Instrument Types Available on CME Globex

This topic describes the tradeable instrument types for futures and options on futures available on CME Globex. These instruments are standardized contracts, each having specific characteristics and structure. The futures and options on futures instruments trade as outrights or spreads. In addition, some of the spread instruments are exchange-listed and others are user-defined.

The following sections describe the terminology and description of the CME Globex tradeable instruments.

Futures

Outright Futures

An outright futures instrument defines standardized terms for purchase or sale of an underlying security or physical commodity for future delivery. Standardized terms include:

- underlying asset or instrument
- settlement terms (cash or physical delivery)
- amount and units of underlying asset per instrument
- currency in which the instrument is quoted
- grade of deliverable
- delivery month
- expiration
- minimum price fluctuation

The term ***outright*** denotes a single purchase or sale of an underlying asset for delivery at a single future date (as distinct from a futures spread).

Futures Spreads

A futures spread instrument represents the simultaneous purchase and/or sale of two or more different but related outright futures instruments (legs), depending upon spread definition. For example, placing an order on CME Globex to buy futures spread type '1-Year Eurodollar Pack' represents placing an order to buy the March, June, September, and December futures outright instruments.

Certain futures spread types are available only for certain products.

Future Spread Instrument Legs

The term ***leg*** refers to one of the instruments comprising a spread, for example, 'Leg 1' refers to the first instrument of the spread, 'Leg 2' refers to the second instrument of the spread or 'Leg 3' refers to the third instrument of the spread.

Options on Futures

Outright Options

An outright option instrument represents the right, but not the obligation, to buy or sell an underlying futures instrument at a specified (strike) price on or before a certain expiration date. An options position allows three possible courses of action:

- Buy the underlying future at the option strike price – referred to as 'exercising' the option.
- Sell the option back on the market (if value has increased) – referred to as 'offsetting'.
- Allow the option to expire (if value has decreased).

Strike price is the price at which the option buyer may buy or sell the underlying futures contracts. Exercising the option results in a futures position at the designated strike price.

There are two types of outright options:

- Call – the right, but not the obligation, to buy the underlying futures instrument at the option strike price on or before a certain expiration date.
- Put – the right, but not the obligation, to sell the underlying futures contract at the option strike price on or before a certain expiration date.

Options confer different obligations according to whether the option is bought or sold as follows:

	Call Option	Put Option
Option Buyer	Buys the right to buy the underlying futures instrument at the specified price.	Buys the right to sell the underlying futures instrument at the strike price.
Option Seller	Has obligation to assume a short position in the underlying futures market at option strike price if option buyer exercises the call.	Has the obligation to assume a long position in the underlying futures market at the strike price if the option buyer exercises the put.

Options Spreads and Combinations

An options spread (composed of calls and puts) or combination (composed of all calls or all puts) combines multiple Call/Put strikes and expirations in a tradable instrument. Every options spread and combination on the CME Globex platform is User-Defined, created from a user request that defines each leg instrument composing the spread and associated sides and ratios. CME Globex processes the request and creates a tradable instrument that is disseminated to the entire market.

An options spread or combination is user-defined and is either exchange recognized or exchange unrecognized.

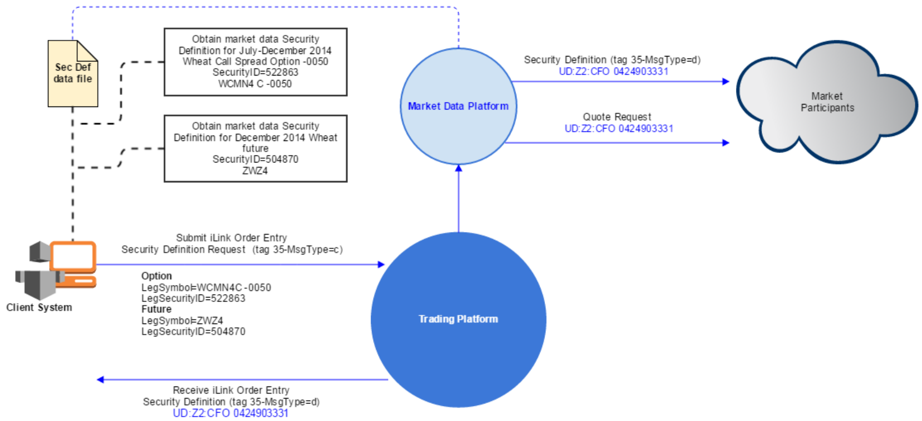
1. An ***exchange recognized option spread*** type is known and historically traded configuration, for example, the butterfly spread represents buy 1 sell2 buy 1 of a given instrument at a defined strike interval and expiration. This spread is submitted to CME Globex platform and is acknowledged and disseminated to the market using a Market Data Platform message.
2. An ***exchange unrecognized options spread*** type does not conform to any known options spread configuration and is acknowledged and disseminated as 'Generic' (GN) using the Market Data Platform.

> A UDS composed of options only is also referred to as an options Combo.

Covered Options (User Defined Covereds)

A UDS Covered combines an outright option or options spread with up to 39 outright futures instruments. A Covered UDS expires at the end of the trading session in which it is created.

The following example uses a Calendar Spread Option (CSO) and its underlying future to show how a Covered option instrument can be created and made available to trade on the platform.

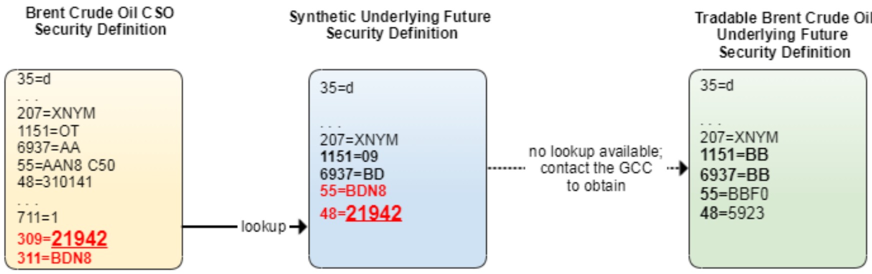


Calendar Spread Options

Calendar Spread Options (CSOs) are options on the price relationship between contract months of the spread, rather than on the underlying asset itself. Therefore, they offer alternative hedging capabilities compared to standard options, and can provide a more precise hedge against adverse movements.

CSOs are sensitive only to the value and volatility of the spread itself, rather than the price of the underlying commodity. CSOs on CME Globex operationally require a non-tradable synthetic underlying future. These options include Calendar Spread Options, Inter-commodity Spread Options, and Options on Futures Strips. A synthetic underlying future represents the future spread underlying each CSO. The synthetic underlying future can be obtained using the recommended identification methods as described in the MDP 3.0 – Security Definition. However, this method will not work to identify the tradable underlying future spread of which the underlying synthetic future is based. The tradable underlying future of the CSO can be obtained by contacting the GCC@cmegroup.com.

Example of mapping between the Calendar Spread on Options and associated underlying futures.



Inter-Commodity Spreads (ICS)

An ICS is a spread consisting of a long position and a short position indifferent but related markets (e.g. NOB or Treasury Notes vs Treasury Bonds; Platinum vs Gold; Soybean Crush or Beans vs Oil and Meal).

ICS are implied or non-implied futures spreads in which the outright legs are listed in different product groups. The CME Globex platform supports both inter-commodity 1:1 spreads and inter-commodity ratio spreads.

Implied inter-commodity ratio spreads are available for specific agricultural, energy, and treasury products. For these products, outright orders in the leg markets will create implied inter-commodity spread orders and, conversely, inter-commodity spread orders create implied orders in each component leg market. Implied bids and offers become eligible quotes but are not disseminated in market data. Trades only match at the fixed ratio of contracts defined per product. Implied bids are rounded down to the nearest tick and implied offers are rounded up the nearest tick.

Examples of inter-commodity ratio spreads includes Energy crack spreads, Treasury inter-commodity spreads and Agriculture soybean crush spreads.

Inter-Exchange Spreads

Inter-Exchange Spreads (IES) are implied futures spreads in which the outright legs are listed on different exchanges. The IES consists of buying the front leg (exchange A) and selling the back leg (exchange B).

Inter-Exchange Spreads are implied IN and OUT, from the individual legs IN to the inter-exchange spread or conversely from the inter-exchange spread OUT to the respective future outrights.

> Certification in AutoCert+ is not required for inter-exchange spreads functionality. However, thorough testing in the New Release environment is strongly recommended.

For inter-exchange spreads:

- Traders must be authorized to trade the products of both exchanges (e.g., NYMEX & DME).
- No additional authorization is required to trade the spread; a new Schedule 6 is not needed if customers already have clearing relationships for both exchanges.

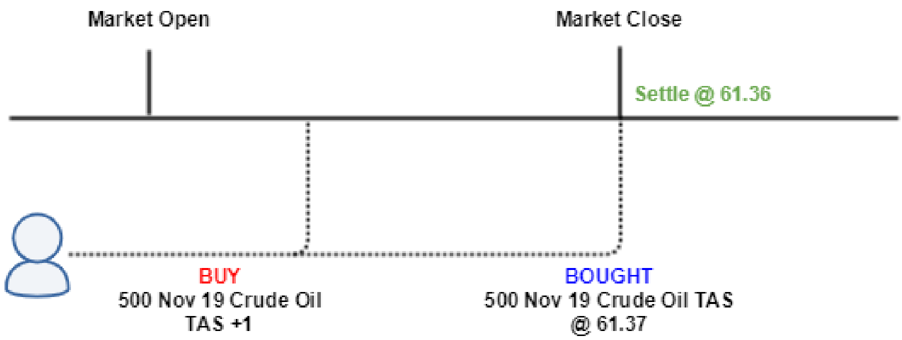
> An order submitted by a trader not authorized to trade on both exchanges is rejected.

Trade at Settle and Trade at Marker Products

These transaction types are similar in that the trade is executed at a differential from a to-be-determined price as described below.

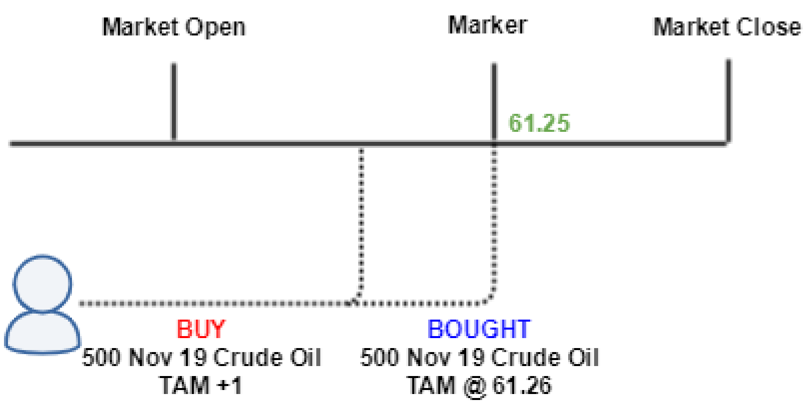
Trade at Settlement (TAS)

TAS permits parties to trade at a differential to the current day's not-yet-known futures settlement price.



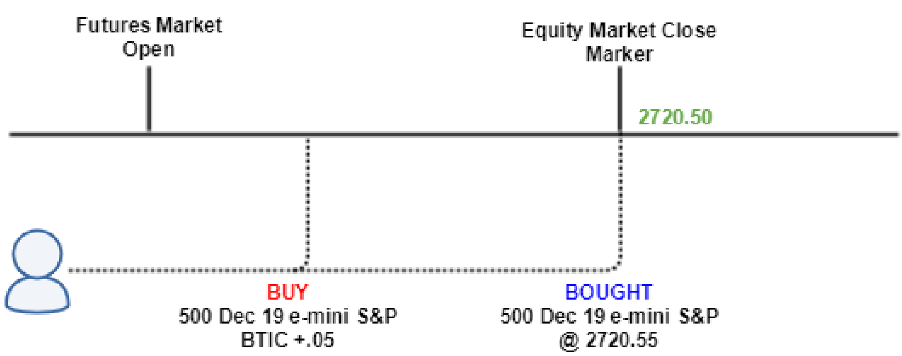
Trade at Marker (TAM)

TAM permits parties to trade at a differential to the current day's not-yet-known Exchange-determined marker price.



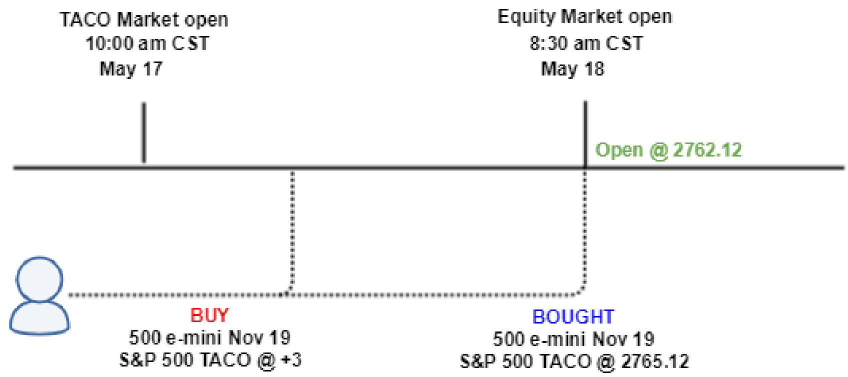
Basis Trade Index Close (BTIC)

BTIC permit parties to trade at a differential (basis) to an eligible futures contract's underlying cash Index closing level which is not-yet-known.



Trade at Cash Open (TACO)

TACO permits parties to trade a differential (basis) to an eligible futures contract's underlying cash Index Special Opening Quotation (SOQ) which is not-yet-known.


TACO Market open
10:00 am CST
May 17
Equity Market open
8:30 am CST
May 18
Open @ 2762.12
BUY
500 e-mini Nov 19
S&P 500 TACO @ +3
BOUGHT
500 e-mini Nov 19
S&P 500 TACO @ 2765.12