



Special Executive Report

S-6563

February 14, 2013

Expanded Eurodollar Mid-Curve Option Listings

On **Monday, March 11, 2013**, CME (“Exchange”) will expand its listings of Eurodollar Mid-Curve options to include:

- Quarterly and Serial Five-Year (“**Purple**”) Mid-Curve options¹.

At launch, the Exchange will initially list the following:

Mid-Curve Option Expiration	Option Type	Exercise into Underlying Futures
April 2013	Serial Mid-Curve	June 2018
May 2013	Serial Mid-Curve	June 2018
June 2013	Quarterly Mid-Curve	June 2018
September 2013	Quarterly Mid-Curve	September 2018
December 2013	Quarterly Mid-Curve	December 2018

The March 2014 contract will be listed for trade date March 18, 2013, maintaining the Mid-Curve quarterly listing cycle.

These new Eurodollar Mid-Curve options will be listed for trading on CME Globex (Sunday-Friday, 5:00 pm - 4:00 pm, CT) and in open outcry (Monday-Friday, 7:20 am - 2:00 pm, CT).

Attachment 1 summarizes the rulebook changes that apply to these new Eurodollar Mid-Curve options.

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¹ Pending regulatory approval

Attachment 1

Changes to Chapter 452A Options on Three-month Eurodollar Futures

(Additions are in red; deletions are struck through in blue.)

452A01.D. Underlying Futures Contracts ²

1. Options in the March Quarterly Cycle ("Quarterly Options")

For options that expire in the March quarterly cycle (i.e., March, June, September, and December), except for those Mid-Curve options specified in Paragraphs 3, 4, 5, and 6, the underlying futures contract is the futures contract for the month in which the option expires. For example, the underlying futures contract for an option that expires in March is the March futures contract.

2. Options Not in the March Quarterly Cycle ("Serial Options")

For options that expire in months other than those in the March quarterly cycle, (i.e. January, February, April, May, July, August, October, and November) except for those Mid-Curve options specified in Paragraphs 3, 4, 5, and 6, the underlying futures contract is the next futures contract in the March quarterly cycle that is nearest the expiration of the option. For example, the underlying futures contract for the options that expire in January or February is the March futures contract.

3. One-Year Mid-Curve Options ³

One-Year Mid-Curve Options in the March Quarterly Cycle: ("Quarterly One-Year Mid-Curve Options")

For One-Year Mid-Curve options that expire in the March quarterly cycle, (i.e. March, June, September, and December), the underlying futures contract is the futures contract that expires twelve calendar months after the month in which the option expires.

One-Year Mid-Curve Options Not in the March Quarterly Cycle: ("Serial One-Year Mid-Curve Options")

For Serial One-Year Mid-Curve Options that expire in months other than those in the March quarterly cycle, (i.e. January, February, April, May, July, August, October, and November), the underlying futures contract is the futures contract that expires twelve calendar months from the next March quarterly month that is nearest to the expiration of the option. For example, the underlying futures contract for the One-Year Mid-Curve options that expire in January or February is the March futures contract in the next calendar year.

Weekly One-Year Mid-Curve Options

For Weekly One-Year Mid-Curve Options, the underlying futures contract is the futures contract that expires twelve calendar months from the next March quarterly month that is nearest to the expiration of the option.

4. Two-Year Mid-Curve Options

Two-Year Mid-Curve Options in the March Quarterly Cycle: ("Quarterly Two-Year Mid-Curve Options")

For Two-Year Mid-Curve options that expire in the March quarterly cycle, (i.e. March, June, September, and December), the underlying futures contract is the futures contract that expires twenty-four calendar months after the month in which the option expires.

Two-Year Mid-Curve Options Not in the March Quarterly Cycle: ("Serial Two-Year Mid-Curve Options")

For Serial Two-Year Mid-Curve Options that expire in months other than those in the March quarterly cycle, (i.e. January, February, April, May, July, August, October, and November), the underlying futures contract is the futures contract that expires twenty-four calendar months from the next March quarterly month that is nearest to the expiration of the option. For example, the underlying futures contract for the Two-Year Mid-Curve options that expire in January or February is the March futures contract that expires in two calendar years.

5. Three-Year Mid-Curve Options

Three-Year Mid-Curve Options in the March Quarterly Cycle: ("Quarterly Three-Year Mid-Curve Options")

For Three-Year Mid-Curve options that expire in the March quarterly cycle, (i.e. March, June, September, and December), the underlying futures contract is the futures contract that expires thirty-six calendar months after the month in which the option expires.

Three-Year Mid-Curve Options Not in the March Quarterly Cycle: ("Serial Three-Year Mid-Curve

² Effective December 1991. Revised December 1993; November 1994; February 1995; February 1998; August 2003; December 2010; March 2013.
³ Revised December 1996; December 2010.

Options”)

For Serial Three-Year Mid-Curve Options that expire in months other than those in the March quarterly cycle, (i.e. January, February, April, May, July, August, October, and November), the underlying futures contract is the futures contract that expires thirty-six calendar months from the next March quarterly month that is nearest to the expiration of the option. For example, the underlying futures contract for the Three-Year Mid-Curve options that expire in January or February is the March futures contract that expires in three calendar years.

6. Four-Year Mid-Curve Options

Four-Year Mid-Curve Options in the March Quarterly Cycle: (“Quarterly Four-Year Mid-Curve Options”)

For Four-Year Mid-Curve options that expire in the March quarterly cycle, (i.e. March, June, September, and December), the underlying futures contract is the futures contract that expires forty-eight calendar months after the month in which the option expires.

Four-Year Mid-Curve Options Not in the March Quarterly Cycle: (“Serial Four-Year Mid-Curve Options”)

For Serial Four-Year Mid-Curve Options that expire in months other than those in the March quarterly cycle, (i.e. January, February, April, May, July, August, October, and November), the underlying futures contract is the futures contract that expires forty-eight calendar months from the next March quarterly month that is nearest to the expiration of the option. For example, the underlying futures contract for the Four-Year Mid-Curve options that expire in January or February is the March futures contract that expires in four calendar years.

7. Five-Year Mid-Curve Options

Five-Year Mid-Curve Options in the March Quarterly Cycle: (“Quarterly Five-Year Mid-Curve Options”)

For Five-Year Mid-Curve options that expire in the March quarterly cycle, (i.e. March, June, September, and December), the underlying futures contract is the futures contract that expires sixty calendar months after the month in which the option expires.

Five-Year Mid-Curve Options Not in the March Quarterly Cycle: (“Serial Five-Year Mid-Curve Options”)

For Serial Five-Year Mid-Curve Options that expire in months other than those in the March quarterly cycle, (i.e. January, February, April, May, July, August, October, and November), the underlying futures contract is the futures contract that expires sixty calendar months from the next March quarterly month that is nearest to the expiration of the option. For example, the underlying futures contract for the Five-Year Mid-Curve options that expire in January or February is the March futures contract that expires in five calendar years.

452A01.E. Exercise Prices ⁴

1. Twenty-Five Point Exercise Prices

Exercise prices shall be stated in terms of the IMM Index for the Eurodollar Time Deposit futures contract that is deliverable upon exercise of the option and shall be stated in intervals whose last two digits are 00, 25, 50, and 75 (“twenty-five point exercise prices”) for all IMM Index levels, e.g., 88.00, 88.25, 88.50, 88.75, etc.

For Options in the March Quarterly Cycle, Options Not in the March Quarterly Cycle, and ~~One-Year, Two-Year, Three-Year, and Four-Year~~ all Mid-Curve Options

At the commencement of trading in a contract expiration, the Exchange shall list put and call options at the exercise price that is nearest the previous day’s settlement price of the respective underlying futures contract. All eligible exercise prices in a range of 5.50 IMM Index points above and below the exercise price that is nearest the futures price shall be listed for trading. Thereafter, the Exchange shall add for trading all eligible exercise prices in a range of 5.50 IMM Index points above and 5.50 IMM Index points below the exercise price nearest the previous day’s settlement price. New options may be listed for trading up to and including the termination of trading.

2. Special Listings of 12.5 Point Exercise Prices

Additional exercise prices shall be stated in intervals whose last three digits are 12.5, 37.5, 62.5, and 87.5 (“twelve and a half point exercise prices”) for all IMM Index levels, e.g., 93.125, 93.375, 93.625, 93.875, etc.

For Options in the March Quarterly Cycle, Options Not in the March Quarterly Cycle, and ~~One-Year, Two-Year, Three-Year, and Four-Year~~ all Mid-Curve Options, the Exchange shall list put and call options with a 12.5 point exercise price in a range of 1.50 IMM Index points above and 1.50 IMM Index points below the exercise price [nearest the previous day’s settlement price of the underlying futures contract month.

The Board may modify the provisions governing the establishment of exercise prices as it deems appropriate.⁵

452A01.F. Position Accountability⁶

A person owning or controlling a combination of options and underlying futures contracts that exceeds 10,000 futures-equivalent contracts net on the same side of the market in all contract months combined shall provide, in a timely fashion, upon request by the Exchange, information regarding the nature of the position, trading strategy, and hedging information if applicable.

For the purpose of this rule, the futures equivalent of an option contract is 1 times the previous business day's IOM risk factor for the option series. Also for purposes of this rule, a long call option, a short put option, and a long underlying futures contract are on the same side of the market; similarly, a short call option, a long put option, and a short underlying futures contract are on the same side of the market.

452A01.G. [Reserved]

452A01.H. Accumulation of Positions⁷

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, shall be cumulated.

452A01.I. [Reserved]

452A01.J. Termination of Trading⁸

1. Options in the March Quarterly Cycle ("Quarterly Options")

For options in the March quarterly cycle, except for those Mid-Curve options specified in Paragraph 3, options trading shall terminate at the same date and time as the underlying futures contract.

2. Options Not in the March Quarterly Cycle ("Serial Options")

Options trading for contracts not in the March quarterly cycle, except for those Mid-Curve options specified in Paragraph 3, shall terminate at the close of trading on the Friday preceding the third Wednesday of the contract month. If the foregoing date for termination is a scheduled Exchange holiday, options trading shall terminate on the immediately preceding business day. In the event that the underlying futures market does not open on the scheduled expiration day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

3. Mid-Curve Options

Except for the weekly One-Year Mid-Curve options, trading in ~~any other One-Year, Two-Year, Three-Year, and Four-Year~~ Mid-Curve option shall terminate at the close of trading on the Friday preceding the third Wednesday of the calendar month containing the Mid-Curve option expiration. If the foregoing date for termination is a scheduled Exchange holiday, options trading shall terminate on the immediately preceding business day. In the event that the underlying futures market does not open on the scheduled expiration day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

Trading in weekly One-Year Mid-Curve options shall terminate at the close of trading on those Fridays that are not also the termination of trading of a Quarterly or Serial One-Year Mid-Curve option. If the foregoing date for termination is a scheduled Exchange holiday, trading in weekly options shall terminate on the immediately preceding business day. In the event that the underlying futures market does not open on the scheduled expiration day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

452A01.K. Contract Modifications

Specifications shall be fixed as of the first day of trading of a contract except that all options must conform to government regulations in force at the time of exercise. If the U.S. Government, an agency or duly constituted body thereof issues an order, ruling, directive or law inconsistent with these rules, such order, ruling, directive or law shall be construed to become part of these rules and all open and new options contracts shall be subject to such government orders.

⁵ Revised September 1997; January 1998; June 1998, December 2001; June 2003.

⁶ See "Interpretations & Special Notices" at the end of this chapter. Revised March 1986; March 1990; January 1992.

⁷ Revised September 1986.

⁸ Effective December 1991. Revised December 1993; April 1994; February 1995; December 2001; August 2003; December 2010; **March 2013**.