



## Special Executive Report

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S-7034R

April 29, 2014

### **Amendments to the Listing Schedule to Introduce European-Style Weekly Options and European-Style End of Month (“EOM”) options on CBOT Dow Jones Industrial Average Index (\$10 Multiplier) Futures and CBOT E-mini Dow Jones Industrial Average Index Futures Contracts**

This SER supersedes SER #7034 dated March 13, 2014 to reflect the amended First Listing date for Options on E-mini Dow Jones Industrial Average Index Futures and Options on Dow Jones Industrial Average Index (\$10 Multiplier) Futures.

Effective on Sunday, May 18, 2014 for trade date Monday, May 19, 2014, and pending all CFTC regulatory review periods, The Board of Trade of the City of Chicago, Inc. (CBOT or Exchange) will list weekly options (First Listing: May Week 4 and June Week 1 expiry) and EOM options (First Listing: May EOM and June EOM expiry) for trading on the following two (2) contracts as described below:

1. Options on E-mini Dow Jones Industrial Average Index Futures
2. Options on Dow Jones Industrial Average Index (\$10 Multiplier) Futures

| <b>Product Title</b>  | <b>CBOT Rulebook Chapter</b> | <b>Ticker Symbol</b>                               |
|---|------------------------------|--|
| <b>Weekly Options on Dow Jones Industrial Average Index (\$10 Multiplier) Futures</b>       | <b>26A</b>                   | <b>Week 1: ZD1<br/>Week 2: ZD2<br/>Week 4: ZD4</b> |
| <b>Weekly Options on E-mini Dow Jones Industrial Average Index Futures</b>                  | <b>27A</b>                   | <b>Week 1: YM1<br/>Week 2: YM2<br/>Week 4: YM4</b> |
| <b>End of Month Options on Dow Jones Industrial Average Index (\$10 Multiplier) Futures</b> | <b>26A</b>                   | <b>EOM: EZ</b>                                     |
| <b>End of Month Options on E-mini Dow Jones Industrial Average Index Futures</b>            | <b>27A</b>                   | <b>EOM: EY</b>                                     |

There will be two weekly options and two EOM options listed for E-mini Dow Jones Industrial Average Index Futures and Dow Jones Industrial Average Index (\$10 Multiplier) Futures at all times.

Options on E-mini Dow Jones Industrial Average Index Futures are listed for trading on CME Globex and Options on Dow Jones Industrial Average Index (\$10 Multiplier) Futures are listed for trading on CME Globex and the CME trading floor.

The minimum number of out-of-the-money strike prices available for trading for Weekly Options on E-mini Dow Jones Industrial Average Index Futures and on Dow Jones Industrial Average Index (\$10 Multiplier) Futures will be 30. The minimum number of out-of-the-money strike prices available for trading for EOM Options on E-mini Dow Jones Industrial Average Index Futures and on Dow Jones Industrial Average Index (\$10 Multiplier) Futures will be 60.

## Text of Rule Amendments

(Additions are underlined and deletions are bracketed and struck out.)

### Chapter 26A CBOT<sup>®</sup> Dow Jones Industrial Average<sup>SM</sup> Index<sup>1</sup> (\$10 Multiplier) Futures Options

#### 26A01. OPTIONS CHARACTERISTICS

##### 26A01.A. Contract Months

The months listed for trading are January through December, provided however, that the Exchange may determine not to list a contract month. For options that are traded in months in which CBOT \$10 Dow futures are not traded, the underlying futures contract is the next futures contract that is nearest to the expiration of the option. For example, the underlying futures contract for the October or November option contract is the December futures contract.

##### 26A01.B. Trading Unit

One CBOT \$10 Dow futures contract of a specified contract month.

##### 26A01.C. Minimum Fluctuations

The premium for options on CBOT \$10 Dow futures shall be in multiples of one-half (1/2) of one index point of a CBOT \$10 Dow futures contract which shall equal \$5.

However, a position may be initiated or liquidated in CBOT \$10 Dow futures options at a premium ranging from \$1.00 to \$4.00, in \$1.00 increments per option contract.

##### 26A01.D. Trading Hours

The hours for trading of options on CBOT \$10 Dow futures shall be determined by the Exchange. Options on CBOT \$10 Dow futures shall be opened and closed for all months and strike prices simultaneously, or in such other manner as determined by the Exchange.

On the last day of trading in an expiring option, the closing time for such option shall be the same as the closing time of the underlying futures contract, and immediately following the close the expiring CBOT \$10 Dow futures options shall be closed with a public call, made strike price by strike price, or in such other manner as the Exchange shall direct.

##### 26A01.E. Exercise Prices<sup>2</sup>

###### 1. Options in the March Quarterly Cycle

The exercise prices shall be stated in terms of the Dow Jones Industrial Average Stock Index (\$10 multiplier) futures contract.

<sup>1</sup> "Dow Jones<sup>SM</sup>", "The Dow<sup>SM</sup>", "Dow Jones Industrial Average<sup>SM</sup>" and "DJIA<sup>SM</sup>" are service marks of Dow Jones & Company, Inc. and have been licensed for use for certain purposes by the Board of Trade of the City of Chicago, Inc. ("CBOT"). The CBOT's futures and futures option contracts based on the Dow Jones Industrial Average<sup>SM</sup> are not sponsored, endorsed, sold or promoted by Dow Jones, and Dow Jones makes no representation regarding the advisability of trading in such products.

<sup>2</sup> Revised June 2008; October 2010.

A referencing index shall be determined each quarter on the day prior to the expiration of the March Quarterly futures contract and shall equal the daily settlement price of the nearest expiring Dow Jones Industrial Average Stock Index (\$10 multiplier) futures contract. The chosen referencing index will then be used to determine the strike listing range for all listed contract months. The index points are rounded down to the nearest integer.

At the commencement of trading for each contract month, the Exchange shall list all exercise prices in a range of 50 percent of the referencing index above and below the previous day's settlement price of the underlying futures contract that are integers divisible by 500 without remainder, e.g. 10,000, 10,500, 11,000, etc. The Exchange shall list all exercise prices in a range of 20 percent of the referencing index above and below the previous day's settlement price of the underlying futures contract that are integers divisible by 100 without remainder, e.g. 12,300, 12,400, 12,500, etc.

For the nearest expiring option in the March Quarterly Cycle, exercise prices that are integers divisible by 50 without remainder shall be added, if they have not already been listed, within a range of 10 percent of the referencing index above and below the previous day's settlement price of the underlying futures contract.

Thereafter, when a settlement price in the underlying futures contract occurs at, or passes through, any exercise price, the Exchange shall add on the next trading day, all eligible exercise prices in the corresponding ranges. New options may be listed for trading up to and including the termination of trading.

#### 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 Price

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.

#### 4. Options in the European Style Weekly Option Series

At the commencement of trading, the Exchange shall list all exercise prices within 30 strikes above and below the previous day's settlement price of the March quarterly options on the same underlying futures contract that are integers divisible by 50 without remainder, e.g. 12,350, 12,400, 12,450, etc.

#### 5. Options in the European Style "End-of-Month" Options Series

At the commencement of trading, the Exchange shall list all exercise prices within 60 strikes above and below the previous day's settlement price of the March quarterly options on the same underlying futures contract that are integers divisible by 50 without remainder, e.g. 12,350, 12,400, 12,450, etc.

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

#### **26A01.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

#### **26A01.G. [[Reserved]] 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.

### 3. Options in the European Style Weekly Option Series

For options in the European Style weekly options series, the underlying futures contract is the next future contract in the March quarterly cycle that is nearest the expiration of the option. For example, the underlying futures contract for the first (1<sup>st</sup>), second (2<sup>nd</sup>) and fourth (4<sup>th</sup>) April and May weekly options shall be the June futures contract; the underlying futures contract for the first (1<sup>st</sup>) and second (2<sup>nd</sup>) June weekly options shall be the June futures contract; the underlying futures contract for the fourth (4<sup>th</sup>) June weekly options shall be the September futures contract.

### 4. Options in the European Style "End-of-Month" Options Series

For options in the European Style "End-of-Month" options series, the underlying futures contract is the next futures contract in the March cycle that is nearest the expiration of the option. For example, the underlying futures contract for options in the January or February European Style "End-of-Month" option series is the March futures contract, while the underlying futures contract for options in the March European Style "End-of-Month" option series is the June futures contract.

## **26A01.H. Nature of Options**

The buyer of one CBOT \$10 Dow futures put option may exercise his option at any time prior to expiration (subject to Rule 26A02.A ), to assume a short position of one CBOT \$10 Dow futures contract of a specified contract month at a striking price set at the time the option was purchased. The seller of one CBOT \$10 Dow futures put option incurs the obligation of assuming a long position of one CBOT \$10 Dow 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 CBOT \$10 Dow futures call option may exercise his option at any time prior to expiration (subject to Rule 26A02.A), to assume a long position of one CBOT \$10 Dow futures contract of a specified contract month at a striking price set at the time the option was purchased. The seller of one CBOT \$10 Dow futures call option incurs the obligation of assuming a short position of one CBOT \$10 Dow 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.

## **26A01.I. Termination of Trading**

### 1. Options in the March Quarterly Cycle

Subject to the provisions of Rule 26A01.D., for options expiring on the quarterly cycle, trading shall terminate at the same date and at the same time as the underlying futures contract. ~~[ For options that expire in months other than those in the quarterly cycle, options trading shall terminate on the third Friday of the option contract month, at the end of the regular trading session. If that day is not an Exchange business day, options trading shall terminate on the first preceding business day. ]~~

### 2. Options Not in the March Quarterly Cycle

For options that expire in the 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.

### 3. Options in the European Style Weekly Options Series

For options in the European Style Weekly Options Series, trading shall terminate at 3:00 p.m. Chicago Time on the Friday of the named week of the contract month.

For the first (1<sup>st</sup>) weekly option of the month, if the first Friday of the month is a scheduled Exchange holiday, the option shall terminate on the first Business Day immediately preceding the Friday. However, if the first Business Day immediately preceding the Friday falls in the preceding calendar month, the first weekly options shall not be listed for trading.

For the second (2<sup>nd</sup>) weekly option of the month, if the second Friday of the monthly is a scheduled Exchange holiday, the option shall terminate on the first Business Day immediately preceding the Friday.

For the fourth (4<sup>th</sup>) weekly option of the month, if the fourth Friday of the month is a scheduled Exchange holiday, the option shall terminate on the first Business Day immediately preceding the Friday.

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.

#### 4. Options in the European Style “End-of-Month” Options Series

For options in the European Style “End-of-Month” Options Series, trading shall terminate at 3:00 p.m. Chicago Time on the last Business Day of the contract month. In the event that the underlying futures market does not open on the scheduled options Expiration Day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

#### **26A01.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 regulations 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 in consistent 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.

### **26A02. EXERCISE AND ASSIGNMENT**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise and assignment of CBOT \$10 Dow futures options.

#### **26A02.A. Exercise of Option**

##### **26A02.A.1 Options Not in the European Style “End-of-Month” Series and European Style Weekly Options Series**

The buyer of a CBOT \$10 Dow futures option may exercise the option on any business day prior to expiration by giving notice of exercise to the Clearing House by 6:00 p.m., or by such other time designated by the Exchange, on such day.

Notwithstanding the provisions of the preceding paragraph, for options with quarterly expirations, all in-the-money options shall be automatically exercised after 6:00 p.m. on the day of the expiration, or such other time designated by the Exchange, unless notice to cancel automatic exercise is given to the Clearing House. For options with non-quarterly expirations, all in-the-money options shall be automatically exercised after 6:00 p.m. on the day of expiration, or such other time designated by the Exchange, unless notice to cancel automatic exercise is given to the Clearing House.

For options with quarterly expirations, notice to cancel automatic exercise shall be given to the Clearing House by 6:00 p.m., or by such other time designated by the Exchange, on the day of the expiration. For options with non-quarterly expirations, notice to cancel automatic exercise shall be given to the Clearing House by 6:00 p.m., or by such other time designated by the Exchange, on the day of expiration.

An option is in-the-money if the 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 for the option.

Unexercised CBOT \$10 Dow futures options with quarterly expirations shall expire at 6[7]:00 p.m. on the day of the expiration.

Unexercised CBOT \$10 Dow futures options with non-quarterly expirations shall expire at 6[7]:00 p.m. on the day of expiration.

##### **26A02.A.2 Options in the European Style “End-of-Month” Series and European Style Weekly Options Series**

Following the termination of trading of an option, all in-the-money options shall be automatically exercised by the Clearing House on the day of expiration of the option. All out-of-money options shall be abandoned by the Clearing House on the day of expiration of the option. Whether an option is in or out of the money shall be determined based on the fixing price of the CBOT E-mini Dow Jones Industrial Average index futures on the day of expiration as follows:

Tier 1 Take the thirty (30) second average of sale prices of the E-mini Dow Jones Industrial Average index futures contract on Globex, weighted by volume, from 2:59:30 to 3:00:00 Chicago time.

Tier 2 If no sales occurred during the thirty-second interval noted above, take the midpoint of each bid and ask spread for the E-mini Dow Jones Industrial Average index futures and average the resulting midpoint over the thirty-second interval. However, when looking at each bid/ask spread, if it is wider than 2 ticks (2 index points), the bid/ask pair shall be discarded in the calculation.

Tier 3 If the fixing price cannot be determined by both Tier 1 and 2, or there is trading interruption in the E-mini Dow Jones Industrial Average index futures market on Globex at any point from 2:58:00 to 3:00:00 p.m. Chicago time due to system outage or trading stoppages, including stoppage pursuant to Rule 580.3, take the thirty (30) second average of sale prices of the

CBOT \$10 Dow Jones Industrial Average Index futures contract of the same contract month as the underlying futures contract, from 2:59:30 to 3:00:00 p.m. Chicago time.

Tier 4 If the fixing price cannot be determined pursuant to Tier 1, 2 and 3, the Exchange shall take into consideration any other information it deems appropriate to determine the fixing price. This information may include, but is not limited to, the following, and procedures to determine the information may be performed in any order by the Exchange: (1) derive the fixing price based on basis relationship against the underlying cash index level; (2) repeat Tier 1, 2 or 3 at ever increasing 30 second increment intervals until data is obtained.

The calculation of the fixing price shall be rounded to the nearest index point.

In the event of an option expiring on a shortened Trading Day, the fixing calculation shall be performed based on the market activities during the thirty-second period immediately preceding the close of the underlying stock market.

An option is deemed in the money if the fixing price of the underlying futures contract lies strictly above the exercise price in the case of a call, or lies strictly below the exercise price in the case of a put. For example, if the fixing price were 12,351 or higher, then 12,350 Calls shall be exercised. If the fixing price were 12,349 or lower, then 12,350 Calls shall be abandoned. Similarly, if the fixing price were 12,349 or lower, then 12,350 Puts shall be exercised. If the fixing price were 12,351 or higher, the 12,350 Puts shall be abandoned.

Options in the European Style Weekly Options series and European Style "End-of-Month" Series may not be exercise prior to the expiration of the options. At the expiration, in-the-money options may not be abandoned and out-of-money options may not be exercised.

#### **26A02.B. Corrections to Options Exercises**

Corrections to option exercises, including automatic exercises, may be accepted by the Clearing House after the 6:00 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 as to 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.

#### **26A02.C. 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.

**Chapter 27A**  
**CBOT® E-mini Dow Jones Industrial Average<sup>SM</sup> Index<sup>3</sup>**  
**(\$5 Multiplier) Futures Options**

**27A00. SCOPE OF CHAPTER**

This chapter is limited in application to put and call options on CBOT E-mini Dow Jones Industrial Average<sup>SM</sup> (DJIA<sup>SM</sup>) Index (\$5 Multiplier) futures. Hereafter in this chapter, CBOT DJIA Index (\$5 Multiplier) futures shall be referenced as "CBOT \$5 Dow<sup>SM</sup> futures" or "E-mini[-sized] Dow<sup>SM</sup> futures." The DJIA is a price-weighted composite index of 30 of the largest and most liquid U.S. stocks. In addition to the rules of this chapter, transactions in options on E-mini[-sized] Dow<sup>SM</sup> futures shall be subject to the general rules of the Exchange insofar as applicable.

**27A01. OPTIONS CHARACTERISTICS**

**27A01.A. Contract Months**

The months listed for trading are January through December, provided however, that the Exchange may determine not to list a contract month. For options that are traded in months in which E-mini[-sized] Dow futures are not traded, the underlying futures contract is the next futures contract that is nearest to the expiration of the option. For example, the underlying futures contract for the October or November option contract is the December futures contract.

**27A01.B. Trading Unit**

One E-mini[-sized] Dow futures contract of a specified contract month.

**27A01.C. Minimum Fluctuations**

The premium for options on E-mini[-sized] Dow futures shall be in multiples of one index point of a E-mini[-sized] Dow futures contract which shall equal \$5.

However, a position may be initiated or liquidated in E-mini[-sized] Dow futures options at a premium ranging from \$1.00 to \$4.00, in \$1.00 increments per option contract.

**27A01.D. Trading Hours**

The hours for trading of options on E-mini[-sized] Dow futures shall be determined by the Exchange. Options on E-mini[-sized] Dow futures shall be opened and closed for all months and strike prices simultaneously, or in such other manner as determined by the Exchange.

On the last day of trading in an expiring option, the closing time for such option shall be the same as the closing time of the underlying futures contract.

**27A01.E. Exercise Prices<sup>4</sup>**

1. Options in the March Quarterly Cycle

The exercise prices shall be stated in terms of the Dow Jones Industrial Average Stock Index (\$10 multiplier) futures contract.

A referencing index shall be determined each quarter on the day prior to the expiration of the March Quarterly futures contract and shall equal the daily settlement price of the nearest expiring Dow Jones Industrial Average Stock Index (\$10 multiplier) futures contract. The chosen referencing index will then be used to determine the strike listing range for all listed contract months. The index points are rounded down to the nearest integer.

At the commencement of trading for each contract month, the Exchange shall list all exercise prices in a range of 50 percent of the referencing index above and below the previous day's settlement price of the underlying futures contract that are integers divisible by 500 without remainder, e.g. 10,000, 10,500, 11,000, etc. The Exchange shall list all exercise prices in a range of 20 percent of the referencing index above and below the previous day's settlement price of the underlying futures contract that are integers divisible by 100 without remainder, e.g. 12,300, 12,400, 12,500, etc.

For the two nearest expiring option in the March Quarterly Cycle, exercise prices that are integers divisible by 50 without remainder shall be added, if they have not already been listed, within a range of 10 percent of the referencing index above and below the previous day's settlement price of the underlying futures contract.

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<sup>3</sup> "Dow Jones<sup>SM</sup>", "The Dow<sup>SM</sup>", "Dow Jones Industrial Average<sup>SM</sup>" and "DJIA<sup>SM</sup>" are service marks of Dow Jones & Company, Inc. and have been licensed for use for certain purposes by the Board of Trade of the City of Chicago, Inc. ("CBOT"). The CBOT's futures and futures option contracts based on the Dow Jones Industrial Average<sup>SM</sup> are not sponsored, endorsed, sold or promoted by Dow Jones, and Dow Jones makes no representation regarding the advisability of trading in such product(s).

<sup>4</sup> Revised June 2008; October 2010.

Thereafter, when a settlement price in the underlying futures contract occurs at, or passes through, any exercise price, the Exchange shall add on the next trading day, all eligible exercise prices in the corresponding ranges. New options may be listed for trading up to and including the termination of trading.

**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. Options in the European Style Weekly Option Series**

At the commencement of trading, the Exchange shall list all exercise prices within 30 strikes above and below the previous day's settlement price of the March quarterly options on the same underlying futures contract that are integers divisible by 50 without remainder, e.g. 12,350, 12,400, 12,450, etc.

**4. Options in the European Style "End-of-Month" Options Series**

At the commencement of trading, the Exchange shall list all exercise prices within 60 strikes above and below the previous day's settlement price of the March quarterly options on the same underlying futures contract that are integers divisible by 50 without remainder, e.g. 12,350, 12,400, 12,450, etc.

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

**27A01.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.

**27A01.G. ~~[[Reserved]]~~ 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.

**3. Options in the European Style Weekly Option Series**

For options in the European Style weekly options series, the underlying futures contract is the next future contract in the March quarterly cycle that is nearest the expiration of the option. For example, the underlying futures contract for the first (1<sup>st</sup>), second (2<sup>nd</sup>) and fourth (4<sup>th</sup>) April and May weekly options shall be the June futures contract; the underlying futures contract for the first (1<sup>st</sup>) and second (2<sup>nd</sup>) June weekly options shall be the June futures contract; the underlying futures contract for the fourth (4<sup>th</sup>) June weekly options shall be the September futures contract.

**4. Options in the European Style "End-of-Month" Options Series**

For options in the European Style "End-of-Month" options series, the underlying futures contract is the next futures contract in the March cycle that is nearest the expiration of the option. For example, the underlying futures contract for options in the January or February European Style "End-of-Month" option series is the March futures contract, while the underlying futures contract for options in the March European Style "End-of-Month" option series is the June futures contract.

**27A01.H. Nature of Options**

The buyer of one ~~E-mini[-sized]~~ Dow futures put option may exercise his option at any time prior to expiration (subject to Rule 27A02.A ), to assume a short position of one ~~E-mini[-sized]~~ Dow futures contract of a specified contract month at a striking price set at the time the option was purchased. The seller of one ~~E-mini[-sized]~~ Dow futures put option incurs the obligation of assuming a long position of one ~~E-mini[-sized]~~ Dow 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 E-mini[-sized] Dow futures call option may exercise his option at any time prior to expiration (subject to Rule 27A02.A), to assume a long position of one E-mini[-sized] Dow futures contract of a specified contract month at a striking price set at the time the option was purchased. The seller of one E-mini[-sized] Dow futures call option incurs the obligation of assuming a short position of one E-mini[-sized] Dow 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.

#### **27A01.I. Termination of Trading**

##### 1. Options in the March Quarterly Cycle

For options expiring on the quarterly cycle, trading shall terminate on the same date and at the same time as the underlying futures contract. ~~[For options that expire in months other than those in the quarterly cycle, options trading shall terminate on the third Friday of the option contract month, at the end of the trading session. If that day is not an Exchange business day, options trading shall terminate on the first preceding business day.]~~

##### 2. Options Not in the March Quarterly Cycle

For options that expire in the 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.

##### 3. Options in the European Style Weekly Options Series

For options in the European Style Weekly Options Series, trading shall terminate at 3:00 p.m. Chicago Time on the Friday of the named week of the contract month.

For the first (1<sup>st</sup>) weekly option of the month, if the first Friday of the month is a scheduled Exchange holiday, the option shall terminate on the first Business Day immediately preceding the Friday. However, if the first Business Day immediately preceding the Friday falls in the preceding calendar month, the first weekly options shall not be listed for trading.

For the second (2<sup>nd</sup>) weekly option of the month, if the second Friday of the monthly is a scheduled Exchange holiday, the option shall terminate on the first Business Day immediately preceding the Friday.

For the fourth (4<sup>th</sup>) weekly option of the month, if the fourth Friday of the month is a scheduled Exchange holiday, the option shall terminate on the first Business Day immediately preceding the Friday.

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.

##### 4. Options in the European Style "End-of-Month" Options Series

For options in the European Style "End-of-Month" Options Series, electronic trading on Globex of the options shall terminate at 3:00 p.m. Chicago Time on the last Business Day of the contract month. In the event that the underlying futures market does not open on the scheduled options Expiration Day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

#### **27A01.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 regulations 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 in consistent 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.

#### **27A02. EXERCISE AND ASSIGNMENT**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise and assignment of E-mini[-sized] Dow futures options.

**27A02.A. Exercise of Option**

**27A02.A.1 Options Not in the European Style “End-of-Month” Series and European Style Weekly Options Series**

The buyer of an E-mini[-sized] Dow futures option may exercise the option on any business day prior to expiration by giving notice of exercise to the Clearing House by 6:00 p.m., or by such other time designated by the Exchange, on such day.

Notwithstanding the provisions of the preceding paragraph, for options with quarterly expirations, all in-the-money options shall be automatically exercised after 6:00 p.m. on the day of the expiration, or such other time designated by the Exchange, unless notice to cancel automatic exercise is given to the Clearing House. For options with non-quarterly expirations, all in-the-money options shall be automatically exercised after 6:00 p.m. on the day of expiration, or such other time designated by the Exchange, unless notice to cancel automatic exercise is given to the Clearing House.

For options with quarterly expirations, notice to cancel automatic exercise shall be given to the Clearing House by 6:00 p.m., or by such other time designated by the Exchange, on the day of the expiration. For options with non-quarterly expirations, notice to cancel automatic exercise shall be given to the Clearing House by 6:00 p.m., or by such other time designated by the Exchange, on the day of expiration.

An option is in-the-money if the 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 for the option.

Unexercised E-mini[-sized] Dow futures options with quarterly expirations shall expire at ~~[7]~~6:00 p.m. on the day of the expiration.

Unexercised E-mini[-sized] Dow futures options with non-quarterly expirations shall expire at ~~[7]~~6:00 p.m. on the day of expiration.

**27A02.A.2 Options in the European Style “End-of-Month” Series and European Style Weekly Options Series**

Following the termination of trading of an option, all in-the-money options shall be automatically exercised by the Clearing House on the day of expiration of the option. All out-of-money options shall be abandoned by the Clearing House on the day of expiration of the option. Whether an option is in or out of the money shall be determined based on the fixing price of the CBOT E-mini Dow Jones Industrial Average index futures on the day of expiration as follows:

- Tier 1 Take the thirty (30) second average of sale prices of the underlying futures contract on Globex, weighted by volume, from 2:59:30 to 3:00:00 Chicago time.
- Tier 2 If no sales occurred during the thirty-second interval noted above, take the midpoint of each bid and ask spread and average the resulting midpoint over the thirty-second interval. However, when looking at each bid/ask spread, if it is wider than 2 ticks (2 index points), the bid/ask pair shall be discarded in the calculation.
- Tier 3 If the fixing price cannot be determined by both Tier 1 and 2, or there is trading interruption in the underlying futures market on Globex at any point from 2:58:00 to 3:00:00 p.m. Chicago time due to system outage or trading stoppages, including stoppage pursuant to Rule 580.3, take the thirty (30) second average of sale prices of the \$10 CBOT Dow Jones Industrial Average Index futures contract of the same contract month as the underlying futures contract, from 2:59:30 to 3:00:00 p.m. Chicago time.
- Tier 4 If the fixing price cannot be determined pursuant to Tier 1, 2 and 3, the Exchange shall take into consideration any other information it deems appropriate to determine the fixing price. This information may include, but is not limited to, the following, and procedures to determine the information may be performed in any order by the Exchange: (1) derive the fixing price based on basis relationship against the underlying cash index level; (2) repeat Tier 1, 2 or 3 at ever increasing 30 second increment intervals until data is obtained.

The calculation of the fixing prices shall be rounded to the nearest 1 index points.

In the event of an option expiring on a shortened Trading Day, the fixing calculation shall be performed based on the market activities during the thirty-second period immediately preceding the close of the underlying stock market.

An option is deemed in the money if the fixing price of the underlying futures contract lies strictly above the exercise price in the case of a call, or lies strictly below the exercise price in the case of a put. For example, if the fixing price were 12,351 or higher, then 12,350 Calls shall be exercised. If the fixing price were 12,349 or lower, then 12,350 Calls shall be abandoned. Similarly, if the fixing price were 12,349 or lower, then 12,350 Puts shall be exercised. If the fixing price were 12,351 or higher, the 12,350 Puts shall be abandoned.

Options in the European Style Weekly Options series and European Style "End-of-Month" Series may not be exercised prior to the expiration of the options. At the expiration, in-the-money options may not be abandoned and out-of-the-money options may not be exercised.

**27A02.B. Corrections to Options Exercises**

Corrections to option exercises, including automatic exercises, may be accepted by the Clearing House after the 6:00 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 as to 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.

**27A02.C. 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.

**27A03. [RESERVED]**

**27A04. OPTION PREMIUM LIMITS**

Option premium limits for the ~~E-mini-sized~~ Dow futures options shall correspond to the daily trading limit in effect at that time for the underlying futures contract as specified in Chapter 27. There shall be no trading in any option contract during a period in which trading in the underlying future is halted as specified in Chapter 27.

When the electronic trading platform is open for trading during non-regular trading hours, there shall be no trading in any option contract when the CBOT DJIA underlying futures contract is limit bid or limit offered.

**27A05. 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.

**27A06. DISCLAIMER**

CBOT ~~E-mini-sized~~ Dow futures and futures options contracts are not sponsored, endorsed, sold or promoted by Dow Jones. Dow Jones makes no representation or warranty, express or implied, to the owners of CBOT ~~E-mini-sized~~ Dow futures and futures options contracts or any member of the public regarding the advisability of trading in ~~E-mini-sized~~ Dow futures and futures options contracts. Dow Jones' only relationship to the Exchange is the licensing of certain trademarks and trade names of Dow Jones and of the DJIA which is determined, composed and calculated by Dow Jones without regard to the Chicago Board of Trade or CBOT ~~E-mini-sized~~ futures and futures options contracts. Dow Jones has no obligation to take the needs of the Chicago Board of Trade or the owners of CBOT ~~E-mini-sized~~ Dow futures and futures options contracts into consideration in determining, composing or calculating the DJIA. Dow Jones is not responsible for and has not participated in the determination of the timing of, prices of, or quantities of CBOT ~~E-mini-sized~~ Dow futures and futures options contracts to be listed or in the determination or calculation of the equation by which CBOT ~~E-mini-sized~~ Dow futures and futures options contracts are to be converted into cash. Dow Jones has no obligation or liability in connection with the administration, marketing or trading of the CBOT ~~E-mini-sized~~ Dow futures and futures options contracts.

DOW JONES DOES NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE DJIA OR ANY DATA INCLUDED THEREIN AND DOW JONES SHALL HAVE NO LIABILITY FOR ANY ERRORS, OMISSIONS, OR INTERRUPTIONS THEREIN. DOW JONES MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY THE CHICAGO BOARD OF

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