

Chapter 452D

Options on Three-Month Eurodollar Futures Calendar Spreads

452D00. SCOPE OF CHAPTER

This chapter is limited in application to options on Three-Month Eurodollar futures calendar spreads ("Eurodollar Calendar Spread options"). In addition to this chapter, Eurodollar Calendar Spread options 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 herein shall refer to and indicate Chicago time.

452D01. OPTIONS CHARACTERISTICS

452D01.A. Contract Months and Trading Hours

Option 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.

452D01.B. Trading Unit

For the purpose of this chapter, a calendar spread of Eurodollar futures contract shall consist of opposing positions in a nearby futures contract month and a deferred futures contract month in Eurodollar futures. Buying a calendar spread shall mean simultaneously establishing a long position in the nearby contract month and a short position in the deferred contract month. Selling a calendar spread shall mean simultaneously establishing a short position in the nearby contract month and a long position in the deferred contract month.

The trading unit shall be an option to buy, in the case of the call, or to sell, in case of the put, a calendar spread of Eurodollar futures contracts.

452D01.C. Minimum Fluctuations

The price of an option shall be quoted in IMM Index points. Each 0.01 IMM Index point (1 basis point) shall represent \$25. For example, a quote of 0.35 represents an option price of \$875 (35 basis points x \$25).

The minimum fluctuation shall be 0.005 IMM Index point (also known as one-half tick). Trades may also occur in increments of 0.0025 IMM Index point (\$6.25, also known as one-quarter tick) up to a price of 0.05 IMM Index point.

For the purpose of Rule 812, the minimum fluctuation shall be 0.0025 IMM Index point.

When the nearest contract month of the underlying Eurodollar futures calendar spread is the nearest expiring futures contract month, the minimum fluctuation shall be 0.0025 IMM Index point (also known as one-quarter tick.)

452D01.D. Underlying Futures Contracts

1. One-Year Calendar Spread Options in the March Quarterly Cycle ("Quarterly Options")

For One-Year Calendar Spread options that expire in the March quarterly cycle (i.e. March, June, September, and December), the underlying futures contract calendar spread shall be the spread of the futures contract for the month in which the option expires, versus the futures contract expiring on the same calendar month one year following the options expiry. For example, the underlying futures contract calendar spread for an option that expires in March 2008 is the March 2008 / March 2009 calendar spread of Eurodollar futures.

2. One-Year Calendar Spread Options Not in the March Quarterly Cycle ("Serial Options")

For One-Year Calendar Spread 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 calendar spread shall be the spread of the next futures contract in the March Quarterly cycle that is nearest the expiration of the option, versus the futures contract expiring on the same calendar month one year later than the preceding futures contract. For example, the underlying futures contract calendar spread for an option that

expires in January and February 2008 is the March 2008 / March 2009 calendar spread of Eurodollar futures.

452D01.E. Exercise Prices

Exercise prices shall be stated in terms of the IMM Index for the Eurodollar futures contract that is deliverable upon exercise of the option and shall be a positive or negative integer multiple of 0.05 IMM Index points, e.g., -0.10, -0.05, 0, 0.05, 0.10, etc.

At the initial listing of One-Year Calendar Spread options contract month, all eligible exercise prices in the range of -1.00 to 1.00 IMM Index points from the exercise price closest to the previous day's daily settlement price of the underlying calendar spread of Eurodollar futures shall be listed for trading.

Therefore, at the beginning of a new trading session, all eligible exercise prices in the range of -1.00 to 1.00 IMM Index points from the exercise price closest to the previous day's daily settlement price of the underlying Eurodollar futures calendar spread shall be added for trading, if they are not already listed for trading.

Upon demand and at the discretion of the Exchange, a new option contract with an out-of-current-range exercise price may be added, on an as-soon-as-possible basis, *provided that* the exercise price of such newly added option contract must be a positive or negative integer multiple of 0.05 IMM Index points (e.g., -0.10, -0.05, 0, 0.05, 0.10).

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.

452D01.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.

452D01.G. 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.

452D01.H.-I. [Reserved]

452D01.J. Termination of Trading

For One-Year Calendar Spread options in the March quarterly cycle and One-Year Calendar Spread options not in the March quarterly cycle, trading shall terminate at the close of trading on the Friday preceding the third Wednesday of the contract month. If the foregoing date for termination is not a Business Day, options trading shall terminate on the immediately preceding Business Day.

452D01.K. [Reserved]

452D02. EXERCISE AND ASSIGNMENT

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

452D02.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 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 expiration by the clearing member representing the option buyer, be exercised automatically.

Corrections to option exercises may be accepted by the Clearing House after 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 instruction 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.

452D02.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 Regular Trading Hours in the underlying futures contract on the following Business Day.

In case of a call option, the clearing member assigned an exercise notice shall be assigned a short position in the nearby futures contract month, and a long position in the deferred futures contract month, of the underlying futures calendar spread. In case of a put option, the clearing member assigned an exercise notice shall be assigned a long position in the nearby futures contract month, and a short position in the deferred futures contract month, of the underlying futures calendar spread.

The nearby futures position shall be assigned at a price equal to the current daily settlement price of the futures contract. The deferred futures position shall be assigned at a price equal to the current daily settlement price of the nearby futures contract less the exercise price of the option. For example, for an option with an exercise price of 1.00, and the current daily settlement price of the nearby futures contract at 97.56, the nearby futures contract shall be assigned a price of 97.56, while the deferred contract shall be assigned a price of 96.56 (= 97.56 – 1.00). For an option with an exercise price of -1.00, and the current daily settlement price of the nearby futures contract at 97.56, the nearby futures contract shall be assigned a price of 97.56, while the deferred contract shall be assigned a price of 98.56 (= 97.56 – -1.00). In the event the deferred contract is assigned a price over 100.00 under this convention, the clearing house may adjust the futures prices for both contract months down while preserving the assigned prices at a differential defined by the exercise price of the option.

The futures positions shall be marked to market in accordance with Rule 814 on the Trading Day of acceptance by the Clearing House of the exercise notice.

452D03. [RESERVED]

(End Chapter 452D)