



## Special Executive Report

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S- 5284

June 21, 2010

### Additional Weekly European Style Options on S&P 500 and E-mini S&P 500 Futures

On July 6, 2010, the Exchange will list the fourth (4<sup>th</sup>) weekly European-style options on the S&P 500 and the E-mini S&P 500 futures and reduce the strike listing for all the weekly European-style options.

The structure of the fourth (4<sup>th</sup>) weekly shall mimic the existing weekly options. They are European style options, exercisable only on the termination day – i.e. fourth Friday of the contract month, or the immediately preceding business day should the Friday be an Exchange Holiday. The exercise of the options shall be determined automatically based on the “3:00 p.m. fixing” of the E-mini S&P 500 futures. There shall be no contrarian instructions to exercise out-of-money options or to abandon in-the-money options. This arrangement mirrors that of the EOM option series, and has been well received by the market participants. There shall be 2 weekly European-style options listed at any point of time.

Notice that, occasionally the End-of-Month (EOM) may fall into the fourth (4<sup>th</sup>) Friday of the month. In such cases, we shall forego the listing of that option, noting that the EOM option of the month would occupy the same date of the expiration and thus making the listing of the 4<sup>th</sup> weekly option redundant.

The strike listing for all weekly options shall no longer copy strikes from the quarterly options that share the same underlying futures. Rather, the strikes shall be generated by itself, up and down 10 strikes and 5 point increment.

*For more information, please contact Mr. Tom Boggs, CME Group Equity Index Products, at 312-930-3038, or Ms. Lucy Wang, CME Group Research & Product Development, at 312-648-5478.*

**Text of Rule Amendments**

*(Additions are underlined, deletions are bracketed and overstruck)*

**Chapter 358A**

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

**358A00. SCOPE OF CHAPTER**

This chapter is limited in application to trading in put and call options on the E-Mini Standard and Poor's 500 Stock Price Index futures contract ("E-Mini S&P options"). The procedures for trading, clearing, inspection, delivery and settlement and any other matters not specifically covered herein shall be governed by the rules of the Exchange.

**358A01. OPTION CHARACTERISTICS**

**358A01.A. Contract Months, Trading Hours, and Trading Halts<sup>1</sup>**

Options contracts shall be listed for such contract months and scheduled for trading during such hours, except as indicated below, as may be determined by the Board of Directors.

There shall be no trading in any option contract when the E-Mini S&P 500 Stock Price Index primary futures contract is limit bid or offered at any price limit except at the total daily price limit on an option's last day of trading.

There shall be no trading in any option contract during a period when trading in the primary futures contract is terminated pursuant to Rule 35802.I.

For purposes of this rule, the primary E-Mini futures contract shall be defined as the nearest E-Mini S&P 500 futures contract month.

For purposes of this rule, Exchange staff shall have the responsibility of determining whether the primary E-Mini futures contract is trading at its limit during Regular Trading Hours (RTH). During Electronic Trading Hours (ETH), the determination shall be made by the Globex Control Center.

**358A01.B. Trading Unit**

The trading unit shall be an option to buy, in the case of the call, or to sell, in the case of the put, one E-Mini Standard and Poor's 500 Stock Price Index futures contract as specified in Chapter 358.

**358A01.C. Minimum Fluctuations<sup>2</sup>**

The price of an option shall be quoted in index points. Each .01 index point shall represent \$0.50.

The minimum fluctuation shall be .25 index points (also known as one tick). Trades may also occur at a price of .05 index points \$2.50, whether or not such trades result in the liquidation of positions for both parties to the trade. A trade with a price equal to or less than 5.00 index points may also occur at a price in multiples of .05 index points, \$2.50.

Each leg of a combination trade of options contracts shall be traded at a price conforming to the minimum fluctuation. Notwithstanding, options in a combination trade can be traded at an increment of .05 index points regardless of the premium level if the net premium of the options combination is at or below 5.00 index points.

**358A01.D. Underlying Futures Contract<sup>3</sup>**

**1. Options in the March Quarterly Cycle**

For options that expire in the March quarterly cycle (i.e., March, June, September, and December), 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.

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<sup>1</sup> Revised November 2000, December 2001.

<sup>2</sup> Revised November 2004; January 2007.

<sup>3</sup> Revised August 2009.

**S-4443 Russell 2000 Position Limits****April 20, 2006****Page 3 of 2****2. Options Not in the March Quarterly Cycle**

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), 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 options that expire in January or February is the March futures contract.

**3. Options in the "End-of-Month" Option Series**

For options in the "End-of-Month" options series, 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 options in the January or February "End-of-Month" option series is the March futures contract, while the underlying futures contract for options in the March "End-of-Month" option series is the June futures contract.

**4. Options in the European style Weekly Option Series**

For options in the European style weekly options series, 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 1<sup>st</sup> and 2<sup>nd</sup> April, May and June weekly options shall be the June futures contract.~~ For example, the underlying futures contract for the first (1<sup>st</sup>), second (2<sup>nd</sup>) and fourth (4<sup>th</sup>) April and May weekly options shall be the June futures contract; the underlying futures contract for the first (1<sup>st</sup>) and second (2<sup>nd</sup>) June weekly options shall be the June futures contact; the underlying futures contract for the fourth (4<sup>th</sup>) June weekly options shall be the September futures contact.

**358A01.E. Exercise Prices<sup>4</sup>****1. Options in the March Quarterly Cycle**

The exercise prices shall be stated in terms of the E-Mini Standard and Poor's 500 Stock Price Index futures contract.

At the commencement of trading, the Exchange shall list all exercise prices in a range of 50 percent of the referencing index above and below the previous day's settlement price of the underlying futures contract that are integers divisible by 25 without remainder, e.g. 1200, 1225, 1250, etc.

Exercise prices that are integers divisible by 10 without remainder shall be added, if they have not already been listed, within a range of 20 percent of the referencing index above and below the previous day's settlement price of the underlying futures contract.

When a contract month becomes the second-nearest contract month in the March quarterly cycle, the Exchange shall add exercise prices at an interval that is an integer divisible by 5 without remainder in a range of 10 percent of the referencing index above and below the previous day's settlement price of the underlying futures contract.

Thereafter, when a daily settlement price in the underlying futures contract occurs at, or passes through, any exercise price, the Exchange shall list, on the next trading day, all eligible exercise prices in the corresponding ranges.

Exchange Staff, under delegated authority from the Board may modify the provisions governing the establishment of exercise prices as it deems appropriate.

**2. Options not in the March Quarterly Cycle**

Exercise prices for options not in the March quarterly cycle listed for trading shall be identical to the exercise prices that are listed for the March quarterly options on the same underlying futures contract. For example, the exercise prices listed for the January contract shall be identical to those listed for the March contract.

**3. Options in the "End-of-Month" Options Series**

Exercise prices for options in the "End-of-Month" Options Series listed for trading shall be identical to the exercise prices that are listed for the March quarterly options on the same underlying futures contract. For example, the exercise prices listed for the January "End-of-Month" option series shall be identical to those listed for the March Quarterly options series.

**4. Options in the European Style Weekly Options Series**

At the commencement of trading, the Exchange shall list all exercise prices within 10 strikes above and below the previous day's settlement price of the March quarterly options on the same underlying futures

<sup>4</sup> Revised October 1998, December 2001; September 2005, November 2005; January 2008; August 2009.

contract that are integers divisible by 5 without remainder, e.g. 1200, 1205, 1210, etc.

~~{Exercise prices for options in the European style Weekly Options Series listed for trading shall be identical to the exercise prices that are listed for the March quarterly options on the same underlying futures contract. For example, the exercise prices listed for the January European style Weekly option series shall be identical to those listed for the March Quarterly options series}~~

Exchange Staff, under delegated authority from the Board may modify the provisions governing the establishment of exercise prices as it deems appropriate.

**358A01.F. Position Limits<sup>5</sup>**

No person shall own or control a combination of options and underlying futures contract that exceeds 20,000 S&P 500 Stock Price Index futures-equivalent contracts net on the same side of the market in all contract months combined. For the purpose of this rule, each E-Mini S&P 500 futures-equivalent contract shall be deemed equal to one-fifth (0.20) of an S&P 500 Stock Price Index futures-equivalent contract.

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.

**358A01.G. Accumulation of Positions**

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.

**358A01.H. Exemptions**

The foregoing position limits shall not apply to commercially appropriate risk reducing option positions defined in accordance with Regulation 1.3(z)(1) of the CFTC and meeting the requirements of Rule 559 and shall not apply to other option positions exempted pursuant to Rule 559.

**358A01.I. Termination of Trading<sup>6</sup>**

**1. Options in the March Quarterly Cycle**

For options that expire in the March quarterly cycle, options trading shall terminate at the same date and time as the underlying futures contract.

**2. Options Not in the March Quarterly Cycle**

For options that expire in months other than those in the March quarterly cycle, options trading shall terminate on the third Friday of the contract month. If that day is not a scheduled Exchange business day, options trading shall terminate on the first 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. Options in the "End-Of-Month" Options Series**

For options in the "End-of-Month" Options Series, electronic trading on Globex of the options shall terminate at 3:00p.m. Chicago Time on the last business day of the contract month. In the event that the underlying futures market does not open on the scheduled options expiration day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

**4. Options in the European style Weekly Options Series**

For options in the European style Weekly Options Series, trading shall terminate at 3:00p.m. Chicago Time on the Friday of the ~~first two weeks~~ named week of the contract month.

For the first (1<sup>st</sup>) weekly option of the month, if the first Friday of the month is a scheduled Exchange holiday, the option shall terminate on the first business day immediately preceding the Friday. However, if the first business day immediately preceding the Friday falls in the preceding calendar month, the first weekly option shall not be listed for trading.

For the second (2<sup>nd</sup>) weekly option of the month, if the second Friday of the month is a scheduled

<sup>5</sup> Revised December 1998.

<sup>6</sup> Revised December 2001.

Exchange holiday, the option shall terminate on the first business day immediately preceding the Friday. For the fourth (4<sup>th</sup>) weekly option of the month, if the fourth Friday of the month is a scheduled Exchange holiday, the option shall terminate on the first business day immediately preceding the Friday.

However, if the fourth (4<sup>th</sup>) week is scheduled to expire on the last business day of the month, the contract shall not be listed for trading. Since the End-Of-Month will be scheduled to expire on the same day.

In the event that the underlying futures market does not open on the scheduled options expiration day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

**358A01.J. Contract Modification**

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 US 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 new options contracts shall be subject to such governmental orders.

**358A02. EXERCISE**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of E-Mini S&P 500 options.

**358A02.A. Exercise of Option by Buyer <sup>7</sup>**

**358A02.A.1 Options Not in the “End-of-Month” Series**

An option may be exercised by the buyer on any business day that the option is traded. 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 in the March quarterly cycle 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 March quarterly cycle 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.

**358A02.A.2 Options in the “End-of-Month” Series and the European style Weekly Options Series**

Following the termination of trading of an option, all in-the-money options shall be automatically exercised by the Clearing House on the day of expiration for the option. All out-of-the-money options shall be abandoned by the Clearing House on the day of expiration for the option. Whether an option is in or out of the money shall be determined based on the fixing price of the CME E-mini S&P 500 stock index futures on the day of expiration as follows:

- Tier1 Take the thirty (30) second average of sale prices of the underlying futures contract on Globex, weighted by volume, from 2:59:30 to 3:00:00 p.m. Chicago time.
- Tier2 If no sales occurred during the thirty-second interval noted above, take the midpoint of each bid and ask spread and average the resulting midpoints over the thirty-second interval. However, when looking at each bid / ask spread, if it is wider than 2 ticks (0.50 index points), the bid/ask

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<sup>7</sup> Revised August 2004.

pair shall be discarded in the calculation.

Tier3 If the fixing price cannot be determined by both Tiers 1 and 2, or there is a trading interruption in the underlying futures market on Globex at any point from 2:58:00 to 3:00:00 p.m. Chicago time due to system outage or trading stoppages, including stoppages pursuant to Rule 580.3, take the thirty (30) second average of sale prices of the S&P 500 futures contract of the same contract month as the underlying futures contract, from 2:59:30 to 3:00:00 p.m. Chicago time.

Tier 4 If the fixing price cannot be determined pursuant to Tiers 1, 2 and 3, Exchange Staff shall take into consideration any other information it deems appropriate to determine the fixing price. This information may include, but is not limited to, the following, and procedures to determine the information may be performed in any order by Exchange Staff: (1) derive the fixing price based on basis relationship against the underlying cash index level; (2) repeat Tier 1, 2, or 3 at ever increasing 30 second increment intervals until data is obtained.

The calculation of the fixing price shall be rounded to the nearest 0.01 index points.

In the event of an option expiring on a shorten trading day, the fixing calculation shall be performed based on the market activities during the thirty-second period immediately preceding the close of the underlying stock market.

An option is deemed in the money if the fixing price of the underlying futures contract lies strictly above the exercise price in the case of a call, or lies strictly below the exercise price in the case of a put. For example, if the fixing price were 1250.01 or higher, then 1250 Calls shall be exercised. If the fixing price were 1250.00 or lower, then 1250 Calls shall be abandoned. Similarly, if the CME currency fixing price were 1249.99 or lower, then 1250 Puts shall be exercised. If the fixing price were 1250.00 or higher, then 1250 Puts shall be abandoned.

Options in the "End-of-Month" options series may not be exercise prior to the expiration of the options. At the expiration, in-the-money options may not be abandoned and out-of-the-money options may not be exercised.

#### **358A02.B. Assignment**

Exercise notices accepted by the Clearing House shall be assigned through a process of random selection to clearing members with open short positions in the same series. A clearing member to which an exercise notice is assigned shall be notified thereof as soon as practicable after such notice is assigned by the Clearing House, but not later than 45 minutes prior to the opening of trading in the underlying futures contract on the following business day.

The clearing member assigned an exercise notice shall be assigned a short position in the underlying futures contract if a call was exercised or a long position if a put was exercised. The clearing member representing the option buyer shall be assigned a long position in the underlying futures contract if a call was exercised and a short position if a put was exercised.

All such futures positions shall be assigned at a price equal to the exercise price of the option and shall be marked to market in accordance with Rule 814 on the trading day of acceptance by the Clearing House of the exercise notice.

#### **358A03. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

(Refer to Rule 701. – ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES)  
(End Chapter 358A)

#### **INTERPRETATIONS AND SPECIAL NOTICES RELATING TO CHAPTER 358A**

Standard & Poor's, a division of the McGraw-Hill Companies, Inc. ("S&P"), licenses the Exchange to use various S&P stock indices ("S&P Stock Indices") in connection with the trading of futures contracts and options on futures contracts based upon such indices. S&P shall have no liability for damages, claims, losses or expenses caused by any errors or delays in calculating or disseminating the S&P Stock Indices.

Standard & Poor's, a division of the McGraw-Hill Companies, Inc. ("S&P"), does not guarantee the accuracy and/or completeness of the S&P Stock Indices or any data included therein. S&P makes no warranty, express or implied, as to the results to be obtained by any person or any entity from the use of the S&P Stock Indices or any data included therein in connection with the trading of futures contracts, options on futures contracts and any other use. S&P makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to the S&P Stock Indices or any data included therein. Without limiting any of the foregoing, in no event shall S&P have any liability for any special, punitive, indirect or consequential damages (including lost profits), even if notified of the possibility of such damages.

## **CLARIFICATION OF NEW NON-AGRICULTURAL OPTION SPECULATIVE POSITION LIMIT RULE**

(Special Executive Report S-1618, March 31, 1986)

Please note that the new non-agricultural option speculative position limit rule supersedes the speculative position rule for the underlying futures contract. Therefore, for example, a trader may hold a gross futures position that exceeds the futures position limit rule if that gross position is part of spread with options, such that the net position across options and futures is less than the applicable limit set in the options rule.

## **Chapter 351A Options on Standard and Poor's 500 Stock Price Index™ Futures**

### **351A00. SCOPE OF CHAPTER**

This chapter is limited in application to trading in put and call options on the Standard and Poor's 500 Stock Price Index futures contract ("S&P options"). The procedures for trading, clearing, inspection, delivery and settlement and any other matters not specifically covered herein shall be governed by the rules of the Exchange.

### **351A01. OPTION CHARACTERISTICS**

#### **351A01.A. Contract Months, Trading Hours, and Trading Halts <sup>8</sup>**

Options contracts shall be listed for such contract months and scheduled for trading during such hours, except as indicated below, as may be determined by the Board of Directors.

There shall be no trading in any option contract when the S&P 500 Stock Price Index primary futures contract is limit bid or offered at any price limit except at the total daily price limit on an option's last day of trading.

There shall be no trading in any option contract during a period when trading in the primary futures contract is terminated pursuant to Rule 35102.I.

For purposes of this rule, the primary futures contract shall be defined as the futures contract trading in the lead month configuration in the pit.

For purposes of this rule, Exchange staff shall have the responsibility of determining whether the primary futures contract is trading at its limit during Regular Trading Hours (RTH). During Electronic Trading Hours (ETH), the determination shall be made by the Globex Control Center.<sup>9</sup>

#### **351A01.B. Trading Unit**

The trading unit shall be an option to buy, in the case of the call, or to sell, in the case of the put, one Standard and Poor's 500 Stock Price Index futures contract as specified in Chapter 351.

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<sup>8</sup> Revised March 1988; April 1988; October 1988; June 1990; December 1990; June 1993; November 2000, December 2001.

<sup>9</sup> Revised October 1994; November 2000.

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**351A01.C. Minimum Fluctuations <sup>10</sup>**

The price of an option shall be quoted in index points. Each .01 index point shall represent \$2.5. The minimum fluctuation shall be .10 index points (\$25.00, also known as one tick). Trades may also occur at a price of .05 index points (\$12.50, also known as one-half tick), whether or not such trades result in the liquidation of positions for both parties to the trade. A trade with a price equal to or less than 5.00 index points may also occur at a price in multiples of .05 index points, e.g., .15 index points (\$37.50, also known as one and one-half ticks), and 1.95 index points (\$487.50 also known as nineteen and one-half ticks).

Each leg of a combination trade of options contracts shall be traded at a price conforming to the minimum fluctuation. Notwithstanding, options in a combination trade can be traded at an increment of .05 index points regardless of the premium level if the net premium of the options combination is at or below 5.00 index points.

**351A01.D. Underlying Futures Contract <sup>11</sup>**

**1. Options in the March Quarterly Cycle**

For options that expire in the March quarterly cycle (i.e., March, June, September, and December), 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**

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), 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 options that expire in January or February is the March futures contract.

**3. Options in the European style "End-of-Month" Option Series**

For options in the European style "End-of-Month" options series, 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 options in the January or February European style "End-of-Month" option series is the March futures contract, while the underlying futures contract for options in the March European Style "End-of-Month" option series is the June futures contract.

**4. Options in the European style Weekly Option Series**

For options in the European style weekly options series, 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 1<sup>st</sup> and 2<sup>nd</sup> April, May and June weekly options shall be the June futures contract.] For example, the underlying futures contract for the first (1<sup>st</sup>), second (2<sup>nd</sup>) and fourth (4<sup>th</sup>) April and May weekly options shall be the June futures contract; the underlying futures contract for the first (1<sup>st</sup>) and second (2<sup>nd</sup>) June weekly options shall be the June futures contact; the underlying futures contract for the fourth (4<sup>th</sup>) June weekly options shall be the September futures contact.~~

**351A01.E. Exercise Prices <sup>12</sup>**

**1. Options in the March Quarterly Cycle**

The exercise prices shall be stated in terms of the Standard and Poor's 500 Stock Price Index futures contract.

A referencing index shall be determined each quarter on the day prior to the expiration of the March Quarterly futures contract and shall equal the daily settlement price of the nearest expiring Standard and Poor's 500 Stock Price Index futures contract. The chosen referencing index will then be used to determine the strike listing range for all listed contract months. The index points are rounded down to the nearest integer.

At the commencement of trading for each contract month, the Exchange shall list all exercise prices in a range of 50 percent of the referencing index above and below the previous day's settlement price of the underlying futures contract that are integers divisible by 25 without remainder, e.g. 1200, 1225,

<sup>10</sup> Revised August 1983; December 1988; December 1992; June 1993; October 1997; November 1997; November 2004; January 2007.

<sup>11</sup> Adopted June 1987; Revised August 2009.

<sup>12</sup> Revised March 1989; July 1989; June 1998; December 2000, December 2001, November 2005; August 2009.

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1250,etc.

Exercise prices that are integers divisible by 10 without remainder shall be added, if they have not already been listed, within a range of 20 percent of the referencing index above and below the previous day's settlement price of the underlying futures contract.

When a contract month becomes the second-nearest contract month in the March quarterly cycle, the Exchange shall add exercise prices at an interval that is an integer divisible by 5 without remainder in a range of 10 percent of the referencing index above and below the previous day's settlement price of the underlying futures contract.

Thereafter, when a settlement price in the underlying futures contract occurs at, or passes through, any exercise price, the Exchange shall add on the next trading day, all eligible exercise prices in the corresponding ranges. New options may be listed for trading up to and including the termination of trading.

**2. Options Not in the March Quarterly Cycle**

Exercise prices for options not in the March quarterly cycle listed for trading shall be identical to the exercise prices that are listed for the March quarterly options on the same underlying futures contract. For example, the exercise prices listed for the January contract shall be identical to those listed for the March contract.

**3. Options in the European Style "End-of-Month" Options Series**

Exercise prices for options in the European style "End-of-Month" Options Series listed for trading shall be identical to the exercise prices that are listed for the March quarterly options on the same underlying futures contract. For example, the exercise prices listed for the January European style "End-of-Month" option series shall be identical to those listed for the March Quarterly options series.

Exchange Staff, under delegated authority from the Board may modify the provisions governing the establishment of exercise prices as it deems appropriate.

**4. Dynamically-Listed Exercise Prices**

Upon demand and at the discretion of the Exchange, new out-of-current-range exercise prices at regularly defined intervals may be added for trading on as soon as possible basis.

**5. Options in the European Style Weekly Options Series**

At the commencement of trading, the Exchange shall list all exercise prices within 10 strikes above and below the previous day's settlement price of the March quarterly options on the same underlying futures contract that are integers divisible by 5 without remainder, e.g. 1200, 1205, 1210, etc.

~~Exercise prices for options in the European style Weekly Options Series listed for trading shall be identical to the exercise prices that are listed for the March quarterly options on the same underlying futures contract. For example, the exercise prices listed for the January European style Weekly option series shall be identical to those listed for the March Quarterly options series]~~

Exchange Staff, under delegated authority from the Board may modify the provisions governing the establishment of exercise prices as it deems appropriate.

**351A01.F. Position Limits**<sup>13</sup>

No person shall own or control a combination of options and underlying futures contract that exceeds 20,000 futures-equivalent contracts net on the same side of the market in all contract months combined.

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.

**351A01.G. Accumulation of Positions**<sup>14</sup>

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

<sup>13</sup> Revised June 1984; March 1986; June 1993; October 1997. See "Interpretations & Special Notices" at the end of chapter.

<sup>14</sup> Revised September 1986.

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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.

**351A01.H. Exemptions<sup>15</sup>**

The foregoing position limits shall not apply to commercially appropriate risk reducing option positions defined in accordance with Regulation 1.3(z)(1) of the CFTC and meeting the requirements of Rule 559 and shall not apply to other option positions exempted pursuant to Rule 559.

**351A01.I. Termination of Trading<sup>16</sup>****1. Options in the March Quarterly Cycle**

For options that expire in the March quarterly cycle, options trading shall terminate at the same date and time as the underlying futures contract.

**2. Options Not in the March Quarterly Cycle**

For options that expire in months other than those in the March quarterly cycle, options trading shall terminate on the third Friday of the contract month. If that day is not a scheduled Exchange business day, options trading shall terminate on the first 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. Options in the European style "End-Of-Month" Options Series**

For options in the European style "End-of-Month" Options Series, trading shall terminate at 3:00p.m. Chicago Time on the last business day of the contract month. In the event that the underlying futures market does not open on the scheduled options expiration day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

**4. Options in the European style Weekly Options Series**

For options in the European style Weekly Options Series, trading shall terminate at 3:00p.m. Chicago Time on the Friday of the first two weeks named week of the contract month.

For the first (1<sup>st</sup>) weekly option of the month, if the first Friday of the month is a scheduled Exchange holiday, the option shall terminate on the first business day immediately preceding the Friday. However, if the first business day immediately preceding the Friday falls in the preceding calendar month, the first weekly option shall not be listed for trading.

For the second (2<sup>nd</sup>) weekly option of the month, if the second Friday of the month is a scheduled Exchange holiday, the option shall terminate on the first business day immediately preceding the Friday.

For the fourth (4<sup>th</sup>) weekly option of the month, if the fourth Friday of the month is a scheduled Exchange holiday, the option shall terminate on the first business day immediately preceding the Friday.

However, if the fourth (4<sup>th</sup>) week is scheduled to expire on the last business day of the month, the contract shall not be listed for trading. Since the End-Of-Month will be scheduled to expire on the same day.

In the event that the underlying futures market does not open on the scheduled options expiration day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

**351A01.J. Contract Modification**

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 new options contracts shall be subject to such governmental orders.

**351A02. EXERCISE**

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

**351A02.A. Exercise of Option by Buyer<sup>17</sup>**

<sup>15</sup> Revised March 1986; September 1988.

<sup>16</sup> Revised June 1987; December 2001; August 2009.

**351A02.A.1 Options Not in the European Style “End-of-Month” Series**

An option may be exercised by the buyer on any business day that the option is traded. 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.<sup>17</sup>

An option in the March quarterly cycle 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.<sup>18</sup>

In-the-money options that expire in months other than those in the March quarterly cycle 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.<sup>19</sup>

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.<sup>20</sup>

**351A02.A.2 Options in the European Style “End-of-Month” Series and the European style Weekly Options Series**

Following the termination of trading of an option, all in-the-money options shall be automatically exercised by the Clearing House. All out-of-the-money options shall be abandoned by the Clearing House on the day of expiration for the option. Whether an option is in or out of the money shall be determined based on the fixing price of the CME E-mini S&P 500 stock index futures on the day of expiration, determined pursuant to Rule 358.A02.A.2.

An option is deemed in the money if the fixing price of the underlying futures contract lies strictly above the exercise price in the case of a call, or lies strictly below the exercise price in the case of a put. For example, if the fixing price were 1250.01 or higher, then 1250 Calls shall be exercised. If the fixing price were 1250.00 or lower, then 1250 Calls shall be abandoned. Similarly, if the fixing price were 1249.99 or lower, then 1250 Puts shall be exercised. If the fixing price were 1250.00 or higher, then 1250 Puts shall be abandoned.

Options in the “End-of-Month” options series may not be exercised prior to the expiration of the options. At the expiration, in-the-money options may not be abandoned and out-of-the-money options may not be exercised.

**351A02.B. Assignment**

Exercise notices accepted by the Clearing House shall be assigned through a process of random selection to clearing members with open short positions in the same series. A clearing member to which an exercise notice is assigned shall be notified thereof as soon as practicable after such notice is assigned by the Clearing House, but not later than 45 minutes prior to the opening of trading in the underlying futures contract on the following business day.

The clearing member assigned an exercise notice shall be assigned a short position in the underlying futures contract if a call was exercised or a long position if a put was exercised. The clearing member representing the option buyer shall be assigned a long position in the underlying futures contract if a call was exercised and a short position if a put was exercised.

All such futures positions shall be assigned at a price equal to the exercise price of the option and shall be marked to market in accordance with [Rule 814](#) on the trading day of acceptance by the Clearing

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<sup>17</sup> Revised June 1987; July 1988; December 1991; August 2004.

<sup>18</sup> An option in the March quarterly cycle is in the money if the Final Settlement Price of the underlying futures contract lies above the exercise price in the case of a call, or lies below the exercise price in the case of a put.

<sup>19</sup> An option that expires in a month other than those in the March quarterly cycle is in the money if the settlement price of the underlying futures contract at the termination of trading lies above the exercise price in the case of a call, or lies below the exercise price in the case of a put.

<sup>20</sup> Adopted August 1995.

House of the exercise notice.

**351A03. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

(Refer to Rule 701. – ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES)

**351A04.-29. [RESERVED]**

**FLEXIBLE OPTIONS <sup>21</sup>**

**351A30. SCOPE OF FLEXIBLE OPTION RULES**

Unless otherwise noted below, the following flexible option rules supersede the standard option regulations presented in the earlier part of this chapter.

**351A31. FLEXIBLE OPTION CHARACTERISTICS**

**351A31.A. Nature of Flexible Contracts**

Flexible options on Standard and Poor's 500 Stock Price Index futures shall be permitted in puts and calls that do not have the same underlying futures contract, and the same strike price, and the same exercise style, and the same expiration date as standard listed options that are already available for trading.

Trading in standard options under certain flexible trading procedures shall be permitted prior to the listing of such options in the standard options pit or on Globex. Once and if these options are listed for trading as standard options in the standard options pit or on Globex, they will be traded only as standard options in the standard options pit or on Globex subject to the standard option trading requirements. Upon such listing, all existing open positions established under flexible trading procedures shall be fully fungible with transactions in the respective standard option series for all purposes under these regulations.

**351A31.B. Trading Unit <sup>22</sup>**

The minimum size for requesting a quote and/or trading in a flexible option series is 10 contracts, where each contract represents an option to buy, in the case of the call, or to sell, in the case of the put, one Standard and Poor's 500 Stock Price Index futures contract as specified in Chapter 351. However, parties may request a quote and/or trade for less than 10 contracts in order to entirely close out a position in a flexible series.

Respondents to a request for quote must be willing to trade at least 10 contracts. However, a respondent may trade less than 10 contracts if the respondent is entirely closing out a position in the series.

**351A31.C. Minimum Fluctuations**

(Refer to [Rule 351A01.C.](#)—Minimum Fluctuations)

**351A31.D. Underlying Futures Contracts**

The underlying futures contract for a flexible option shall be any Standard and Poor's 500 Stock Price Index futures contract that is currently available for trading, as specified in Chapter 351.

**351A31.E. Exercise Prices <sup>23</sup>**

Exercise prices shall be stated in terms of the Standard and Poor's 500 Stock Price Index futures contract that is deliverable upon exercise of the option and may be at intervals of .10 for all Standard and Poor's 500 Stock Price Index levels from .10 through 9999.90, e.g., 400.00, 400.10, 400.20, etc. However, for a Request for Quote (RFQ), strike prices may be stated in .10 Standard and Poor's 500 Stock Price Index points (futures ticks) relative to the underlying futures contract.

**351A31.F. Position Limits**

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<sup>21</sup> Adopted April 1995.

<sup>22</sup> Revised October 1997; April 1999.

<sup>23</sup> Revised June 1997; October 1997.

(Refer to [Rule 351A01.F](#).—Position Limits)

**351A31.G. Accumulation of Positions**

(Refer to [Rule 351A01.G](#).—Accumulation of Positions)

**351A31.H. Exemptions**

(Refer to [Rule 351A01.H](#).—Exemptions)

**351A31.I. Termination of Trading <sup>24</sup>**

Flexible option expiration dates may be specified for any scheduled Exchange business day up to and including the day of determination of the Final Settlement Price of the underlying futures contract. If a flexible option expiration occurs on the same day as the day of determination of the Final Settlement Price of its underlying futures contract, flexible options trading shall terminate at the same time as the underlying futures on the business day immediately preceding the day of determination of the Final Settlement Price of the underlying futures contract. Otherwise, flexible options trading shall terminate at the close of trading on the expiration date specified for the flexible option. 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.

A new flexible option series may be opened on its last day of trading and may be traded on its last day of trading.

**351A31.J. Contract Modification**

(Refer to [Rule 351A01.J](#).—Contract Modification)

**351A32. EXERCISE**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of flexible options on S&P 500 Stock Price Index futures.

**351A32.A. Exercise of Flexible Option by Buyer**

Flexible options may be specified to have either American-style or European-style exercise.

A flexible option with American-style exercise may be exercised by the buyer on any business day that the option is traded and also on its expiration date. To exercise the option, the clearing member representing the buyer shall present an exercise notice to the Clearing House by 7:00 P.M. on the day of exercise.

A flexible option with European-style exercise may be exercised by the buyer only on the day that the option expires. To exercise the option, the clearing member representing the buyer shall present an exercise notice to the Clearing House by 7:00 P.M. on the day of exercise.

Any flexible option that is in the money and has not been liquidated or exercised prior to its expiration date shall, in the absence of contrary instructions delivered to the Clearing House by 7:00 P.M. on the expiration date by the clearing member representing the option buyer, be exercised automatically.

**351A32.B. Assignment**

(Refer to [Rule 351A02.B](#).—Assignment)

**351A33. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

(Refer to Rule 701. – ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES)

**351A34. INITIATING A FLEXIBLE OPTION CONTRACT SERIES <sup>25</sup>**

For each trading session, the opening of trading in any flexible option series shall occur through a Request For Quote (RFQ). No RFQs will be accepted within fifteen minutes of the daily scheduled closing time of the underlying futures or within fifteen minutes prior to the termination of trading of the underlying futures.

**351A35. RESPONSE TIME INTERVAL <sup>26</sup>**

<sup>24</sup> Revised December 2001, December 2007.

<sup>25</sup> Revised October 1997.

Trades against the first RFQ submitted for a flexible option series on any trading day may occur immediately upon acceptance of an RFQ by the designated flexible option pit official.

**351A36. RFQ TRADING INTERVAL<sup>27</sup>**

A flexible option series shall immediately open for trading following the first RFQ submitted for such flexible option series. Priority for RFQs is determined by order of submission to the RFQ official, except that all RFQs submitted before the open shall be treated equally.

**351A37. EXPIRATION OF AN RFQ**

Trading in a given flexible option series following an RFQ shall remain open for the remainder of the trading session.

**351A38. REPORTING OF FLEXIBLE OPTION TRADES**

It shall be the responsibility of the participants in a flexible option trade to report the quantities and prices to the designated flexible options pit official in a timely manner, including any later trades in open flexible contract term series.

(End Chapter 351A)

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<sup>26</sup> Revised December 2007.

<sup>27</sup> Revised December 2007.