



## Special Executive Report

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**DATE:** April 7, 2022

**SER#:** 8969

**SUBJECT:** Amendments to Chapter 358A ("Options on E-mini® Standard & Poor's 500 Stock Price Index Futures")

Effective Sunday, April 24, 2022 for trade date Monday, April 25, 2022, and pending all relevant CFTC regulatory review periods, Chicago Mercantile Exchange Inc. ("CME" or "Exchange") will implement amendments to chapter 358A ("Options on E-mini® Standard and Poor's 500 Stock Price Index Futures") as it relates to all options on E-mini Standard & Poor's 500 Stock Price Index Futures contracts with the exception of quarterly options to: (a) eliminate references to a previously delisted futures contract, and (b) specify the settlement process after a disruption in the market that would preclude the calculation of a Fixing Price.

Specifically, the Exchange will amend Rule 358A02.A.2. ("All Options Excluding Quarterly Options") to:

- (a) delete language in Tier 3 which references the previously delisted Standard and Poor's 500 Stock Price Index Futures contract; and
- (b) add procedural language for the establishment of a Fixing Price when insufficient trading in the underlying future prevents the calculation of such Fixing Price prior to the final settlement of the underlying future. In other words, if a European-style option expires during market duress and its underlying future also expires before the return of a normal market, then the settlement price (the "SOQ") for the future will be used as a proxy or replacement for the Fixing Price.

In a separate but related, the Exchange is concurrently amending chapter 358A in connection with the initial listing of the Tuesday and Thursday Options on the E-mini Standard and Poor's 500 Stock Price Index Futures contract effective on Monday, April 25, 2022 (pending CFTC review). (See [SER No. 8963](#) dated March 31, 2022).

Amendments to Rule 358A02.A.2. are provided in Appendix A below with additions underscored and deletions ~~struck through~~.

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## **Appendix A** **CME Rulebook**

(additions underscored; deletions ~~struck through~~)

### Chapter 358A

#### Options on E-mini® Standard and Poor's 500 Stock Price Index Futures

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##### **358A02. EXERCISE AND ASSIGNMENT**

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###### **358A02.A. Exercise**

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###### **2. All Options Excluding Quarterly Options**

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Whether an option expires in the money or out of the money shall be determined by the Exchange, in its sole discretion, by reference to the Fixing Price of such option's Underlying Futures Contract (Rule 358A01.D.). The Exchange, in its sole discretion, shall set such Fixing Price on the last day of trading in such option, as follows:

###### Tier 1

Such Fixing Price shall be based on the volume-weighted average price of transactions in such futures on the CME Globex electronic trading platform during the interval (i) between 2:59:30 p.m. and 3:00:00 p.m., or (ii) in the case of an early scheduled close of the Primary Listing Exchange, between 11:59:30 a.m. and noon, or (iii) in the event of an unscheduled early close of the Primary Listing Exchange, the final thirty (30) seconds of the Primary Listing Exchange trading day ("Reference Interval").

###### Tier 2

If no such transaction occurs during the Reference Interval, then such Fixing Price shall be based on the average of midpoints of bid/ask spreads for such futures quoted on CME Globex during the Reference Interval, provided that the Fixing Price calculation shall exclude the midpoint value for any such bid/ask spread that is wider than 0.50 Index points (equal to two (2) minimum price increments).

###### Tier 3

~~If such Fixing Price cannot be determined pursuant to Tier 1 or Tier 2, or if an unscheduled non-regulatory halt in CME Globex trading in such Underlying Futures Contract occurs between 2:58:00 p.m. and 3:00:00 p.m., then such Fixing Price shall be based on the average transaction price during such Reference Interval of the CME Standard and Poor's 500 Stock Price Index ("S&P 500") futures contract (Chapter 351) for the same delivery month as such option's Underlying Futures Contract (Rule 358A01.D.).~~

###### Tier 4

If such Fixing Price cannot be determined pursuant to Tier 1, ~~or~~ Tier 2, ~~or~~ Tier 3, then the Exchange, in its sole discretion, shall set such Fixing Price by alternative means which may include, but are not limited to, derivation by reference to the basis relationship between such futures contract's price and the Index, or application of Tier 1, ~~or~~ Tier 2, ~~or~~ Tier 3, calculations to successive time intervals of increasing length, in integer multiples of thirty (30) seconds, until suitable price data are obtained.

The resultant Fixing Price value shall be rounded to the nearest integer multiple of 0.01 Index points. Such Fixing Price, so rounded, shall be used to determine whether an option expires in the money or out of the money.

If, at the time such Fixing Price is scheduled to be calculated in respect of expiring options, the Primary Listing Exchange (Rule 358A00.A.) is subject to a Regulatory Halt (Rule 358A00.B.), and the Primary Futures Contract Month is limit offered at the maximum price limit permissible during such Regulatory Halt pursuant to Rule 35802.I., then (a) such option shall expire at 8:31 a.m. on the next following Business Day on which a Regulatory Halt is not in effect, and (b) the Fixing Price in respect of such option shall be calculated in accordance with the corresponding provisions of this Rule, on the basis of a reference interval beginning at 8:30:30 a.m. and concluding at 8:31:00 a.m. If, during any portion of the 30-second period from 8:30:30 a.m. – 8:31:00 a.m. CT, there is a Level 1 or Level 2 Regulatory Halt in effect, the Fixing Price shall be calculated using trades consummated during the 30-second period commencing with the lifting of such Regulatory Halt. If a subsequent Regulatory Halt is declared during this 30-second period, the calculation of the Fixing Price shall be based strictly on those trades consummated prior to such subsequent Regulatory Halt.

For the avoidance of doubt, in the event there is a Level 1 or Level 2 Regulatory Halt during the time period of 8:30:30 – 8:31:00 am CT, no trades during that time period (8:30:30 – 8:31:00 am CT) will be used in the calculation of the Fixing Price.

~~In the case that the underlying futures contract for a given European style option expires without any trading activity that would permit the calculation of the Fixing Price, then such Fixing Price will be equal to the Final Settlement Price of such option's Underlying Futures Contract (Rule 358A01.D.) (For~~

example, if there exists such a Regulatory Halt (Rule 358A00.B.) on the Thursday prior to the 3rd Friday in the March quarterly cycle, there may be no trading activity in the expiring futures upon which to predicate the Fixing Price).

An expiring call option shall be in the money if the corresponding Fixing Price is strictly above such option's exercise price, and shall be out of the money if the corresponding Fixing Price is at or below such option's exercise price.

An expiring put option shall be in the money if the corresponding Fixing Price is strictly below such option's exercise price, and shall be out of the money if the corresponding Fixing Price is at or above such option's exercise price.

[The remainder of the Rule is unchanged.]