

## Chapter 27A

### Options on E-mini Dow Jones Industrial Average<sup>SM</sup> Index Futures

#### 27A00. SCOPE OF CHAPTER

This chapter is limited in application to Options on E-mini Dow Jones Industrial Average<sup>SM</sup> Index Futures. In addition to this chapter, options on futures shall be subject to the general rules and regulations of the Exchange as applicable.

Unless otherwise specified, times referenced herein shall refer to and indicate Chicago time.

##### 27A00.A. Primary Listing Exchange

For the purposes of this chapter a Primary Listing Exchange shall be as defined in the “Plan to Address Extraordinary Market Volatility Submitted to the Securities and Exchange Commission Pursuant to Rule 608 of Regulation NMS Under the Securities Exchange Act of 1934” approved 31 May 2012 by the U.S. Securities and Exchange Commission (“SEC”), as amended from time to time (SEC, SRO Rulemaking, National Market System Plans, File 4-631).

##### 27A00.B. Regulatory Halt

For the purposes of this chapter a Regulatory Halt shall be as defined in the “Plan to Address Extraordinary Market Volatility Submitted to the Securities and Exchange Commission Pursuant to Rule 608 of Regulation NMS Under the Securities Exchange Act of 1934” approved 31 May 2012 by the SEC, as amended from time to time (SEC, SRO Rulemaking, National Market System Plans, File 4-631) and as implemented under New York Stock Exchange Rule 7.12 for Trading Halts Due to Extraordinary Volatility or under Nasdaq Stock Market Rule 4121 for Trading Halts Due to Extraordinary Volatility.

#### 27A01. OPTIONS CHARACTERISTICS

##### 27A01.A. Contract Months, Trading Hours, and Trading Halts

Options shall be listed for expiration on such dates and shall be scheduled for trading during such hours as may be determined by the Exchange, *provided that* there shall be no trading in options when trading is halted in the Primary Futures Contract Month pursuant to Rule 27102.D.

In accordance with Rule 27102.D. the Exchange shall determine, in its sole discretion, the futures delivery month that represents such Primary Futures Contract Month.

##### 27A01.B. Trading Unit

The trading unit shall be an option to buy, in the case of a call, or to sell, in the case of a put, one E-Mini Dow Jones Industrial Average Index futures contract (Chapter 27).

##### 27A01.C. Minimum Fluctuations

Option prices shall be quoted in Dow Jones Industrial Average<sup>SM</sup> Index (“Index”) points. The minimum price fluctuation shall be one (1) Index point (equal \$5 per option contract), *provided that* an option position may be initiated or liquidated at a price per option contract ranging from \$1 to \$4, in \$1 increments.

##### 27A01.D. Underlying Futures Contract

###### 1. American Style Options in the March Quarterly Cycle (“Quarterly options”)

For any American style option for which the expiration month is in the March quarterly cycle (i.e., March, June, September, or December), the Underlying Futures Contract shall be for delivery in such option’s expiration month.

Example: For a given year, futures for delivery in March shall be the Underlying Futures Contract for a March Quarterly option.

## **2. European Style Weekly Options**

For any European style Weekly option, the Underlying Futures Contract shall be for delivery on the third Friday of the March quarterly cycle month next following such option's expiration, subject to Rule 27105.

Examples: For a given year, futures for delivery in June shall be the Underlying Futures Contract for third (3rd) March, fourth (4th) March, first (1st) April, second (2nd) April, third (3rd) April, fourth (4th) April, first (1st) May, second (2nd) May, third (3rd) May, fourth (4th) May, first (1st) June, and second (2nd) June European style Weekly options. Futures for delivery in September shall be the Underlying Futures Contract for third (3rd) June and fourth (4th) June European style Weekly options.

The Exchange shall not list a European style 4<sup>th</sup> Weekly option for trading in any instance where such option's expiration would occur on the last Business Day of a month.

## **3. European Style End-of-Month Options**

For any European style End-of-Month option, the Underlying Futures Contract shall be for delivery on the third Friday of the March quarterly cycle month next following such option's expiration, subject to Rule 27105.

Examples: For a given year, futures for delivery in March shall be the Underlying Futures Contract for a January European style End-of-Month option and for a February European style End-of-Month option. Futures for delivery in June shall be the Underlying Futures Contract for a March European style End-of-Month option.

### **27A01.E. Exercise Prices**

Transactions and exercise of options shall be conducted for options contracts as set forth in the [Strike Price Listing and Exercise Procedures Table](#).

The Exchange may modify the provisions governing the establishment of exercise prices as it deems appropriate.

### **27A01.F. Position Limits, Exemptions, Position Accountability and Reportable Levels**

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits

### **27A01.G. Nature of Options**

Upon exercise of a put option by the buyer of such option, the seller of such option shall incur the obligation to assume a long position in one Underlying Futures Contract (Rule 27A01.D.) at such option's exercise price (Rule 27A01.E.). Upon exercise of a call option by the buyer of such option, the seller of such option shall incur the obligation to assume a short position in one Underlying Futures Contract at such option's exercise price.

## **1. Quarterly Options**

The buyer of a Quarterly option (Rule 27A01.D.1.) may exercise such option at any time prior to its expiration.

## **2. European Style Weekly Options and European Style End-of-Month Options**

The buyer of a European style Weekly option (Rule 27A01.D.2.) or a European style End-of-Month option (Rule 27A01.D.3.) may exercise such option only at its expiration.

**27A01.H. [Reserved]**

**27A01.I. Termination of Trading**

**1. Quarterly Options**

Trading in any Quarterly option shall terminate on the same date and at the same time as the termination of trading in such option's Underlying Futures Contract (Rule 27A01.D.1.).

**2. European Style Weekly Options**

Trading in any European style Weekly option shall terminate at 3:00 p.m., or at noon in the case of an early scheduled close of the Primary Listing Exchange (Rule 27A00.A.), on the Friday designated as such option's expiration date. For a given calendar month:

Trading shall terminate in European style 1<sup>st</sup> Weekly options, and such options shall expire, on the first Friday of such month.

Trading shall terminate in European style 2<sup>nd</sup> Weekly options, and such options shall expire, on the second Friday of such month

Trading shall terminate in European style 3<sup>rd</sup> Weekly options, and such options shall expire, on the third Friday of such month

Trading shall terminate in European style 4<sup>th</sup> Weekly options, and such options shall expire, on the fourth Friday of such month

If such Friday is not a scheduled Business Day, then trading in expiring options shall be scheduled to terminate on the Business Day first preceding such Friday, *provided that* the Exchange shall not list European style Weekly options for trading in any such instance where the Business Day first preceding such Friday would be the last Business Day of the preceding calendar month, in accord with Rule 27A01.D.2.).

If the market in the Underlying Futures Contract for such option does not open on the day scheduled for termination of option trading and for option expiration, then trading in such option shall terminate, and such option shall expire, on the next day on which the market in such Underlying Futures Contract is open for trading.

**3. European Style End-Of-Month Options**

Trading in any European style End-of-Month option shall terminate at 3:00 p.m., or at noon in the case of an early scheduled close of the Primary Listing Exchange (Rule 27A00.A.), on the last Business Day of such option's expiration month.

If the market in the Underlying Futures Contract for such option does not open on the day scheduled for termination of option trading, then trading in such option shall terminate, and such option shall expire, on the next day on which the market in such Underlying Futures Contract is open for trading.

**4. Unscheduled Market Holiday**

Notwithstanding the aforementioned, if the Primary Listing Exchange (Rule 27A00.A.) is closed in observance of an unscheduled market holiday on a day previously scheduled as a Business Day, then trading in option contracts that had been scheduled to expire on such day shall terminate, and such option contracts shall expire, on the Business Day immediately preceding such unscheduled market holiday.

**27A01.J. [Reserved]**

**27A02. EXERCISE AND ASSIGNMENT**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of options.

**27A02.A. Exercise**

## **1. Quarterly Options**

Any Quarterly option (Rule 27A01.D.1.) may be exercised by the buyer on any Business Day on which such option may be traded. To exercise such option, the clearing member representing the option buyer shall present an exercise notice to the Clearing House by 5:30 p.m., or by such other time as the Exchange may designate, on the day of exercise.

Any unexercised option shall expire at 5:30 p.m. on the last day of trading in such option (Rule 27A01.I.). Any option that is in the money, and that has not been liquidated or exercised prior to its termination of trading, shall be exercised automatically upon expiration, in the absence of contrary instructions. Such contrary instructions must be delivered to the Clearing House, by the clearing member representing the buyer of such option, no later than 5:30 p.m., or such other time as may be designated by the Exchange, on the last day of trading in such option.

A call option shall be in the money if the settlement price of such option's Underlying Futures Contract (Rule 27A01.D.) on the last day of trading in such option (Rule 27A01.I.) is strictly above such option's exercise price, and shall be out of the money if such settlement price is at or below such option's exercise price.

A put option shall be in the money if the settlement price of such option's Underlying Futures Contract on the last day of trading in such option is strictly below such option's exercise price, and shall be out of the money if such settlement price is at or above such option's exercise price.

## **2. European Style Weekly Options and European Style End-of-Month Options**

Any European style Weekly option (Rule 27A01.D.2.) or European style End-of-Month option (Rule 27A01.D.3.) may be exercised only at, and not before, expiration of such option.

Following termination of trading in expiring options, any such option that is in the money shall be automatically exercised by the Clearing House, and any such option that is out of the money shall be abandoned by the Clearing House. For the avoidance of doubt, no such option that expires in the money may be abandoned, and no such option that expires out of the money may be exercised.

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 27A01.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 2 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, 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 and Tier 2 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 Index point. 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 27A00.A.) is subject to a Regulatory Halt (Rule 27A00.B.), and the Primary Futures Contract Month is limit offered at the maximum price limit permissible during such Regulatory Halt pursuant to Rule 27102.D., 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.

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

**27A02.B. Assignment**

For a given option contract, an exercise notice accepted by the Clearing House in accordance with Rules 27A02.A. shall be assigned by the Clearing House through a process of random selection to clearing members carrying open short positions in such option contract. A clearing member to whom such exercise notice has been assigned shall be notified thereof as soon as practicable following such assignment.

The clearing member to whom such exercise notice has been assigned shall be assigned a short position in such option's Underlying Futures Contract (Rules 27A01.D.) if such option is a call, or a long position in such option's Underlying Futures Contract if such option is a put. The clearing member representing the option buyer making exercise shall be assigned a long position in such option's Underlying Futures Contract if such option is a call, or a short position in such option's Underlying Futures Contract if such option is a put.

All such futures positions shall be assigned at a price equal to the exercise price of such option contract, and shall be marked to market (in accordance with Rule 814) on the Business Day on which the Clearing House accepts such exercise notice.

**27A03. [RESERVED]**

**27A04. [RESERVED]**

**27A05. PAYMENT OF OPTION PREMIUM**

The option premium must be paid in full by each clearing member to the Clearing House and by each option customer to his futures commission merchant at the time that the option is purchased, or within a reasonable time after the option is purchased.

**27A06. DISCLAIMER**

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