Chapter 22A
Standard Options on 30-Day Federal Funds Futures

22A00. SCOPE OF CHAPTER

This chapter is limited in application to put and call options on 30-Day Fed Fund futures. In addition to the rules of this chapter, transactions in options on 30-Day Fed Fund futures shall be subject to the general rules of the Exchange insofar as applicable.

22A01. OPTIONS CHARACTERISTICS

22A01.A. Contract Months

Trading in 30-Day Fed Fund futures options may be scheduled in such months as determined by the Exchange.

22A01.B. Trading Unit

One 30-Day Fed Fund futures contract of a specified contract month.

22A01.C. Minimum Fluctuations

The price of an option contract shall be quoted in contract-grade index ("Index") points corresponding to the 30-Day Federal Funds futures contract into which such option contract is exercisable. Pursuant to Rule 22102.C., each 0.01 Index point signifies one (1) basis point per annum of interest rate exposure in such futures contract's Trading Unit (Rule 22102.B.), and is equal to $41.67 per option contract. For example, an option contract price of 0.1100 Index points represents $458.37 (equal to 11 basis points x $41.67 per basis point per option contract). The minimum price fluctuation shall be 0.0025 Index points, equal to $10.4175 per contract.

However, a position may be initiated or liquidated in options at a premium equal to any integer multiple of $1.00 ranging from $1.00 to $10.00 per option contract.

22A01.D. Trading Hours

The hours of trading for options on 30-Day Fed Fund futures contracts shall be determined by the Exchange. Options shall be opened and closed for all months and strike prices simultaneously or in such other manner as determined by the Exchange.

On its last day of trading, an expiring 30-Day Fed Fund futures option shall cease trading at the same time as the close of trading for the corresponding futures contract on that trading day.

22A01.E. Exercise Prices

Trading shall be conducted for put and call options with strike prices in multiples of six and one-quarter basis points (0.0625) per 30-Day Fed Fund futures contract and in multiples of twelve and one-half basis points (0.1250) per 30-Day Fed Fund futures contract as follows:

1. At the commencement of trading for such option contracts, the following strike prices in multiples of six and one-quarter basis points shall be listed: one with a strike price closest to the previous day's settlement price on the underlying 30-Day Fed Fund futures contract and the next ten (10) consecutive higher and the next ten (10) consecutive lower strike prices closest to the previous day's settlement price. If a previous day's settlement price is midway between two strike prices, the closest price shall be the larger of the two. Over time, new striking prices will be added to ensure that at least ten 6-1/4 basis point striking prices always exist above and below the previous day's settlement price in the underlying futures.
2. At the commencement of trading for such option contracts, the following strike prices in multiples of twelve and one-half basis points shall be listed: the next five (5) consecutive higher and the next five (5) consecutive lower strike prices above and below the strike price band as stipulated in Rule 22A01.E.1. Over time, new striking prices will be added to ensure that at least five 12-½ basis point striking prices always exist above and below the strike price band as stipulated in Rule 22A01.E.1.
3. When a new strike price is added for an option contract month, the same strike price will be added to all option contract months for which that strike price is not already listed. All new strike prices will be added prior to the opening of trading on the following business day. The Exchange may modify the procedure for the introduction of strike prices as it deems appropriate in order to respond to market conditions.

22A01.F. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

22A01.G. Nature of Options on 30-Day Fed Fund Futures

The buyer of one 30-Day Fed Fund put option may exercise his option at any time prior to expiration (subject to Rule 22A02.A.) to assume a short position of one 30-Day Fed Fund futures contract of a specified contract month at a strike price set at the time the option was purchased. The seller of one 30-Day Fed Fund futures put option incurs the obligation of assuming a long position of one 30-Day Fed Fund futures contract of a specified contract month at a striking price set at the time the option was sold, upon exercise by a put option buyer.

The buyer of one 30-Day Fed Fund futures call option may exercise his option at any time prior to expiration (subject to Rule 22A02.A) to assume a long position in one 30-Day Fed Fund futures contract of a specified contract month at a strike price set at the time the option was purchased. The seller of one 30-Day Fed Fund futures call option incurs the obligation of assuming a short position in one 30-Day Fed Fund futures contract of a specified contract month at a striking price set at the time the option was sold, upon exercise by a call option buyer.

Any Standard option shall be exercisable into one 30-Day Fed Fund futures contract for delivery in the same month as such option's expiration month.

22A01.H. Special Price Fluctuation Limits

At the commencement of each trading day, the contract shall be subject to special price fluctuation limits as set forth in Rule 589 and in the Special Price Fluctuation Limits Table in the Interpretations & Special Notices Section of Chapter 5.

22A01.I. Termination of Trading

Trading in expiring Standard options shall terminate on the same date and at the same time as the termination of trading in the corresponding futures (Rule 22102.F.).

22A01.J. Contract Modification

Specifications shall be fixed as of the first day of trading of a contract except that all options must conform to government rules in force at the time of exercise. If the U.S. government, an agency, or duly constituted body thereof issues an order, ruling, directive, or law inconsistent with these rules, such order, ruling, directive, or law shall be construed to become part of the rules and all open and new options contracts shall be subject to such government orders.

22A02. EXERCISE AND ASSIGNMENT

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise and assignment of put and call options on 30-Day Fed Fund futures.

22A02.A. Exercise of Option

The buyer of a Standard option on 30-Day Fed Fund futures may exercise the option on any business day up to and including the day such option expires by giving notice of exercise to the Clearing House by 5:30 p.m. Chicago time, or by such other time designated by the Exchange, on such day.

Notwithstanding the aforementioned provisions, all in-the-money options that have not been liquidated or exercised on the last day of trading shall be automatically exercised after 5:30 p.m. on the business day following the last day of trading, or such time designated by the Exchange, 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. on the business day following the last day of trading, or by such other time designated by the Exchange.

An option is in-the-money if the final settlement price of the underlying futures contract is less

in the case of a put, or greater in the case of a call, than the exercise price of the option.

Unexercised 30-Day Fed Fund futures options shall expire at 5:30 p.m. Chicago time on the next business day after the termination of trading.

22A02.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 thereof 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 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 and a short position 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.

22A03. [RESERVED]

22A04. [RESERVED]

22A05. PAYMENT OF OPTION PREMIUM

The option premium must be paid in full by each clearing member to the Clearing House and by each option customer to his futures commission merchant at the time that the option is purchased, or within a reasonable time after the option is purchased.