Chapter 254A
Options on Swiss Franc/U.S. Dollar (CHF/USD) Futures

254A00. SCOPE OF CHAPTER

This chapter is limited in application to options on Swiss franc/U.S. dollar futures. In addition to this chapter, options on Swiss franc/U.S. dollar futures shall be subject to the general rules and regulations of the Exchange insofar as applicable.

For purposes of this chapter, unless otherwise specified, times referred to herein shall refer to and indicate Chicago time.

Options contracts covered by this chapter may also be referred to as:
CHF/USD Monthly Options
CHF/USD Weekly Friday Options
CHF/USD Monthly Volatility-Quoted Options
CHF/USD Weekly Friday Volatility-Quoted Options

254A01. OPTIONS CHARACTERISTICS

254A01.A. Contract Months, Trading Hours, and Trading Halts
Options contracts shall be listed for such contract months (i.e., expirations) and scheduled for trading during such hours, except as indicated below, as may be determined by the Exchange.

254A01.B. Trading Unit
The trading unit shall be an option to buy, in the case of the call, or to sell, in the case of the put, one Swiss franc futures/U.S. dollar contract as specified in Chapter 254.

254A01.C. Price Increments
For options trading on CME Globex and via open outcry and for submission for clearing via CME ClearPort, the price of an option shall be quoted in U.S. dollars per Swiss franc. Each $0.0001 per Swiss franc (one point) shall represent $12.50. For example, a quote of .0075 represents an option price of $937.50 (75 points × $12.50 per point) of premium. The minimum fluctuation shall be one point (also known as one tick). A trade may also occur at a price of $.00005 ($6.25, also known as one-half tick), $.00015 ($18.75, also known as one and one-half ticks), $.00025 ($31.25, also known as two and one-half ticks), $.00035 ($43.75, also known as three and one-half ticks), and $.00045 ($56.25, also known as four and one-half ticks).

In addition, for options that are quoted in volatility terms, the minimum fluctuation shall be 0.01 percent for the volatility quote. Also, following a volatility trade, when CME Globex converts the volatility-traded options position into a premium-based options position for clearing, the minimum price increment for the premium-based option position shall be $0.00001 per Swiss franc (equal to $1.25).

254A01.D. Underlying Futures Contract
The underlying futures contract is the nearest futures contract in the March quarterly cycle (i.e., March, June, September and December) whose termination of trading follows the option's last day of trading by more than two Exchange Business Days. This rule applies to March quarterly, serial, and weekly options on Swiss franc/U.S. dollar futures contracts.

254A01.E. 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.

254A01.F. 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.

254A01.G.  [Reserved]
254A01.H.  [Reserved]
254A01.I.  [Reserved]

254A01.J.  Termination of Trading and Expiration Days for Options

1.  Monthly Options in the March Quarterly Cycle ("Quarterly Options")

Trading in monthly options in the March quarterly cycle (i.e., March, June, September and December) shall terminate at 9:00 a.m. Central time on the second Friday immediately preceding the third Wednesday of the contract month. If the foregoing date for termination is a scheduled Exchange holiday, trading in monthly options shall terminate on the immediately preceding business day. In the event that the underlying futures market does not open on the scheduled expiration day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

2.  Monthly Options Not in the March Quarterly Cycle ("Serial Options")

Trading in monthly options not in the March quarterly cycle (i.e., January, February, April, May, July, August, October and November) shall terminate at 9:00 a.m. Central time on the second Friday immediately preceding the third Wednesday of the contract month. If the foregoing date for termination is a scheduled Exchange holiday, trading in monthly options shall terminate on the immediately preceding business day. In the event that the underlying futures market does not open on the scheduled expiration day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

3.  Weekly Friday Options

Trading in weekly Friday options shall terminate at 9:00 a.m. Central time on those Fridays that are not also the termination of trading of a monthly option as described in the preceding sections 1 and 2. If the foregoing date for termination is a scheduled Exchange holiday, trading in weekly Friday options shall terminate on the immediately preceding business day. In the event that the underlying futures market does not open on the scheduled expiration day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

254A01.K.  Exercise Prices and Listing of Exercise Prices

1.  Front Monthly Options in the March Quarterly Cycle ("Quarterly Option") or Front Option Not in the March Quarterly Cycle ("Serial" Option)

At the commencement of trading in a contract month, the Exchange shall list put and call options at the $0.0050 regular exercise price that is nearest the previous day’s settlement price of the underlying futures contract. For options on Swiss franc/U.S. dollar futures, the Exchange shall list put and call options at the next ten higher and next ten lower regular exercise prices.

When a sale, bid, offer, or settlement price in the underlying futures occurs within half a regular $0.0050 exercise price interval of the tenth highest or tenth lowest existing regular exercise prices for options on Swiss franc/U.S. dollar futures, put and call options at the next higher or next lower $0.0050 regular exercise price shall be listed for trading on the next Trading Day. New options may be listed for trading up to and including the termination of trading.

The Exchange may modify the provisions governing the establishment of exercise prices as it deems appropriate.

2.  Non-Front Quarterly and Serial Options

At the commencement of trading in a contract month, the Exchange shall list put and call options at the $0.0050 regular exercise price that is nearest the previous day’s settlement price of the underlying futures contract. For options on Swiss franc/U.S. dollar futures, the Exchange shall list put and call options at the next ten higher and next ten lower regular exercise prices. The Exchange shall also list an additional five higher and five lower put and call options at the $0.0100 regular exercise price.

When a sale, bid, offer, or settlement price in the underlying futures occurs within half a regular $0.0050 exercise price interval of the tenth highest or tenth lowest existing regular exercise prices for options on Swiss franc/U.S. dollar futures, put and call options at the next higher or next lower $0.0050 and $0.0100 regular exercise price shall be listed for trading on the next Trading Day. New options may be listed for trading up to and including the termination of trading.

The Exchange may modify the provisions governing the establishment of exercise prices as it deems...
appropriate.

3. Weekly Options

At the commencement of trading in a contract month, the Exchange shall list put and call options at the $0.0050 regular exercise price that is nearest the previous day’s settlement price of the underlying futures contract. For options on Swiss franc/U.S. dollar futures, the Exchange shall list put and call options at the next ten higher and next ten lower regular exercise prices.

When a sale, bid, offer, or settlement price in the underlying futures occurs within half a regular $0.0050 exercise price interval of the tenth highest or tenth lowest existing regular exercise prices for options on Swiss franc/U.S. dollar futures, put and call options at the next higher or next lower $0.0050 regular exercise price shall be listed for trading on the next Trading Day. New options may be listed for trading up to and including the termination of trading.

The Exchange may modify the provisions governing the establishment of exercise prices as it deems appropriate.

4. Dynamically-Listed Exercise Prices.

Upon demand and at the discretion of the Exchange, new out-of-current-range exercise prices at regularly defined intervals may be added for trading on as soon as possible basis.

254A02. EXERCISE AND ASSIGNMENT

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of option contracts on Swiss franc/U.S. dollar futures. All options on Swiss franc/U.S. dollar futures are European-style exercise only. Early option exercise prior to the option expiration day is not permitted. Contrary option exercise instructions are also not allowed.

254A03.A.1. [Reserved]

254A03.A.2. [Reserved]

254A03.A.3. Exercise of Options

All in-the-money options are automatically exercised by the Clearing House on the day of expiration for the option. All out-of-the-money options are abandoned by the Clearing House on the day of expiration for the option. To determine whether an option is in or out of the money on this day, the Exchange shall calculate the relevant “CME currency fixing price” from GLOBEX-traded underlying futures contracts as follows:

Tier 1    Take the 60-second average of sale (trade) prices, weighted by volume from 8:59:00 to 8:59:59 a.m. on the day of determination of the CME currency fixing price.

Tier 2    If less than three or no sales (trades) occurred during the 60-second interval noted above, take the midpoint of each bid & ask spread where available and average the resulting midpoints over the 60-second interval.

Tier 3    If no sales (trades) and no bid and ask prices occurred during the 60-second interval, then Exchange staff shall derive the CME currency fixing price (as a synthetic futures price) from quote vendor spot rates and appropriate maturity forward points.

An option is in-the-money if the fixing price of the underlying futures contract lies above or is equal to the exercise price in the case of a call, or lies below the exercise price in the case of a put.

254A03.B. Assignment

Exercise notices created by the Clearing House for buyers of options shall be assigned by the Clearing House through a process of random selection to clearing members with 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, but not later than 45 minutes before the opening of Regular Trading Hours in the underlying futures contract on the following Business Day.

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.
254A03. [RESERVED]

(End Chapter 254A)