

TO: Clearing Member Firms
Back Office Managers

DATE: August 6, 2021

FROM: CME Clearing

NOTICE #: 21-274

SUBJECT: Termination of Trading, Conversion and Delisting of Standard-Size S&P 500 Index Futures and Options Contracts

Background

On May 4, 2021, CME Group announced that it would not reopen most physical trading pits that remained closed from March 2020, other than the Eurodollar options trading pit (where options on one-month and three-month SOFR futures also trade). At the same time CME Group announced its plan, subject to regulatory review, to delist its full-size, floor-based S&P futures ("Standard-Size Futures") and options on futures ("Standard-Size Options") contracts (collectively, "Standard-Size Contracts") following the expiration of the September 2021 contracts on Friday, September 17, 2021.

To support an efficient and orderly migration of open interest in Standard-Size Contracts, pending all relevant CFTC regulatory review periods, CME will cease all Standard-Size Contract trading on the CME Globex electronic trading platform ("CME Globex") at 4:00 PM (CT) and ex-pit transaction submissions at 5:45 PM (CT) on Friday, September 17, 2021, and subsequently convert any unexpired Standard-Size Contract positions into notionally equivalent E-mini S&P futures or options positions ("E-mini Contracts") at a fixed 1:5 ratio over the weekend.

Table 1. below provides information on the Standard-Size Contracts and E-mini Contracts that are subject to the conversion process.

Table 1.

Contract Title	Rulebook Chapter	Commodity Code
Standard and Poor's 500 Stock Price Index Futures	351	SP
Options on Standard and Poor's 500 Stock Price Index Futures	351A	SP
E-mini Standard and Poor's 500 Stock Price Index Futures	358	ES
Options on E-mini Standard and Poor's 500 Stock Price Index Futures	358A	ES

At completion of the conversion there be zero (0) open interest in the Standard-Size Contracts and they will be delisted immediately.

Conversion Process

All forms of trading and trade submission in the Standard-Size Contracts will terminate at the normal close of business on Friday, September 17, 2021, which is 4:00 PM (CT) for CME Globex trading and 5:45 PM (CT) for submission of ex-pit transactions. Standard-Size Contract positions will be subject to the normal end-of-day (“EOD”) settlement cycle, with any Standard-Size Contracts expiring on Friday, September 17 undergoing their normal final settlement process.

Following that final clearing cycle, every Standard-Size Contract position that remains open will be converted into five (5) E-mini Contracts over the weekend, prior to the next reopen of the E-mini Contract market on CME Globex at 5:00 PM (CT) on Sunday, September 19, 2021.

The conversion process will be cash-flow neutral. All Standard-Size Futures will convert into a notionally equivalent number of E-mini Futures Contracts at the September 17 EOD settlement price. All Standard-Size Options will convert into a notionally equivalent number of E-mini Options Contracts with the same expiration date, strike price and exercise style (American or European), at a \$0 premium.

On September 18, CME Clearing will provide detailed results to each Clearing Member with converted positions. All positions resulting from the conversion will be reflected as E-mini Contract positions on subsequent trade registers and reports.

The conversion process details are below:

1. On Friday, September 17, all unexpired Standard-Size Contract positions will undergo a final EOD clearing cycle where they will be marked to market prior to being converted.
2. On Saturday, September 18, CME Clearing will convert individual trading positions in outstanding Standard-Size Contracts through establishing offsetting transfers in the Clearing Members’ account opposite the CME 995 account to close them out, and on-setting transfers in the Clearing Members’ account opposite the CME 995 account to establish notionally equivalent E-mini Contract positions. Electronic confirmations will be generated. CME Clearing will notify each Clearing Member that has positions resulting from the conversion of its detailed results.
3. On Sunday, September 19, CME Clearing will upload the transfers in its system with a cleared date of Monday, September 20. In order to ensure the process is cashflow neutral, Standard-Size Options will be converted at a premium of \$0, and Standard-Size Futures will be converted at the Friday, September 17 EOD settlement price.
4. On Monday, September 20, all Clearing Members that need to make an open interest adjustment to the Standard-Size Contract position for final EOD Position Change Submission (“PCS”) reporting (trade date Friday, September 17) should make any required open interest adjustment instead to the E-mini Contract positions resulting from the conversion process, prior to the 8:15 AM (CT) deadline on Monday, September 20.
5. During the end of day clearing cycle for trade date Monday, September 20, all Clearing Members with positions resulting from the conversion should either submit a PCS value of zero (0) for all Standard-Size Contracts or refrain from submitting a record altogether, in which case CME Clearing will ensure the system reflects a value of zero (0) for the Standard-Size Contracts.

Table 2. below shows each Standard-Size Contract eligible for conversion and its E-mini Contract equivalent. Each conversion will be made at a fixed 1:5 ratio (SP : ES/EW/EYC).

Table 2.

Clearing/ Globex Code	Product Name	Rulebook Chapter	Offset Ratio	Offset to Clearing/ Globex Code	Offset to Product Name	Rulebook Chapter	Cash/ Deliverable	Futures/ Option	Applicable Contract Months
SP/SP	S&P 500 Stock Price Index Futures	351	1 : 5	ES/ES	E-mini S&P 500 Stock Price Index Futures	358	C	F	Z1, H2, M2, U2, Z2, H3, Z3, Z4, Z5
SP/SP	Options on S&P 500 Stock Price Index Futures	351A	1 : 5	ES/ES	Options on E-mini S&P 500 Stock Price Index Futures	358A	D	O	Z1, H2, M2, U2, Z2, H3
EV/EV	End of Month Options on S&P 500 Stock Price Index Futures	351A	1 : 5	EW/EW	End of Month Options on E-mini S&P 500 Stock Price Index Futures	358A	D	O	U1, V1
YPC/YPC	Quarterly PM Options on S&P 500 Stock Price Index Options	351A	1 : 5	EYC/EYC	Quarterly PM Options on E-mini S&P 500 Stock Price Index Options	358A	D	O	Z1, H1

Market participants should consider the terms and impact of the conversion and take appropriate action prior to termination of trading on Friday, September 17, 2021.

In preparation for this initiative, CME Clearing will test in our New Release environment the week of August 23, 2021.

In connection with the conversion and delisting, CME will amend the daily settlement price rounding convention for the E-Mini Contracts as well as the Micro E-mini Standard and Poor's 500 Stock Price Index Futures and Options on Micro E-mini Standard and Poor's 500 Stock Price Index Futures ("Micro E-mini Contracts"). Operational requirements for offsetting E-Mini Contracts, Micro E-mini Contracts and Standard-Size Contracts pursuant to CME Rule 855. ("Offsetting Positions for Different-Sized Contracts") are such that the daily settlement price for each of these contracts is rounded to the nearest 0.10 index point increment for futures and 0.05/0.10 index points for options. These daily settlement increments are based on the minimum trading price increment for the Standard-Size Contract. After delisting the Standard-Size Contracts, that rounding convention will no longer be necessary. Rather, effective immediately upon completion of the conversion and delisting of the Standard-Size Contracts, CME will adjust the daily settlement price rounding increment for the E-Mini Contracts and the Micro E-mini Contracts to 0.25 for futures and 0.05/0.25 for options, which reflects those contracts' minimum trading price increment. There is no impact to the final settlement value of the E-mini Contracts or Micro E-mini Contracts.

If you have any questions please call 312-207-2525 or email ccs@cmegroup.com.