

Chapter 375

Adjusted Interest Rate FTSE® 100 Total Return Declared Dividend Index (SONIA) Futures

37500. SCOPE OF CHAPTER

This chapter is limited in application to Adjusted Interest Rate FTSE® 100 Total Return Declared Dividend Index Sterling Overnight Index Average (“SONIA”) Futures (“AIR FTSE 100 TRF (SONIA)” “futures”).

The AIR FTSE® 100 TRF (SONIA) valuation has three components; an equity index component, a daily Benchmark financing component and a financing spread adjustment component.

AIR FTSE® 100 TRF (SONIA) = (Equity Index – Accrued Financing) + Financing Spread Adjustment

In addition to this chapter, 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.

37500.A. [Reserved]

37500.B. Primary Listing Exchange

For the purposes of this chapter a Primary Listing Exchange shall be as defined as the London Stock Exchange.

37501. CONTRACT SPECIFICATIONS

The contract structure is subject to the following definitions:

1. Definitions

- a. **Equity Index:** shall mean the FTSE® 100 Total Return Declared Dividend Index (“UKXDUK” or “Index”);
- b. **Index Close:** The official index closing value of the Equity Index for a particular trading day based on the closing price of the constituent stocks in the index as disseminated by the Index Administrator;
- c. **Index Administrator:** shall mean the Russell FTSE® who is responsible for the calculation and dissemination of the Equity Index;
- d. **Benchmark Funding Reference Rate:** shall mean the Sterling Overnight Index Average (SONIA) published by the Bank of England on the current business day of the value on the previous business day, expressed on per annum basis; Sterling
- e. **Cash Market Settlement Day** shall mean the settlement day of an equity trade corresponding to a trading day, as scheduled by the CREST;
- f. **Daily Financing Period:** shall mean the length of time in years between the Cash Market Settlement Day of the previous business day and the Cash Market Settlement Day of the current day, using the ACT/365 day count convention;
- g. **Time to Maturity:** shall mean the length of time in years between the Cash Market Settlement Day of the previous business day and the Cash Market Settlement Day of the current day, using the ACT/365 day count convention;
- h. **Daily Financing Amount** shall mean the following value:

$$\text{Previous Business day's Index Close} \times \text{Daily Financing Period} \times \text{Benchmark Funding Reference Rate}$$
- i. **Accrued Financing:** shall mean cumulative value of the Daily Financing Amount since the listing of a contract. On the first day of trading, CME Clearing shall determine and publish the initial value of the Accrued Financing for the contract. Thereafter, on each business day, the Accrued Financing of the contract shall be determined by adding the current day's Daily Financing Amount to the Accrued Financing of the contract as of the previous business day;

- j. **TRF Spread Price (or Total Return Futures Spread Price, or Financing Spread Price)** shall mean an interest rate spread, expressed on per annum basis, above or below the Benchmark Funding Reference Rate;
 - k. **Absolute Price** shall mean the price of the futures contract by converting the TRF Spread Price using the Pricing Formula with the appropriate Index Value, Time to Maturity, and TRF Spread Price as inputs;
 - l. **Financing Spread Adjustment** shall mean the value determined by following formula:

$$\frac{\text{Index Close (of Current Business Day)} \times \text{TRF Spread Price} \times \text{Time to Maturity}}{\text{Maturity}}$$
2. For purpose of this chapter, **Pricing Formula** shall mean the following formula:
- $$\text{Equity Index} - \text{Accrued Financing} + \text{Financing Spread Adjustment}$$
3. For trades pursuant to 37506. BTIC Transactions, the Exchange shall apply the Pricing Formula to trades consummated using TRF Spread Prices to determine the Absolute Price, subject to rounding to the nearest Price Increment. For trades pursuant to Exchanges For Related Positions, trade counterparties shall submit to CME Clearing the Absolute Price agreed upon by the counterparties.

37502. TRADING SPECIFICATIONS

37502.A. Trading Schedule

Futures contracts shall be scheduled for trading during such hours and for delivery in such months as may be determined by the Exchange, provided that there shall be no trading in futures contracts when trading is halted in the Primary Futures Contract Month.

37502.B. Trading Unit

The unit of trading shall be 10.00 GBP times the FTSE[®] 100 Total Return Declared Dividend Index.

37502.C. Price Increments

The price for the AIR FTSE[®] 100 TRF (SONIA) will be in index points. The minimum price fluctuation shall be 0.01 index points.

The quoting notation for the AIR FTSE 100 TRF (SONIA) Spread will be expressed in basis points and shall be transacted via BTIC (Rule 37506). The minimum price fluctuation is 0.5 basis points.

37502.D. 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.

37502.E. [Reserved]

37502.F. [Reserved]

37502.G. Termination of Trading

Trading in expiring futures shall terminate at 10:30 a.m. London time on the Business Day scheduled for determination of the Final Settlement Price (Rule 37503.A.) for such futures.

37502.H. [Reserved]

37502.I. Price Limits and Trading Halts

The primary futures contract expiration month, as referenced in this rule, shall be determined by the Exchange. The Exchange shall also determine when the primary futures contract month is limit bid or limit offered.

Reference Price for Exchange Price Limits and Exchange Trading Halts:

Daily price limits in futures will be established on the basis of a Reference Price ("P") which shall be determined by the Exchange as follows:

Tier 1

Such Reference Price shall be the volume-weighted average price of transactions in futures executed on Globex during the 30 seconds immediately preceding commencement of the closing auction for SETS securities on the London Stock Exchange Main Market (“LSE closing auction”).

Tier 2

If no such transaction occurs, such Reference Price shall be the average bid/ask spread in futures during the 30 seconds immediately preceding commencement of the LSE closing auction closing auction.

Tier 3

If such Reference Price cannot be determined pursuant to Tiers 1 and 2 above, then the Exchange, in its sole discretion, shall set such Reference 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 Reference Price value shall be rounded down to the nearest integer multiple of one (1) Index point. Such Reference Price, so rounded, shall be used for determination of the corresponding Price Limits.

In the event of an early close of the London Stock Exchange (“LSE”), such Reference Price shall be made on the basis of the thirty (30) seconds immediately preceding the LSE closing auction.

For newly listed futures, the Exchange shall set, in its sole discretion, a Reference Price value for the purpose of determining Price Limits for the first day of trading in such futures.

Exchange Price Limit Levels: The Price Limits shall be calculated daily based upon the Reference Price, P, and the value of the Index based upon LSE closing auction prices of Index component stocks (“I”). The Offset used to derive the daily Price Limits shall be calculated as follows:

$$7\% \text{ Offset} = 7\% \text{ of } I, \text{ or } (0.07 \times I) \text{ rounded down to the nearest } 0.01 \text{ point increments.}$$

The daily Price Limits for futures shall be calculated as follows:

$$7\% \text{ Price Limit} = P \text{ plus } 7\% \text{ Offset, and } P \text{ minus } 7\% \text{ Offset}$$

Exchange Price Limits from 5:00 p.m. Chicago Time to 8:00 a.m. London Time:

There shall be no trading of futures at any price outside the range defined by the 7% Price Limits, where such 7% Price Limits are calculated on the basis of (i) the Reference Price determined by the Exchange immediately prior to the most recent LSE closing auction and (ii) the Offset derived by the Exchange from the Index value based on the most recent LSE closing auction.

Exchange Price Limits from 8:00 a.m. London Time to 4:35 p.m. London Time:

Price Limits shall not apply during LSE Main Market hours.

Exchange Price Limits from 4:35 p.m. London Time to 4:00 p.m. Chicago Time:

There shall be no trading of futures at any price outside the range defined by the 7% Price Limits, where such 7% Price Limits are calculated on the basis of (i) the Reference Price determined by the Exchange immediately prior to the most recent LSE closing auction and (ii) the Offset derived by the Exchange from the Index value based on the LSE closing auction first preceding the most recent LSE closing auction.

37503. SETTLEMENT PROCEDURES

Delivery shall be by cash settlement.

37503.A. Final Settlement Price

For a futures contract for a given delivery month, the Final Settlement Price shall be determined based using the Pricing Formula, with the Exchange Delivery Settlement Price (FTSE® 100 EDSP) in place of the Index Close? For the avoidance of doubt, the Final Settlement Price shall be

$$\text{FTSE}^{\circledR}100 \text{ EDSP} - \text{Accrued Financing on Day of Final Settlement Price Determination}$$

Note that Time to Maturity on the day of Final Settlement Price Determination shall be zero, and the Financing Spread Adjustment shall be zero.

Such FTSE® Exchange Delivery Settlement Price (FTSE® 100 EDSP) shall be determined on the third Friday of such delivery month and shall be based on the Exchange Delivery Settlement Price prices of the component stocks of the Index.

If the Index is not scheduled to be published on the third Friday of the contract delivery month, then such Final Settlement Price shall be scheduled for determination on the first preceding Business Day on which the Index is scheduled to be published.

37503.B. Final Settlement

Clearing members holding open positions in an expiring futures contract at its termination of trading (Rule 37502.G.) shall make payment to or receive payment from the Clearing House in accordance with normal variation margin procedures based on such expiring contract's Final Settlement Price (Rule 37503.A.).

37504. [RESERVED]

37505. [RESERVED]

37506. BASIS TRADE AT INDEX CLOSE (“BTIC”) TRANSACTIONS

All BTIC transactions must be executed in accordance with the requirements of Rule 524.B.

37506.A. BTIC Block Trade Requirements

BTIC block trades must be executed in accordance with the requirements of Rule 526.

For a BTIC or BTIC block trade executed on a given Trading Day on or before the scheduled close of the Primary Listing Exchange, the corresponding futures price shall be made by reference to the Index closing value for the current Trading Day.

For a BTIC or BTIC block trade executed on a given Trading Day after the scheduled close of the Primary Listing Exchange, the corresponding futures price shall be made by reference to the Index closing value for the next Trading Day.

37506.B. BTIC Price Assignment Procedures

The price assignment procedures for BTIC transactions shall follow Rule 524.B.3.

37506.C. BTIC Minimum Price Increments

The minimum price increment shall be 0.50 basis points, per contract, for any basis adjustment that is applied to an Index closing price to establish a BTIC transaction price.

37506.D. Market Disruption Events

In the event of a market disruption in the Primary Listing Exchange, all pending and executed BTIC transactions in the corresponding futures contract shall be cancelled by the Exchange. Such disruption shall be declared by the Exchange in its sole discretion, and may include, without limitation, an unscheduled early close of the Primary Listing Exchange.

37506.E. [Reserved]

(End Chapter 375)

DISCLAIMER

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