the criteria of standard options shall follow the expiration procedures as specified in the rules for standard options	
Exercise	Flex Options may be American or European style exercise. Notification of the intent to exercise a Flex Option must be received by CME Clearing by 5:00 p.m. CT. After the close on the last day of trading, all in-the-money Flex Options will be automatically exercised unless notice to cancel automatic exercise is given to CME Clearing by 5:00 p.m., CT on that day. Flex Options that meet the criteria of standard options shall follow the exercise procedures as specified in the rules for standard options	
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	American-style options: AFC for calls/AFP for puts European-style options: EFC for calls/EFP for puts

	10-YEAR U.S. TREASURY NOTE FLEX OPTIONS	30-YEAR U.S. TREASURY BOND FLEX OPTIONS
Contract Size	One 10-Year Treasury Note futures contract of a specified delivery month	One 30-Year Treasury Bond futures contract of a specified delivery month
Description	Flex Options on 10-Year Treasury Note and 30-Year U.S. 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, Flex Options are also permitted in puts 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 Flex 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 Flex 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 Flex 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 and 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	The last trading day in the Flex Option shall be the expiration day	
Expiration	Expiration in Flex Options may be specified for any Monday through Friday that is not an exchange holiday, except that expiration may not occur following the last Friday that precedes by at least two business days the last business day of the calendar month preceding the underlying futures contract month. Flex Options expire at 7:00 p.m., CT, on the last trading day. However, Flex Options that meet the criteria of standard options shall follow the expiration procedures as specified in the rules for standard options.	
Exercise	Flex Options may be American or European style exercise. Notification of the intent to exercise a Flex Option must be received by CME Clearing by 5:00 p.m. CT. After the close on the last day of trading, all in-the-money Flex Options will be automatically exercised unless notice to cancel automatic exercise is given to CME Clearing by 5:00 p.m., CT on that day. Flex Options that meet the criteria of standard options shall follow the exercise procedures as specified in the rules for standard options.	
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	American-style options: ABC for calls/ABP for puts European-style options: EBC for calls/EBP for puts



CME GROUP HEADQUARTERS

20 South Wacker Drive
Chicago, Illinois 60606
cmegroup.com

info@cmegroup.com
800 331 3332
312 930 1000

CME GROUP GLOBAL OFFICES

Chicago

Washington D.C.

Singapore

New York

Hong Kong

Sydney

Houston

London

Tokyo