



Special Executive Report

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September 2, 2010

Additional Strike Prices for 2-Year U.S. Treasury Note Options

Effective for trade date **Monday, October 4, 2010**, the Chicago Board of Trade will expand the initial strike price band for standard options on 2-Year U.S. Treasury Note futures for existing and newly listed contract expirations.

Since July 2009, cash 2-year Treasury note yields have varied between 0.49 and 1.32 percent, a range that lies significantly below historical yield levels. Likewise, over the same period, price volatility in 2-Year Treasury Note futures has fluctuated within a range of 0.6 to 1.5 percent per annum, well below historical volatility levels. The combined effect of low yields and low volatility has been to limit the number of low premium out-of-the-money 2-Year Note options that become listed for trading on CME Globex, the Exchange's electronic trading platform, through the standard strike price array. Since strike prices in 2-Year Note options cannot be added dynamically to CME Globex on a same-day basis, as in the open outcry environment, electronic traders are required to wait until the next business day before requested additions to the option strike price array become available for trading.

Under current CBOT rules, the strike price array for 2-Year Note Options comprises the at-the-money strike (i.e., the strike price nearest the previous daily settlement price for the option's underlying 2-Year Note futures contract), plus the next 10 consecutive higher and the next 10 consecutive lower strikes, in quarter-point intervals. In view of the prevailing low-yield and low-volatility environment, the Exchange will expand the initial strike price array for 2-Year Note options to comprise a total of 15 consecutive strikes above and below the at-the-money strike for all option expiries beginning on October 4.

Please refer questions on this subject to:

David Reif
Daniel Grombacher

david.reif@cmegroup.com
daniel.grombacher@cmegroup.com

312.648.3839
312.634.1583

Attachment 1

Changes to CBOT Rule 21A01.E. on Exercise Prices for Standard Options on Short-Term U.S. Treasury Note Futures

(Additions are underlined; deletions are ~~struck through~~.)

21A01.E. Exercise Prices

Trading shall be conducted for put and call options with striking prices in integral multiples of one-quarter (1/4) point per Short-Term U.S. Treasury Note futures contract as follows:

At the commencement of trading for such option contracts, the following striking prices shall be listed: one with a striking price closest to the Short-Term U.S. Treasury Note futures contract's previous day's settlement price and the next fifteen ~~ten~~ consecutive higher and the next fifteen ~~ten~~ consecutive lower striking prices closest to the previous day's settlement price. If the previous day's settlement price is midway between two striking prices, the closest price shall be the larger of the two. Over time, new striking prices will be added to ensure that at least fifteen ~~ten~~ striking prices always exist above and below the previous day's settlement price on the underlying futures. All new striking prices will be added prior to the opening of trading on the following business day.

The Exchange may modify the procedure for the introduction of striking prices as it deems appropriate in order to respond to market conditions.