

TO: Clearing Member Firms; Back Office Managers  
 FROM: CME Clearing

ADVISORY #: 17-074  
 Date: February 24, 2017

**SUBJECT: Changes to expiration behavior for exact at-the-money options on CME options on FX futures**

Effective Friday, March 24, 2017 and pending all relevant CFTC regulatory review periods, CME will amend the exercise and assignment rules for all options on FX futures contracts.

Currently, options that are at least one tick in the-money at expiration are automatically exercised or assigned. Options that are at least one tick out of the money are expired without exercise or assignment. And if the final underlying price happens to occur exactly at a strike price, both calls and puts at that strike are also expired without exercise. We sometimes refer to this rule as “at the money is out of the money.”

Nothing will change for options that are at least one tick in-the-money (automatic exercise or assignment), or at least one tick out-of-the-money (automatic expiration unexercised or unassigned.) There will be a change, however, for options that end up precisely at-the-money.

In particular, with this change, a call option that ends up exactly at-the-money will be exercised or assigned. An exactly at-the-money put option will be expired unexercised or unassigned.

To summarize: CME is amending the auto-exercise rule at expiration, whereby if the underlying fixing price falls exactly on a strike price, the at-the-money calls are exercised and the at-the-money puts are abandoned. At-the-money calls will now be treated as in-the-money and exercised whereas at-the-money puts are treated as out-of-the-money and abandoned.

This change is being made at the request of market participants employing risk-neutral “conversion” and “reversal” strategies. It will ensure that the strategy remains risk-free even if the final underlying price happens to be exactly at the option’s strike price, and will enhance liquidity as expiration approaches.

The change applies to all CME options on FX futures, including American and European-style quarterly, serial, monthly and weekly expirations. Note that contrary instructions (out-of-the-money exercises or in-the-money abandonments) are not allowed for any of these options. It is possible that the change will be applied to options on futures in other asset classes in the future.

The **2017 March Week4 (201703W4)** contracts will be the first Option expiry which will use the new exercise and assignment rules. Following please find a complete list of affected products. We will be publishing shortly a separate advisory detailing upcoming enhancements to the FIXML Product Reference Files for options which will can be used to automate expiration and assignment processing. For more information please contact CME Clearing at 312-207-2525.

Product Name	Clearing Code	Globex Code
Options on British Pound Sterling/U.S. Dollar (GBP/USD) Futures (American-style; 2 p.m. CT fix)	BP	6B
Options on British Pound Sterling/U.S. Dollar (GBP/USD) Futures (European-style; 2 p.m. CT fix)	GBU	GBU
Options on British Pound Sterling/U.S. Dollar Futures - Week 1-5 (European; 2 p.m. CT fix)	1BP-5BP	1BP-5BP
Options on British Pound Sterling/U.S. Dollar (GBP/USD) Futures (European-style; 9 a.m. CT fix)	YB	XB
Options on British Pound Sterling/U.S. Dollar Futures - Week 1-5 (European; 9 a.m. CT fix)	1P-5P	XB1-XB5
Options on Canadian Dollar/U.S. Dollar (CAD/USD) Futures (American-style; 2 p.m. CT fix)	C1	6C

Options on Canadian Dollar/U.S. Dollar (CAD/USD) Futures (European-style; 2 p.m. CT fix)	CAU	CAU
Options on Canadian Dollar/U.S. Dollar (CAD/USD) Futures - Week 1-5 (European; 2 p.m. CT fix)	1CD-5CD	1CD-5CD
Options on Canadian Dollar/U.S. Dollar (CAD/USD) Futures (European-style; 9 a.m. CT fix)	YD	XD
Options on Canadian Dollar/U.S. Dollar (CAD/USD) Futures - Week 1-5 (European; 9 a.m. CT fix)	1D-5D	XD1-XD5
Options on Japanese Yen/U.S. Dollar (JPY/USD) Futures (American-style; 2 p.m. CT fix)	J1	6J
Options on Japanese Yen/U.S. Dollar (JPY/USD) Futures (European-style; 2 p.m. CT fix)	JPU	JPU
Options on Japanese Yen/U.S. Dollar (JPY/USD) Futures - Week 1-5 (European; 2 p.m. CT fix)	1JY-5JY	1JY-5JY
Options on Japanese Yen/U.S. Dollar (JPY/USD) Futures (European-style; 9 a.m. CT fix)	YJ	XJ
Options on Japanese Yen/U.S. Dollar (JPY/USD) Futures - Week 1-5 (European; 9 a.m. CT fix)	1Y-5Y	1O-5O
Options on Swiss Franc/U.S. Dollar (CHF/USD) Futures (American-style; 2 p.m. CT fix)	E1	6S
Options on Swiss Franc/U.S. Dollar (CHF/USD) Futures (European-style; 2 p.m. CT fix)	CHU	CHU
Options on Swiss Franc/U.S. Dollar (CHF/USD) Futures - Week 1-5 (European; 2 p.m. CT fix)	1SF-5SF	1SF-5SF
Options on Swiss Franc/U.S. Dollar (CHF/USD) Futures (European-style; 9 a.m. CT fix)	YS	XS
Options on Swiss Franc/U.S. Dollar (CHF/USD) Futures - Week 1-5 (European; 9 a.m. CT fix)	1W-5W	XS1-XS5
Options on Australian Dollar/U.S. Dollar (AUD/USD) Futures (American-style; 2 p.m. CT fix)	AD	6A
Options on Australian Dollar/U.S. Dollar (AUD/USD) Futures (European-style; 2 p.m. CT fix)	ADU	ADU
Options on Australian Dollar/U.S. Dollar (AUD/USD) Futures - Week 1-5 (European; 2 p.m. CT fix)	1AD-5AD	1AD-5AD
Options on Australian Dollar/U.S. Dollar (AUD/USD) Futures (European-style; 9 a.m. CT fix)	XA	XAD
Options on Australian Dollar/U.S. Dollar (AUD/USD) Futures - Week 1-5 (European; 9 a.m. CT fix)	AD1-AD5	XA1-XA5
Options on Mexican Peso/U.S. Dollar (MXN/USD) Futures	MP	6M
Options on Mexican Peso/U.S. Dollar (MXN/USD) Futures - Week 1-5	1M-5M	1M-5M
Options on Brazilian Real/U.S. Dollar (BRL/USD) Futures	BR	BR
Options on Brazilian Real/U.S. Dollar (BRL/USD) Futures - Week 1-5	1R-5R	1R-5R
Options on New Zealand Dollar/U.S. Dollar (NZD/USD) Futures	NE	6N
Options on New Zealand Dollar/U.S. Dollar (NZD/USD) Futures - Week 1-5	1Z-5Z	1Z-5Z
Options on South African Rand/U.S. Dollar (ZAR/USD) Futures	RA	N/A
Options on South African Rand/U.S. Dollar (ZAR/USD) Futures - Week 1-5	1N-5N	N/A
Options on Russian Ruble/U.S. Dollar (RUB/USD) Futures	RU	6R
Options on Russian Ruble/U.S. Dollar (RUB/USD) Futures - Week 1-5	RU1-RU5	6R1-6R5
Options on Euro/U.S. Dollar (EUR/USD) Futures (American-style; 2 p.m. CT fix)	EC	6E
Options on Euro/U.S. Dollar (EUR/USD) Futures (European-style; 2 p.m. CT fix)	EUU	EUU
Options on Euro/U.S. Dollar (EUR/USD) Futures - Week 1-5 (European; 2 p.m. CT fix)	1EU-5EU	1EU-5EU
Options on Euro/U.S. Dollar (EUR/USD) Futures (European-style; 9 a.m. CT fix)	YT	XT
Options on Euro/U.S. Dollar (EUR/USD) Futures - Week 1-5 (European; 9 a.m. CT fix)	1T-5T	1Q-5Q
Options on Czech Koruna/U.S. Dollar (CZK/USD) Futures	CZ	CKO
Options on Hungarian Forint/U.S. Dollar (HUF/USD) Futures	FR	HFO
Options on Polish Zloty/U.S. Dollar (PLN/USD) Futures	PZ	PLZ
Options on Israeli Shekel/U.S. Dollar (ILS/USD) Futures	IS	ILS
Options on Israeli Shekel/U.S. Dollar (ILS/USD) Futures - Week 1-5	IS1-IS5	IS1-IS5
Options on Chinese Renminbi/U.S. Dollar (RMB/USD) Futures	RMB	RMB
Options on Chinese Renminbi/U.S. Dollar (RMB/USD) Futures - Week 1-5	RB1-RB5	RB1-RB5
Options on Korean Won/U.S. Dollar (KRW/USD) Futures	KRW	KRW
Options on Korean Won/U.S. Dollar (KRW/USD) Futures - Week 1-5	KR1-KR5	KR1-KR5
Options on Euro/British Pound Sterling (EUR/GBP) Cross Rate Futures	RP	RP
Options on Euro/British Pound Sterling (EUR/GBP) Cross Rate Futures - Week 1-5	1E-5E	1E-5E
Options on Euro/Japanese Yen (EUR/JPY) Cross Rate Futures	RY	RY
Options on Euro/Japanese Yen (EUR/JPY) Cross Rate Futures - Week 1-5	1H-5H	1H-5H
Options on Euro/Swiss Franc (EUR/CHF) Cross Rate Futures	RF	RF
Options on Euro/Swiss Franc (EUR/CHF) Cross Rate Futures - Week 1-5	1I-5I	1I-5I
Options on Czech Koruna/Euro (CZK/EUR) Cross Rate Futures	K	ECZ
Options on Hungarian Forint/Euro (HUF/EUR) Cross Rate Futures	R	EHU
Options on Polish Zloty/Euro (PLN/EUR) Cross Rate Futures	Z	EPL
Options on Chinese Renminbi/Euro (RMB/EUR) Cross Rate Futures	RME	RME
Options on Chinese Renminbi/Euro (RMB/EUR) Cross Rate Futures - Week 1-5	RE1-RE5	RE1-RE5