



Special Executive Report

DATE: December 1, 2021

SER#: 8855

SUBJECT: Implementation of Enhanced Dynamic Strike Price Functionality and the Adoption of a Strike Price Listing and Exercise Procedures Table for CME and CBOT Agricultural Option Contracts

Effective Sunday, December 12, 2021 for trade date Monday, December 13, 2021, Chicago Mercantile Exchange Inc. ("CME") and The Board of Trade of the City of Chicago, Inc. ("CBOT") (collectively, the "Exchanges") will implement near real-time dynamic strike price functionality ("Dynamic Strikes") in all grain, oilseed, and livestock option contracts on the CME Globex electronic trading platform ("CME Globex") and for submission of clearing via CME ClearPort.¹ Also at this time, the Exchanges will adopt a Strike Price Listing and Exercise Procedures Table (the "Table") in connection with all CME and CBOT agricultural option contracts (the "Contracts") (collectively, the "Rule Amendments").

Currently market participants may request additional strike prices above or below Exchange listed strikes for trading on CME Globex or for submission of clearing via CME ClearPort. These additional strikes are added on an "as soon as possible" basis, which is typically the next trading day for CBOT grain and oilseed options and CME livestock options. The Exchanges are enhancing functionality to allow such requests to be added in near real time.

As a result of the adoption of the Table, the Exchanges will relocate details regarding strike prices and exercise procedures of the Contracts from the product rulebook chapters to the Table.

The Table may be viewed [HERE](#).

CME Contracts

Contract Title	Rulebook Chapter	CME ClearPort Code	CME Globex Code
Options on Block Cheese Futures	61A	BLK	BLK
Options on Cash-Settled Butter Futures	56A	CB	CB
Options on Cheese Futures	60A	CSC	CSC
Options on Class III Milk Futures	52A	DA	DC
Options on Class IV Milk Futures	55A	DK	GDK
Options on Dry Whey Futures	57A	DY	DY
Midsize Options on Class III Milk Futures	52B	JQ	JQ
Options on Nonfat Dry Milk Futures	54A	NF	GNF
Options on Random Length Lumber Futures	201A	LB	LBS
USD Malaysian Crude Palm Oil Average Price Option	204D	POO	POO
Options on Live Cattle Futures	101A	48	LE

¹ Dynamic Strike functionality is currently in place for CME Dairy and Lumber contracts.

Options on Feeder Cattle Futures	102A	62	GF
Options on Live Cattle Futures Calendar Spreads - 1 Month Back	101B	C0A	L0A
Options on Live Cattle Futures Calendar Spreads - 2 Months Back	101B	C0B	L0B
Options on Live Cattle Futures Calendar Spreads - 3-Months Back	101B	C0C	L0C
Options on Lean Hog Futures	152A	LN	HE
Options on Pork Cutout Futures	156A	PRK	PRK

CBOT Contracts

Contract Title	Rulebook Chapter	CME ClearPort Code	CME Globex Code
Options on Corn Futures	10A	C	OZC
Short Dated New Crop Options on Corn Futures	10A	CDF	OCD
Weekly Options on Corn Futures	10A	PY1-PY5	ZC1-ZC5
Options on Black Sea Corn Financially Settled (Platts) Futures	10E	BSO	BSO
Dec-Jul Calendar Spread Options on Corn Futures	10J	8CC	CZ8
Dec-Dec Calendar Spread Options on Corn Futures	10J	CCZ	12C
Jul-Dec Calendar Spread Options on Corn Futures	10J	CZ6	CC6
Mar-Jul Calendar Spread Options on Corn Futures	10J	CZ7	7CC
Mar-Dec Calendar Spread Options on Corn Futures	10J	CZ9	3CC
Consecutive Calendar Spread Options on Corn Futures	10J	PYC	CZC
Wheat-Corn Intercommodity Spread Options	10N	XCW	ZCW
Weekly Options on Soybean Futures	11A	CZ1-CZ5	ZS1-ZS5
Options on Soybean Futures	11A	S	OZS
Short-Dated New Crop Options on Soybean Futures	11A	SDF	OSD
Soybean Board Crush Spread Options	11C	31	BCE
May-Nov Calendar Spread Options on Soybean Futures	11E	C7S	SC7
Jan-May Calendar Spread Options on Soybean Futures	11E	KSC	SZK
Mar-Jul Calendar Spread Options on Soybean Futures	11E	KSH	SZH
Jan-Mar Calendar Spread Options on Soybean Futures	11E	S8C	SZ8
Mar-Nov Calendar Spread Options on Soybean Futures	11E	SC0	SZ0
Jul-Jul Calendar Spread Options on Soybean Futures	11E	SC1	SZ1
Nov-Mar Calendar Spread Options on Soybean Futures	11E	SC3	SZ3
Aug-Nov Calendar Spread Options on Soybean Futures	11E	SC4	SZ4
Jul-Nov Calendar Spread Options on Soybean Futures	11E	SC5	SZ5
Nov-Nov Calendar Spread Options on Soybean Futures	11E	SCX	12S
Nov-Jul Calendar Spread Options on Soybean Futures	11E	SX9	SZ9
Consecutive Calendar Spread Options on Soybean Futures	11E	ZSC	CZS
Options on Soybean Oil Futures	12A	07	OZL
Short-Dated New Crop Options on Soybean Oil Futures	12A	LDF	OLD
Weekly Options on Soybean Oil Futures	12A	OZ1-OZ5	ZL1-ZL5
Jul-Dec Calendar Spread Options on Soybean Oil Futures	12B	CO6	OC6
Consecutive Calendar Spread Option on Soybean Oil Futures	12B	COY	CZL

Dec-Jul Calendar Spread Options on Soybean Oil Futures	12B	OC3	NC3
Aug-Dec Calendar Spread Options on Soybean Oil Futures	12B	OC4	NC4
Sep-Dec Calendar Spread Options on Soybean Oil Futures	12B	OC5	NC5
Options on Soybean Meal Futures	13A	06	OZM
Weekly Options on Soybean Meal Futures	13A	MZ1-MZ5	ZM1-ZM5
Short Dated New Crop Options on Soybean Meal Futures	13A	ODF	OMD
Consecutive Calendar Spread Options on Soybean Meal Futures	13B	MYC	CZM
Dec-Jul Calendar Spread Options on Soybean Meal Futures	13B	SM3	MC3
Aug-Dec Calendar Spread Options on Soybean Meal Futures	13B	SM4	MC4
Sep-Dec Calendar Spread Options on Soybean Meal Futures	13B	SM5	MC5
Jul-Dec Calendar Spread Options on Soybean Meal Futures	13B	SM6	MC6
Options on Wheat Futures	14A	W	OZW
Short-Dated New Crop Options on Wheat Futures	14A	WDF	OWD
Weekly Options on Wheat Futures	14A	WZ1-WZ5	ZW1-ZW5
Mar-Jul Calendar Spread Options on Wheat Futures	14D	CW3	WC3
Dec-Jul Calendar Spread Options on Wheat Futures	14D	CW6	WC6
Jul-Dec Calendar Spread Options on Wheat Futures	14D	CWM	WCM
Jul-Jul Calendar Spread Options on Wheat Futures	14D	CWN	12W
Dec-Dec Calendar Spread Options on Wheat Futures	14D	WCZ	CWZ
Consecutive Calendar Spread Options on Wheat Futures	14D	WZC	CZW
MGEX-CBOT Wheat Intercommodity Spread Options	14E	MCG	MCW
MGEX-KC HRW Wheat Intercommodity Spread Options	14K	MKW	MKW
KC HRW Wheat-Wheat Intercommodity Spread Options	14G	KCW	KCW
Options on KC HRW Wheat Futures	14L	KW	OKE
Short Dated New Crop Options on KC HRW Wheat Futures	14L	KWO	KWE
Weekly Options on KC HRW Wheat Futures	14L	OK1-OK5	OE1-OE5
Dec-Jul Calendar Spread Options on KC HRW Wheat Futures	14M	CK6	KC6
Jul-Dec Calendar Spread Options on KC HRW Wheat Futures	14M	CKM	KCR
Jul-Jul Calendar Spread Options on KC HRW Wheat Futures	14M	CKN	12K
Consecutive Calendar Spread Options on KC HRW Wheat Futures	14M	K7C	KZC
Mar-Jul Calendar Spread Options on KC HRW Wheat Futures	14M	KC3	CK3
Dec-Dec Calendar Spread Options on KC HRW Wheat Futures	14M	KCZ	CKZ
Options on Black Sea Wheat Financially Settled (Platts) Futures	14T	BWO	BWO
Options on Oat Futures	15A	O	OZO
Options on Rough Rice Futures	17A	14	OZR

References to certain option characteristics of the Contracts will be removed from the relevant CME and CBOT option product chapters and will be replaced with boilerplate language directing to the Table. By way of example, Exhibit A below provides relevant changes to CBOT Chapter 10A ("Options on Corn Futures") with additions underscored and deletions ~~struck through~~.

The Commodity Futures Trading Commission ("CFTC") will be notified the week of December 20, 2021 of the Rule Amendments via the weekly notification procedures set forth in Part 40 of the CFTC Regulations.

Please refer questions on this subject to:

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EXHIBIT A

CBOT Rulebook

(additions underscored; deletions ~~struck through~~)

Chapter 10A Options on Corn Futures

10A01. OPTIONS CHARACTERISTICS

10A01.E. Exercise and Exercise Prices²

Transactions and exercise of options shall be conducted for option contracts as set forth in the Strike Price Listing and Exercise Procedures Table.

~~Trading shall be conducted for put and call options with striking prices in integral multiples of five (5) cents and ten (10) cents per bushel per Corn futures contract as follows:~~

~~1.~~

~~a. At the commencement of trading for each option contract, the Exchange shall list a strike closest to the previous day's settlement price of the underlying Corn futures contract (the at-the-money strike), and strikes in integral multiples of ten cents in a range of 50 percent above and below the at-the-money strike. If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two.~~

~~b. Over time, new ten cent strikes will be added to ensure that all strikes within 50 percent of the previous day's settlement price in the underlying futures contract are listed.~~

~~2.~~

~~a. At the commencement of trading for weekly options, and for options that are traded in months in which Corn futures are not traded, for short dated options on new crop futures, and for standard option months the business day they become the third listed month, the Exchange shall list a strike closest to the previous day's settlement price of the underlying Corn futures contract (the at-the-money strike), and strikes in integral multiples of five cents in a range of 25 percent above and below the at-the-money strike. If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two. For example, five-cent strike price intervals for the September contract would be added on the first business day after the expiration of the June options contract.~~

~~b. Over time, new five-cent strike prices will be added to ensure that all strikes within 25 percent of the previous day's settlement price in the underlying futures are listed.~~

~~3. All strikes will be listed prior to the opening of trading on the following business day. Upon demand and at the discretion of the Exchange, new out-of-current-range strike prices at regularly defined intervals may be added for trading on as soon as possible basis. The Exchange may modify the procedures for the introduction of strikes as it deems appropriate in order to respond to market conditions. As new 5 and 10-cent strikes are added, existing strikes outside the newly determined strike ranges without open interest may be de-listed.~~

[Remainder of Rule unchanged.]

10A02. EXERCISE AND ASSIGNMENT

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise and assignment of Corn futures options.

² Revised April 2008; August 2008; December 2010.

~~10A02.A. Exercise of Option~~

~~The buyer of a Corn futures option may exercise the option on any business day prior to expiration by giving notice of exercise to the Clearing House by 5:30 p.m., or by such other time designated by the Exchange, on such day.~~

~~After the close on the last day of trading, all in-the-money options shall be automatically exercised unless notice to cancel automatic exercise is given to the Clearing House. Notice to cancel automatic exercise shall be given to the Clearing House by 5:30 p.m., or by such other time designated by the Exchange, on the last day of trading.~~

~~Unexercised Corn futures options shall expire at 5:30 p.m. on the last day of trading.~~

~~10A02.B. Assignment~~

Exercise notices accepted by the Clearing House shall be assigned through a process of random selection to clearing members' open short positions in the same series. A clearing member to which an exercise notice is assigned shall be notified of the assignment as soon as practicable after such notice is assigned by the Clearing House.

The clearing member assigned an exercise notice shall be assigned a short position in the underlying futures contract if a call is exercised or a long position in the underlying futures contract if a put is exercised. The clearing member representing the option buyer shall be assigned a long position in the underlying futures contract if a call is exercised or a short position in the underlying futures contract if a put is exercised. All such futures positions shall be assigned at a price equal to the exercise price of the option and shall be marked to market in accordance with Rule 814 on the trading day of acceptance by the Clearing House of the exercise notice.

[End of Rule.]