



## Special Executive Report

S-7713

August 1, 2016

### **Amendments to the Exercise and Assignment Rules for Options on CME Metro Area Housing Index Futures Contracts and Options on CME Composite Housing Index Futures Contracts**

Effective, Sunday, August 14, 2016, for trade date Monday, August 15, 2016, Chicago Mercantile Exchange Inc. ("CME" or "Exchange") will amend CME Rule 419A02.A. ("Exercise of Option by Buyer") of the Options on CME Metro Area Housing Index Futures (Rulebook Chapter 419A; Codes: BOS, CHI, DEN, LAV, LAX, MIA, NYM, SDG, SFR and WDC and CME Rule 420A02.A. ("Exercise of Option by Buyer") of the Options on CME Composite Housing Index Futures (Rulebook Chapter 420A; Code: CUS) contracts (collectively, the "Options Contracts") as noted in the table below.

The amendments will simply clarify the existing practice and highlight that the Option Contracts are European-style options and may only be exercised on the termination of trading day. The Options Contracts are available for trading on the CME trading floor and CME Globex.

Attachment 1 provides the CME Rulebook amendments in blackline format.

Contract Title	Commodity Codes	CME Rulebook Chapter
Options on CME Metro Area Housing Index Futures	BOS, CHI, DEN, LAV, LAX, MIA, NYM, SDG, SFR, WDC	419A
Options on CME Composite Housing Index Futures	CUS	420A

Please direct questions regarding this notice to:

**U.S.**

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**Attachment 1**  
**(additions are underlined; deletions are ~~struckthrough~~)**  
**CME Rulebook**  
**Chapter 419A**  
**Options on CME Metro Area Housing Index Futures**

**419A02. EXERCISE AND ASSIGNMENT**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of options on CME Metro Area Housing futures.

**419A02.A. Exercise of Option by Buyer**

An option may be exercised by the buyer ~~on any Business Day that the option is traded.~~ only on the termination of Trading Day. Exercise of an option is accomplished by the clearing member representing the buyer presenting an exercise notice to the Clearing House by 7:00 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 7:00 p.m. on the Business Day following the termination of trading by the clearing member representing the option buyer, be exercised automatically.

In-the-money options that expire in months other than those in the February quarterly cycle (February, May, August and November) and have not been liquidated or exercised prior to the termination of trading shall, in the absence of contrary instructions delivered to the Clearing House by 7:00 p.m. on the day of the expiration by the clearing member representing the option buyer, be exercised automatically.

Corrections to option exercises may be accepted by the Clearing House after the 7:00 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 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.

**Chapter 420A**  
**Options on CME Composite Housing Index Futures**

**420A02. EXERCISE AND ASSIGNMENT**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of options on CME Composite Housing Index futures.

**420A02.A. Exercise of Option by Buyer**

An option may be exercised by the buyer ~~on any Business Day that the option is traded.~~ only on the termination of Trading Day. Exercise of an option is accomplished by the clearing member representing the buyer presenting an exercise notice to the Clearing House by 7:00 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 7:00 p.m. on the Business Day following the termination of trading by the clearing member representing the option buyer, be exercised automatically.

In-the-money options that expire in months other than those in the February quarterly cycle (February, May, August and November) and have not been liquidated or exercised prior to the

termination of trading shall, in the absence of contrary instructions delivered to the Clearing House by 7:00 p.m. on the day of the expiration by the clearing member representing the option buyer, be exercised automatically.

Corrections to option exercises may be accepted by the Clearing House after the 7:00 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 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.