

Chapter 352A

Options on Nikkei Stock Average Futures

352A00. SCOPE OF CHAPTER

This chapter is limited in application to options on Nikkei Stock Average (“Nikkei”) futures. In addition to this chapter, options on Nikkei 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.

352A01. OPTIONS CHARACTERISTICS

352A01.A. Contract Months , Trading Hours, and Trading Halts

Options contracts shall be listed for such contract months and scheduled for trading during such hours, except as indicated below, as may be determined by the Exchange.

There shall be no trading in any option contract when the primary futures contract is limit bid or offered at any price limit except at the total daily price limit on an option’s last day of trading.

There shall be no trading in any option contract during a period when trading in the primary futures contract is halted pursuant to Rule 35202.I.

352A01.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 Nikkei Stock Average futures contract as specified in Chapter 352.

352A01.C. Minimum Fluctuations

The price of an option shall be quoted in index points. Each index point shall represent \$5. The minimum fluctuation shall be 2.5 index points (\$12.50, also known as one-half tick).

352A01.D. Underlying Futures Contract

1. Options in the March Quarterly Cycle

For options that expire in the March quarterly cycle (i.e., March, June, September, and December), the underlying futures contract is the futures contract for the month in which the option expires. For example, the underlying futures contract for an option that expires in March is the March futures contract.

2. Options Not in the March Quarterly Cycle

For options that expire in months other than those in the March quarterly cycle (i.e., January, February, April, May, July, August, October, and November), the underlying futures contract is the next futures contract in the March quarterly cycle that is nearest the expiration of the option. For example, the underlying futures contract for options that expire in January or February is the March futures contract.

352A01.E. Exercise Prices

1. Options in the March Quarterly Cycle

The exercise prices shall be stated in terms of the Nikkei Stock Average futures contract which is deliverable upon exercise of the option and shall be an integer divisible by 500 without remainder, e.g., 20000, 20500, 21000, etc.

At the commencement of trading in a contract month, the Exchange shall list put and call options, with exercise prices at each of the next six levels above the previous day’s settlement of the futures contract deliverable upon exercise of the option (the underlying futures contract) and put and call options with exercise prices at each of the next six levels below that settlement price. If any of the foregoing exercise prices are within 100 index points of the settlement price of the underlying futures contract, then the Exchange shall list a thirteenth exercise price at the unoccupied level closest to the exercise price within 100 index points of the settlement.

When a sale, bid, or offer in the underlying futures contract occurs at, or passes through, the sixth highest (or sixth lowest) listed exercise price, put and call option contracts at the next higher (or lower) exercise price shall commence trading on the next Trading Day. New options may be listed for trading up to and including the termination of trading.

Exchange Staff, under delegated authority from the Board may modify the provisions governing the establishment of exercise prices as it deems appropriate.

2. Options Not in the March Quarterly Cycle

Exercise prices for options not in the March quarterly cycle listed for trading shall be identical to the exercise prices that are listed for the March quarterly options on the same underlying futures contract. For example, the exercise prices listed for the January contract shall be identical to those listed for the March contract.

3. 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.

352A01.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.

352A01.G. [Reserved]

352A01.H. [Reserved]

352A01.I. Termination of Trading

1. Options in the March Quarterly Cycle

For options that expire in the March quarterly cycle, options trading shall terminate at the same date and time as the underlying futures contract.

2. Options Not in the March Quarterly Cycle

For options that expire in months other than those in the March quarterly cycle, options trading shall terminate on the third Friday of the contract month. If that day is not a scheduled Exchange Business Day, options trading shall terminate on the first 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.

352A01.J. [Reserved]

352A02. EXERCISE AND ASSIGNMENT

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

352A02.A. Exercise of Option by Buyer

An option may be exercised by the buyer on any Business Day that the option is traded. To exercise an option the clearing member representing the buyer shall present an exercise notice to the Clearing House by 5:30 p.m. on the day of exercise.

An option in the March quarterly cycle that is in the money and has not been liquidated or exercised prior to the termination of trading shall, in the absence of contrary instructions delivered to the Clearing House by 5:30 p.m. on the day of determination of the Final Settlement Price by the clearing member representing the option buyer, be exercised automatically.

In-the-money options that expire in months other than those in the March quarterly cycle and have not been liquidated or exercised prior to the expiration shall, in the absence of contrary instructions delivered to the Clearing House by 5:30 p.m. on the day of the termination of trading by the clearing member representing the option buyer, be exercised automatically.

Corrections to option exercises may be accepted by the Clearing House after the 5:30 p.m. deadline and up to the beginning of final option expiration processing provided that such corrections are necessary due to; (1) a bona fide clerical error, (2) an unreconciled Exchange option transaction(s), or (3) an extraordinary circumstance where the clearing firm and customer

are unable to communicate final option exercise instructions prior to the deadline. The decision whether a correction is acceptable will be made by the President of the Clearing House, or the President's designee, and such decision will be final.

352A02.B. Assignment

Exercise notices accepted by the Clearing House shall be assigned 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 trading 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.

352A03. [RESERVED]

352A04.-29.[RESERVED]

FLEXIBLE OPTIONS

352A30. SCOPE OF FLEXIBLE OPTIONS RULES

Unless otherwise noted below, the following flexible option rules supersede the standard option regulations presented in the earlier part of this chapter.

352A31. FLEXIBLE OPTIONS CHARACTERISTICS

352A31.A. Nature of Flexible Contracts

Flexible options on Nikkei Stock Average futures shall be permitted in puts and calls that do not have the same underlying futures contract, and the same strike price, and the same exercise style, and the same Expiration Date as standard listed options that are already available for trading.

Trading in standard options under certain flexible trading procedures shall be permitted prior to the listing of such options in the standard options pit or on Globex. Once and if these options are listed for trading as standard options in the standard options pit or on Globex, they will be traded only as standard options in the standard options pit or on Globex subject to the standard option trading requirements. Upon such listing, all existing open positions established under flexible trading procedures shall be fully fungible with transactions in the respective standard option series for all purposes under these regulations.

352A31.B. Trading Unit

The minimum size for requesting a quote and/or trading in a flexible option series is 10 contracts, where each contract represents an option to buy, in the case of the call, or to sell, in the case of the put, one Nikkei Stock Average futures contract as specified in Chapter 352. However, parties may request a quote and/or trade for less than 10 contracts in order to entirely close out a position in a flexible series.

Respondents to a request for quote must be willing to trade at least 10 contracts. However, a respondent may trade less than 10 contracts if the respondent is entirely closing out a position in the series.

352A31.C. Minimum Fluctuations

(Refer to [Rule 352A01.C.](#)- Minimum Fluctuations)

352A31.D. Underlying Futures Contracts

The underlying futures contract for a flexible option shall be any Nikkei Stock Average futures contract that is currently available for trading, as specified in Chapter 352.

352A31.E. Exercise Prices

Exercise prices shall be stated in terms of the Nikkei Stock Average futures contract that is deliverable upon exercise of the option and may be at intervals of 5 points for all Nikkei Stock Average levels from 5 through 99995, e.g., 20000, 20005, 20010, etc. However, for a Request for Quote (RFQ), strike prices may be stated in 5 Nikkei Stock Average points (futures ticks) relative to the underlying futures contract.

352A31.F. Position Limits

(Refer to [Rule 352A01.F.](#) - Position Limits, Exemptions, Position Accountability and Reportable Levels)

352A31.G. [Reserved]

352A31.H. [Reserved]

352A31.I. Termination of Trading

Flexible option Expiration Dates may be specified for any scheduled Exchange Business Day up to and including the day of determination of the Final Settlement Price of the underlying futures contract. If a flexible option expiration occurs on the same day as the day of determination of the Final Settlement Price of its underlying futures contract, flexible options trading shall terminate at the same time as the underlying futures on the Business Day immediately preceding the day of determination of the Final Settlement Price of the underlying futures contract. Otherwise, flexible options trading shall terminate at the close of trading on the Expiration Date specified for the flexible option. 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.

A new flexible option series may be opened on its last day of trading and may be traded on its last day of trading.

352A31.J. [Reserved]

352A32. FLEXIBLE OPTIONS EXERCISE

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of flexible options on Nikkei Stock Average futures.

352A32.A. Exercise of Flexible Option by Buyer

Flexible options may be specified to have either American Style or European Style exercise.

A flexible option with American-style exercise may be exercised by the buyer on any Business Day that the option is traded and also on its Expiration Date. To exercise the option, the clearing member representing the buyer shall present an exercise notice to the Clearing House by 5:30 p.m. on the day of exercise.

A flexible option with European Style exercise may be exercised by the buyer only on the day that the option expires. To exercise the option, the clearing member representing the buyer shall present an exercise notice to the Clearing House by 5:30 p.m. on the day of exercise.

Any flexible option that is in the money and has not been liquidated or exercised prior to its Expiration Date shall, in the absence of contrary instructions delivered to the Clearing House by 5:30 p.m. on the Expiration Date by the clearing member representing the option buyer, be exercised automatically.

352A32.B. Assignment

(Refer to [Rule 352A02.B.](#)—Assignment)

352A33. [RESERVED]

352A34. INITIATING A FLEXIBLE OPTION CONTRACT SERIES

For each trading session, the opening of trading in any flexible option series shall occur through a Request For Quote (RFQ). No RFQs will be accepted within 15 minutes of the daily scheduled closing time of the underlying futures or within 15 minutes prior to the termination of trading of the underlying futures.

352A35. RESPONSE TIME INTERVAL

Trades against the first RFQ submitted for a flexible option series on any Trading Day may occur

immediately upon acceptance of an RFQ by the designated flexible option pit official.

352A36. RFQ TRADING INTERVAL

A flexible option series shall immediately open for trading following the first RFQ submitted for such flexible option series. Priority for RFQs is determined by order of submission to the RFQ official, except that all RFQs submitted before the open shall be treated equally.

352A37. EXPIRATION OF AN RFQ

Trading in a given flexible option series following an RFQ shall remain open for the remainder of the trading session.

352A38. REPORTING OF FLEXIBLE OPTION TRADES

It shall be the responsibility of the participants in a flexible option trade to report the quantities and prices to the designated flexible options pit official in a timely manner, including any later trades in open flexible contract term series.

(End Chapter 352A)