



## Special Executive Report

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**DATE:** October 27, 2014  
**SER#:** 7217  
**SUBJECT:** Amendments to Price Increment Rules for Six (6) CME Bundle Futures and Option Contracts and CME Rule 813 (Daily Settlement Price)

Effective Sunday, November 9, 2014, for trade date Monday, November 10, 2014 and pending all relevant CFTC regulatory review periods, the Chicago Mercantile Exchange, Inc. (CME or Exchange) will amend the minimum price increments for six (6) Bundle futures and options contracts from 0.005 points (1/2 tick) to 0.0025 points (1/4 tick) on all trading and clearing venues. The amendments will harmonize the minimum price increments with the traditional Eurodollar bundles and thereby provide customers with added pricing flexibility.

Also effective at this time, the Exchange will implement conforming amendments to CME Rule 813 (Daily Settlement Prices). These amendments are intended to harmonize CME Rule 813 with the terms and conditions of CME Bundle futures.

These contracts are listed for trading on the CME trading floor and CME Globex, and for submission for clearing through CME ClearPort.

<b>Contract</b>	<b>CME Rulebook Chapter</b>	<b>CME Globex and CME ClearPort Codes</b>
Two-Year Bundle Futures	454	BU2
Two-Year Bundle Options	454A	BU2
Three-Year Bundle Futures	455	BU3
Three-Year Bundle Options	455A	BU3
Five-Year Bundle Futures	456	BU5
Five-Year Bundle Options	456A	BU5

The amended rules are provided below in blackline format.

## CME Rulebook Amendments

(underline indicates addition; ~~strikethrough~~ indicates deletion)

### Chapter 454

#### Two-Year Bundle Futures

##### 45402.C. Price Increments

Contract price shall be quoted in terms of the IMM Index (Rule 45202.C.), as the arithmetic average of the prices of the eight (8) ED futures comprised within the Contract Grade (Rule 45401.A.). For example, a Bundle futures price of 95.670 would signify that the market consensus expectation of such average ED futures price is 95.6700, implying an arithmetic average ED contract rate of 4.33 percent per year (equal to 100.0000 minus 95.6700).

The minimum price increment shall be one quarter of one hundredth (0.0025) ~~one half of one hundredth (0.005)~~ of one IMM Index point, equal to \$50 ~~\$100~~ per contract. Contracts shall not be made on any other price basis.

For the purpose of Rule 812 for Final Settlement Price and Rule 813 for Daily Settlement Price, the minimum price increment shall be 0.0001 IMM Index points, equal to \$2 per contract.

### Chapter 454A

#### Options on Two-Year Bundle Futures

##### 454A01.C. Minimum Price Increments

The price of an option shall be quoted in IMM Index points. Each 0.01 IMM Index point, signifying one (1) interest rate basis point per annum (Rule 45402.C.), shall represent \$200 per option contract. For example, a quote of 0.33 represents an option price of \$6,600 (equal to 33 basis points x \$200 per option contract).

The minimum price increment shall be one quarter of one hundredth (0.0025) ~~one half of one hundredth (0.005)~~ of one IMM Index point, equal to \$50 ~~\$100~~ per contract. ~~Trade also may occur at a price of 0.0025 IMM Index points, equal to \$50 per option contract, whether or not such trade results in the liquidation of positions for both parties to such trade.~~

For the purpose of Rule 812 for Final Settlement Price and Rule 813 for Daily Settlement Price, the minimum price increment shall be 0.0025 IMM Index points, equal to \$50 per option contract.

Where the price of such option is quoted in volatility terms, the minimum price increment shall be 0.05 percent per annum (eg, 9.95 percent, 10.0 percent, 10.05 percent, 10.10 percent).

### Chapter 455

#### Three-Year Bundle Futures

##### 45502.C. Price Increments

Contract price shall be quoted in terms of the IMM Index (Rule 45202.C.), as the arithmetic average of the prices of the 12 ED futures comprised within the Contract Grade (Rule 45501.A.). For example, a Bundle futures price of 95.670 would signify that the market consensus expectation of such average ED futures price is 95.6700, implying an arithmetic average ED contract rate of 4.33 percent per year (equal to 100.0000 minus 95.6700).

The minimum price increment shall be one quarter of one hundredth (0.0025) ~~one half of one hundredth (0.005)~~ of one IMM Index point, equal to \$75 ~~\$150~~ per contract. Contracts shall not be made on any other price basis.

For the purpose of Rule 812 for Final Settlement Price and Rule 813 for Daily Settlement Price, the minimum price increment shall be 0.0001 IMM Index points, equal to \$3 per contract.

### Chapter 455A

#### Options on Three-Year Bundle Futures

##### 455A01.C. Minimum Price Increments

The price of an option shall be quoted in IMM Index points. Each 0.01 IMM Index point, signifying one (1) interest rate basis point per annum (Rule 45502.C.), shall represent \$300 per option contract. For example, a quote of 0.33 represents an option price of \$9,900 (equal to 33 basis points x \$300 per option contract). The minimum price increment shall be one quarter of one hundredth (0.0025) ~~one half of one hundredth (0.005)~~ of one IMM Index point, equal to \$75 ~~\$150~~ per contract. ~~Trade also may occur at a price of 0.0025 IMM Index points, equal to \$50 per option contract, whether or not such trade results in the liquidation of positions for both parties to such trade.~~

For the purpose of Rule 812 for Final Settlement Price and Rule 813 for Daily Settlement Price, the minimum price increment shall be 0.0025 IMM Index points, equal to \$75 per option contract.

Where the price of such option is quoted in volatility terms, the minimum price increment shall be 0.05 percent per annum (eg, 9.95 percent, 10.0 percent, 10.05 percent, 10.10 percent).

## **Chapter 456**

### **Five-Year Bundle Futures**

#### **45602.C. Price Increments**

Contract price shall be quoted in terms of the IMM Index (Rule 45202.C.), as the arithmetic average of the prices of the 20 CME ED futures comprised within the Contract Grade (Rule 45601.A.). For example, a Bundle futures price of 95.670 would signify that the market consensus expectation of such average ED futures price is 95.6700, implying an arithmetic average ED contract rate of 4.33 percent per year (equal to 100.0000 minus 95.6700).

The minimum price increment shall be one quarter of one hundredth (0.0025) ~~one half of one hundredth (0.005)~~ of one IMM Index point, equal to \$125 ~~\$250~~ per contract. Contracts shall not be made on any other price basis.

For the purpose of Rule 812 for Final Settlement Price and Rule 813 for Daily Settlement Price, the minimum price increment shall be 0.0001 IMM Index points, equal to \$5 per contract.

## **Chapter 456A**

### **Options on Five-Year Bundle Futures**

#### **456A01.C. Minimum Price Increments**

The price of an option shall be quoted in IMM Index points. Each 0.01 IMM Index point, signifying one (1) interest rate basis point per annum (Rule 45602.C.), shall represent \$500 per option contract. For example, a quote of 0.33 represents an option price of \$16,500 (equal to 33 basis points x \$500 per option contract). The minimum price increment shall one quarter of one hundredth (0.0025) ~~one half of one hundredth (0.005)~~ of one IMM Index point, equal to \$125 ~~\$250~~ per contract. ~~Trade also may occur at a price of 0.0025 IMM Index points, equal to \$50 per option contract, whether or not such trade results in the liquidation of positions for both parties to such trade.~~

For the purpose of Rule 812 for Final Settlement Price and Rule 813 for Daily Settlement Price, the minimum price increment shall be 0.0025 IMM Index points, equal to \$125 per option contract.

Where the price of such option is quoted in volatility terms, the minimum price increment shall be 0.05 percent per annum (eg, 9.95 percent, 10.0 percent, 10.05 percent, 10.10 percent).

## **CME Chapter 8**

### **Clearing House and Performance Bonds**

#### **Rule 813. DAILY SETTLEMENT PRICE**

Daily settlement prices shall be determined each business day for each product. Provided that a product's terms and conditions do not stipulate otherwise, (a) such daily settlement prices shall be determined pursuant to one or more of the procedures set forth below. The, and (b) any such daily settlement price shall be a price consistent with the minimum tick increment for the product, such that any calculated settlement price value that is not an integer multiple of such product's standard tick increment shall be rounded either to the nearest tick or to the tick closer to the previous day's daily settlement price. ~~if the calculated settlement price is not a standard tick increment, the calculated settlement price will be rounded either to the nearest tick or to the tick closer to the previous day's settlement price.~~

(Balance of Rule remains unchanged)

For additional information, please contact:

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