

## Special Executive Report

S-7578

February 12, 2016

### Listing of Additional Strike Price Intervals for Options on all Long-Term Treasury Note and Bond Futures

Effective Sunday, March 6, 2016, for first trade date of Monday, March 7, 2016, The Board of Trade of the City of Chicago, Inc. (“CBOT” or “Exchange”) shall list for trading additional strike price intervals for (i) all Weekly Options and (ii) the nearest expiring Serial or Quarterly Options on certain Treasury Futures as set forth in Exhibit 1 below. At any given time, the Exchange shall ensure that the additional strike prices will be listed in a range of three price points above and three price points below the at-the-money exercise price level.

#### Exhibit 1 – CBOT Treasury Option Strike Price Intervals (Additions are underlined.)

<i>Product</i>	<i>Globex/Open Auction/Clearing Symbols</i>	<i><u>Weekly and Nearest Serial or Quarterly*</u></i>	<i>All Weekly, Serial and Quarterly Expirations</i>
<i>Standard Options on Short-Term U.S. Treasury Note Futures (2-Year)</i>	OZT/TUC/TUP/26		1/8 of 1 Point
<i>Standard Options on Medium-Term U.S. Treasury Note Futures (5-Year)</i>	OZF/FL/FP/25		1/4 of 1 Point
<i>Standard Options on Long-Term U.S. Treasury Note Futures (10-Year)</i>	OZN/TC/TP/21	<u>1/4 of 1 Point</u>	1/2 of 1 Point
<i>Standard Options on 10-Year U.S. Treasury Note Futures (Ultra 10-Year)</i>	OTN	<u>1/4 of 1 Point</u>	1/2 of 1 Point
<i>Standard Options on U.S. Treasury Bond Futures</i>	OZB/CG/PG/17	<u>1/2 of 1 Point</u>	1 Point
<i>Standard Options on Long-Term U.S. Treasury Bond Futures (Ultra T-Bond)</i>	OUB/OUL/UBE	<u>1/2 of 1 Point</u>	1 Point

\*Proposed Strike Price Intervals for prices three points above and three points below the at-the-money (ATM).

Appendices A-D detail the rulebook amendments in blackline format.

The Commodity Futures Trading Commission (“CFTC”) will be notified of the amendments during the week of March 14, 2016 via the weekly notification procedures set forth in Part 40 of the CFTC Regulations.

Please refer questions on this subject to:

Ted Carey	ted.carey@cmegroup.com	312 930 8554
Jonathan Kronstein	jonathan.kronstein@cmegroup.com	312 930 3472
Jeremy Lao	jeremy.lao@cmegroup.com	212 299 2165
David Reif	david.reif@cmegroup.com	312 648 3839

## Appendix A

### Chapter 18A

#### Standard Options on U.S. Treasury Bond Futures

##### 18A01.E. Exercise Prices

###### **1. One (1) Point Exercise Prices**

Option exercise prices shall be in terms of U.S. Treasury Bond futures price points (Rule 18102.C.) and shall be in integer multiples of one (1) point (Rule 18A01.C.).

At the commencement of trading in option contracts for a given expiration date, the Exchange shall list put and call options at the exercise price that is nearest the previous day's settlement price of the respective Underlying Futures Contract ("at-the-money price" or "ATM price"). If the previous day's Underlying Futures Contract settlement price is midway between two eligible option exercise price levels, then the ATM price shall be set as the higher of the two eligible exercise price levels. The Exchange also shall list for trading put and call options at all eligible exercise price levels in a range of 30 points above and 30 points below (i.e., 30 exercise price levels above and 30 exercise price levels below) the ATM exercise price.

Thereafter, the Exchange shall add new put and call options to ensure that such options are listed for trading at all eligible exercise prices in a range of at least 30 points above and at least 30 points below (i.e., 30 exercise price levels above and 30 exercise price levels below) the ATM exercise price level that is set with reference to the most recent Underlying Futures Contract settlement price. New options may be listed for trading up to and including the termination of trading in such options.

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 an integer multiple of one (1) price point (Rule 18A01.C.).

The Exchange may modify the procedure for the introduction of exercise prices as it deems appropriate.

###### **2. Special Listings of One Half (1/2) of One Point Exercise Prices**

At any given time, the Exchange shall ensure that options are listed for trading at exercise prices that are in terms of U.S. Treasury Bond futures price points (Rule 18102.C.) and shall be in integer multiples of one half (1/2) of one (1) point for (i) all Weekly Options and (ii) the nearest expiring Serial or Quarterly Options (Rule 18A01.C.). For any Weekly, Serial or Quarterly Options with exercise price levels in integer multiples of one half (1/2) of one (1) point, the Exchange shall add new put and call options in integer multiples of one half (1/2) of one (1) price point in a range of at least 3 points above and at least 3 points below (i.e. 3 additional exercise price levels above and 3 additional exercise prices below) the ATM exercise price level that is set with reference to the most recent Underlying Futures Contract settlement price.

**Appendix B**  
**Chapter 19A**  
**Standard Options on Long-Term U.S. Treasury Note Futures**

**19A01.E. Exercise Prices**

**1. One Half (1/2) of One (1) Point Exercise Prices**

Option exercise prices shall be in terms of Long-Term U.S. Treasury Note futures price points (Rule 19102.C.) and shall be in integer multiples of one half (1/2) of one (1) point (Rule 19A01.C.).

At the commencement of trading in option contracts for a given expiration date, the Exchange shall list put and call options at the exercise price that is nearest the previous day's settlement price of the respective Underlying Futures Contract ("at-the-money price" or "ATM price"). If the previous day's Underlying Futures Contract settlement price is midway between two eligible option exercise price levels, then the ATM price shall be set as the higher of the two eligible exercise price levels. The Exchange also shall list for trading put and call options at all eligible exercise price levels in a range of 25 points above and 25 points below (i.e., 50 exercise price levels above and 50 exercise price levels below) the ATM exercise price.

Thereafter, the Exchange shall add new put and call options to ensure that such options are listed for trading at all eligible exercise prices in a range of at least 25 points above and at least 25 points below (i.e., at least 50 exercise price levels above and at least 50 exercise price levels below) the ATM exercise price level that is set with reference to the most recent Underlying Futures Contract settlement price. New options may be listed for trading up to and including the termination of trading in such options.

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 an integer multiple of one half (1/2) of one (1) price point (Rule 19A01.C.).

The Exchange may modify the procedure for the introduction of exercise prices as it deems appropriate.

**2. Special Listings of One Quarter (1/4) of One Point Exercise Prices**

At any given time, the Exchange shall ensure that options are listed for trading at exercise prices that are in terms of Long-Term U.S. Treasury Note futures price points (Rule 19102.C.) and shall be in integer multiples of one quarter (1/4) of one (1) point for (i) all Weekly Options and (ii) the nearest expiring Serial or Quarterly Options (Rule 19A01.C.). For any Weekly, Serial or Quarterly Options with exercise price levels in integer multiples of one quarter (1/4) of one (1) point, the Exchange shall add new put and call options in integer multiples of one quarter (1/4) of one (1) price point in a range of at least 3 points above and at least 3 points below (i.e. 6 additional exercise price levels above and 6 additional exercise prices below) the ATM exercise price level that is set with reference to the most recent Underlying Futures Contract settlement price.

## Appendix C

### Chapter 26A

#### Standard Options on 10-Year U.S. Treasury Note Futures

##### 26A01.E. Exercise Prices

###### **1. One Half (1/2) of One (1) Point Exercise Prices**

Option exercise prices shall be in terms of 10-Year U.S. Treasury Note futures price points (Rule 26102.C.) and shall be in integer multiples of one half (1/2) of one (1) point (Rule 26A01.C.).

At the commencement of trading in option contracts for a given expiration date, the Exchange shall list put and call options at the exercise price that is nearest the previous day's settlement price of the respective Underlying Futures Contract ("at-the-money price" or "ATM price"). If the previous day's Underlying Futures Contract settlement price is midway between two eligible option exercise price levels, then the ATM price shall be set as the higher of the two eligible exercise price levels. The Exchange also shall list for trading put and call options at all eligible exercise price levels in a range of 25 points above and 25 points below (i.e., 50 exercise price levels above and 50 exercise price levels below) the ATM exercise price.

Thereafter, the Exchange shall add new put and call options to ensure that such options are listed for trading at all eligible exercise prices in a range of at least 25 points above and at least 25 points below (i.e., at least 50 exercise price levels above and at least 50 exercise price levels below) the ATM exercise price level that is set with reference to the most recent Underlying Futures Contract settlement price. New options may be listed for trading up to and including the termination of trading in such options.

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 an integer multiple of one half (1/2) of one (1) price point (Rule 26A01.C.).

The Exchange may modify the procedure for the introduction of exercise prices as it deems appropriate.

###### **2. Special Listings of One Quarter (1/4) of One Point Exercise Prices**

At any given time, the Exchange shall ensure that options are listed for trading at exercise prices that are in terms of 10-Year U.S. Treasury Note futures price points (Rule 26102.C.) and shall be in integer multiples of one quarter (1/4) of one (1) point for (i) all Weekly Options and (ii) the nearest expiring Serial or Quarterly Options (Rule 26A01.C.). For any Weekly, Serial or Quarterly Options with exercise price levels in integer multiples of one quarter (1/4) of one (1) point, the Exchange shall add new put and call options in integer multiples of one quarter (1/4) of one (1) price point in a range of at least 3 points above and at least 3 points below (i.e. 6 additional exercise price levels above and 6 additional exercise prices below) the ATM exercise price level that is set with reference to the most recent Underlying Futures Contract settlement price.

## Appendix D

### Chapter 40A

#### Standard Options on Long-Term U.S. Treasury Bond Futures

##### 40A01.E. Exercise Prices

###### **1. One (1) Point Exercise Prices**

Option exercise prices shall be in terms of Long-Term U.S. Treasury Bond futures price points (Rule 40102.C.) and shall be in integer multiples of one (1) point (Rule 40A01.C.).

At the commencement of trading in option contracts for a given expiration date, the Exchange shall list put and call options at the exercise price that is nearest the previous day's settlement price of the respective Underlying Futures Contract ("at-the-money price" or "ATM price"). If the previous day's Underlying Futures Contract settlement price is midway between two eligible option exercise price levels, then the ATM price shall be set as the higher of the two eligible exercise price levels. The Exchange also shall list for trading put and call options at all eligible exercise price levels in a range of 30 points above and 30 points below (i.e., 30 exercise price levels above and 30 exercise price levels below) the ATM exercise price.

Thereafter, the Exchange shall add new put and call options to ensure that such options are listed for trading at all eligible exercise prices in a range of at least 30 points above and at least 30 points below (i.e., 30 exercise price levels above and 30 exercise price levels below) the ATM exercise price level that is set with reference to the most recent Underlying Futures Contract settlement price. New options may be listed for trading up to and including the termination of trading in such options.

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 an integer multiple of one (1) price point (Rule 40A01.C.).

The Exchange may modify the procedure for the introduction of exercise prices as it deems appropriate.

###### **2. Special Listings of One Half (1/2) of One Point Exercise Prices**

At any given time, the Exchange shall ensure that options are listed for trading at exercise prices that are in terms of Long-Term U.S. Treasury Bond futures price points (Rule 40102.C.) and shall be in integer multiples of one half (1/2) of one (1) point for (i) all Weekly Options and (ii) the nearest expiring Serial or Quarterly Options (Rule 40A01.C.). For any Weekly, Serial or Quarterly Options with exercise price levels in integer multiples of one half (1/2) of one (1) point, the Exchange shall add new put and call options in integer multiples of one half (1/2) of one (1) price point in a range of at least 3 points above and at least 3 points below (i.e. 3 additional exercise price levels above and 3 additional exercise prices below) the ATM exercise price level that is set with reference to the most recent Underlying Futures Contract settlement price.