CME Group

Special Executive Report

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STRIKE PRICE GENERATION IN CBOT GRAIN AND OILSEED OPTIONS

In April 2008, due to customer demand because of higher prices and volatility, the CBOT implemented wider strike price ranges based on a percentage of the underlying futures price. At that time, however, the strike generators used in clearing to generate strike prices were unable to generate new strike ranges daily. Instead, the strike listing rules were based on a percentage of the underlying futures quarterly, and used to approximate percentage-based strike ranges for the remainder of the quarter.

Clearing now has the ability to generate strike ranges as a percentage of the futures settlement price each business day. Beginning **December 2, 2010**, the rules for strike price generation in CBOT Corn, Soybean, Wheat, Soybean Oil, Soybean Meal, Oat, and Rough Rice options will be updated for strike price ranges to be generated on a percentage basis daily rather than quarterly.

Questions may be directed to Fred Seamon in Research and Product Development (312-634-1587 or Fred.Seamon@CMEGroup.com).

<u>Additions are bold and underlined</u>
[~~Deletions are bracketed with strikethrough~~]

Chapter 10A
Options on Corn Futures

10A01.E. Exercise Prices

Trading shall be conducted for put and call options with striking prices in integral multiples of five (5) cents and ten (10) cents per bushel per Corn futures contract as follows:

[~~A referencing price shall be determined each quarter on the first business day in March, July, September, and December and shall equal the daily settlement price of the nearest expiring Corn futures contract. The referencing price shall be multiplied by 50 percent and divided by 10 without remainder to determine the reference number of 10 cent strikes. The referencing price shall be multiplied by 25 percent and divided by 5 without remainder to determine the reference number of 5 cent strikes.~~]

1.

a. At the commencement of trading for each option contract, the Exchange shall list a strike closest to the previous day's settlement price of the underlying Corn futures contract (the at-the-money strike), and [~~the reference number of 10 cent~~] strikes in integral multiples of ten cents **<u>in a range of 50 percent</u>** above and below the at-the-money strike. If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two.

b. Over time, new ten cent strikes will be added to ensure that all strikes within [~~the reference number of 10 cent strikes above and below~~**]** **<u>50 percent of</u>** the previous day's settlement price in the underlying futures contract are listed.

2.

a. At the commencement of trading for options that are traded in months in which Corn futures are not traded, and for standard option months the business day they become the second listed month, the Exchange shall list a strike closest to the previous day's settlement price of the underlying Corn futures contract (the at-the-money strike), and [~~the reference number of 5 cent~~] strikes in integral multiples of five cents **<u>in a range of 25 percent</u>** above and below the at-the-money strike. If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two. For example, five-cent strike price intervals for the September contract would be added on the first business day after the expiration of the July options contract.

b. Over time, new five-cent strike prices will be added to ensure that all strikes within [~~the reference number of 5 cent strikes above and below~~] **<u>25 percent of</u>** the previous day's settlement price in the underlying futures are listed.

3. All strikes will be listed prior to the opening of trading on the following business day. Upon demand and at the discretion of the Exchange, new out-of-current-range strike prices at regularly defined intervals may be added for trading on as soon as possible basis. The Exchange may modify the procedures for the introduction of strikes as it deems appropriate in order to respond to market conditions. As new [~~reference numbers of~~] 5 and 10 cent strikes are [~~determined each quarter~~]

added, existing strikes outside the newly determined strike ranges without open interest may be de-listed.

Chapter 11A
Options on Soybean Futures

11A01.E. Exercise Prices

Trading shall be conducted for put and call options with striking prices in integral multiples of ten (10) cents and twenty (20) cents per bushel per Soybean futures contract as follows:

[~~A referencing price shall be determined each quarter on the first business day in March, July, September, and December and shall equal the daily settlement price of the nearest expiring Soybean futures contract. The chosen referencing price shall be multiplied by 50 percent and divided by 20 without remainder to determine the reference number of 20 cent strikes. The chosen referencing price shall be multiplied by 25 percent and divided by 10 without remainder to determine the reference number of 10 cent strikes.~~**]**

1.

a. At the commencement of trading for each option contract, the Exchange shall list a strike closest to the previous day's settlement price of the underlying Soybean futures contract (the at-the-money strike), and [~~the reference number of 20 cent~~] strikes in integral multiples of twenty cents **<u>in a range of 50 percent</u>** above and below the at-the-money strike. If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two.

b. Over time, new twenty cent strikes will be added to ensure that all strikes within [~~the reference number of 20 cent strikes above and below~~] **<u>50 percent of</u>** the previous day's settlement price in the underlying futures contract are listed.

2.

a. At the commencement of trading for options that are traded in months in which Soybean futures are not traded, and for standard option months the business day they become the second listed month, the Exchange shall list a strike closest to the previous day's settlement price of the underlying Soybean futures contract (the at-the-money strike), and [~~the reference number of 10 cent strikes~~**]** in integral multiples of ten cents **<u>in a range of 25 percent</u>** above and below the at-the-money strike. If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two. For example, ten-cent strike price intervals for the September contract would be added on the first business day after the expiration of the July options contract.

b. Over time, new ten-cent strike prices will be added to ensure that all strikes within [~~the reference number of 10 cent strikes above and below~~**]** **<u>25 percent of</u>** the previous day's settlement price in the underlying futures are listed.

3. All strikes will be listed prior to the opening of trading on the following business day. Upon demand and at the discretion of the Exchange, new out-of-current-range strike prices at regularly defined intervals may be added for trading on as soon as possible basis. The Exchange may modify the procedures for the introduction of strikes as it deems appropriate in order to respond to market conditions. As new [~~reference numbers of~~] 10 and 20 cent strikes are [~~determined each~~

~~quarter~~] **added**, existing strikes outside the newly determined strike ranges without open interest may be de-listed.

Chapter 14A
Options on Wheat Futures

14A01.E. Exercise Prices

Trading shall be conducted for put and call options with striking prices in integral multiples of five (5) cents and ten (10) cents per bushel per Wheat futures contract as follows:

[~~A referencing price shall be determined each quarter on the first business day in March, July, September, and December and shall equal the daily settlement price of the nearest expiring Wheat futures contract. The chosen referencing price shall be multiplied by 50 percent and divided by 10 without remainder to determine the reference number of 10 cent strikes. The chosen referencing price shall be multiplied by 25 percent and divided by 5 without remainder to determine the reference number of 5 cent strikes.~~]

1.

a. At the commencement of trading for each option contract, the Exchange shall list a strike closest to the previous day's settlement price of the underlying Wheat futures contract (the at-the-money strike), and [~~the reference number of 10 cent~~] strikes in integral multiples of ten cents **in a range of 50 percent** above and below the at-the-money strike. If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two.

b. Over time, new ten cent strikes will be added to ensure that all strikes within [~~the reference number of 10 cent strikes above and below~~] **50 percent of** the previous day's settlement price in the underlying futures contract are listed.

2.

a. At the commencement of trading for options that are traded in months in which Wheat futures are not traded, and for standard option months the business day they become the second listed month, the Exchange shall list a strike closest to the previous day's settlement price of the underlying Wheat futures contract (the at-the-money strike), and [~~the reference number of 5 cent~~] strikes in integral multiples of five cents **in a range of 25 percent** above and below the at-the-money strike. If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two. For example, five-cent strike price intervals for the September contract would be added on the first business day after the expiration of the July options contract.

b. Over time, new five-cent strike prices will be added to ensure that all strikes within [~~the reference number of 5 cent strikes above and below~~] **25 percent of** the previous day's settlement price in the underlying futures are listed.

3. All strikes will be listed prior to the opening of trading on the following business day. Upon demand and at the discretion of the Exchange, new out-of-current-range strike prices at regularly defined intervals may be added for trading on as soon as possible basis. The Exchange may modify the procedures for the introduction of strikes as it deems appropriate in order to respond to market conditions. As new [~~reference numbers of~~] 5 and 10 cent strikes are [~~determined each~~

~~quarter~~] **<u>added</u>**, existing strikes outside the newly determined strike ranges without open interest may be de-listed.

Chapter 12A
Options on Soybean Oil Futures

12A01.E. Exercise Prices

Trading shall be conducted for put and call options with striking prices (the "strikes") in integral multiples of one half cent per pound per Soybean Oil futures contract as follows:

[~~A referencing price shall be determined each quarter on the first business day in March, July, September, and December and shall equal the daily settlement price of the nearest expiring Soybean Oil futures contract. The chosen referencing price shall be multiplied by 50 percent and divided by .5 without remainder to determine the reference number of one half cent strikes.~~]

1.

a. At the commencement of trading for each option contract, the Exchange shall list a strike closest to the previous day's settlement price of the underlying Soybean Oil futures contract (the at-the-money strike), and [~~the reference number of one half cent~~] strikes **<u>in a range of 50 percent</u>** above and below the at-the-money strike. If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two.

b. Over time, strikes shall be added as necessary to ensure that all strikes within [~~the reference number of one half cent strikes above and below~~] **<u>50 percent of</u>** the previous day's settlement price in the underlying futures contract are listed.

2. All strikes will be listed prior to the opening of trading on the following business day. Upon demand and at the discretion of the Exchange, new out-of-current-range strike prices at regularly defined intervals may be added for trading on as soon as possible basis. The Exchange may modify the procedures for the introduction of strikes as it deems appropriate in order to respond to market conditions. As [~~a~~] new [~~reference number of~~] one half cent strikes [~~is~~] **<u>are added</u>** [~~determined each quarter~~], existing strikes outside the newly determined strike ranges without open interest may be de-listed.

Chapter 13A
Options on Soybean Meal Futures

13A01.E. Exercise Prices

Trading shall be conducted for put and call options with striking prices (the “strikes”) in integral multiples of five (5) dollars per ton per Soybean Meal futures contract for all strikes less than two hundred dollars and in integral multiples of ten (10) dollars per ton per Soybean Meal futures contract for all strikes greater than or equal to two hundred dollars as follows:

[~~A referencing price shall be determined each quarter on the first business day in March, July, September, and December and shall equal the daily settlement price of the nearest expiring Soybean Meal futures contract. The chosen referencing price shall be multiplied by 50 percent and divided by 10 without remainder to determine the reference number of strikes.~~]

1.

a. At the commencement of trading for each option contract, the Exchange shall list a strike closest to the previous day's settlement price of the underlying Soybean Meal futures contract (the at-the-money strike), and [~~the reference number of~~] strikes **<u>in a range of 50 percent</u>** above and below the at-the-money strike. If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two.

b. Over time, strikes shall be added as necessary to ensure that all strikes within [~~the reference number of strikes above and below~~] **<u>50 percent of</u>** the previous day's settlement price in the underlying futures are listed.

2. All strikes will be listed prior to the opening of trading on the following business day. Upon demand and at the discretion of the Exchange, new out-of-current-range strike prices at regularly defined intervals may be added for trading on as soon as possible basis. The Exchange may modify the procedures for the introduction of strikes as it deems appropriate in order to respond to market conditions. As [~~a~~] new [~~reference number of~~] strikes [~~is determined each quarter~~] **<u>are added</u>**, existing strikes outside the newly determined strike ranges without open interest may be de-listed.

Chapter 15A
Options on Oat Futures

15A01.E. Exercise Prices

Trading shall be conducted for put and call options with striking prices in integral multiples of five (5) cents and ten (10) cents per bushel per Oat futures contract as follows:

[~~A referencing price shall be determined each quarter on the first business day in March, July, September, and December and shall equal the daily settlement price of the nearest expiring Oat futures contract. The chosen referencing price shall be multiplied by 50 percent and divided by 10 without remainder to determine the reference number of 10 cent strikes. The chosen referencing price shall be multiplied by 25 percent and divided by 5 without remainder to determine the reference number of 5 cent strikes.~~]

1.

a. At the commencement of trading for each option contract, the Exchange shall list a strike closest to the previous day's settlement price of the underlying Oat futures contract (the at-the-money strike, and [~~the reference number of 10 cent~~] strikes in integral multiples of ten cents **<u>in a range of 50 percent</u>** above and below the at-the-money strike. If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two.

b. Over time, new ten cent strikes will be added to ensure that all strikes within [~~the reference number of 10 cent strikes above and below~~] **<u>50 percent of</u>** the previous day's settlement price in the underlying futures contract are listed.

2.

a. At the commencement of trading for options that are traded in months in which Oat futures are not traded, and for standard option months the business day they become the second listed month, the Exchange shall list a strike closest to the previous day's settlement price of the underlying Oat futures contract (the at-the-money strike), and [~~the reference number of 5 cent~~] strikes in integral multiples of five cents **<u>in a range of 25 percent</u>** above and below the at-the-money strike. If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two. For example, five-cent strike price intervals for the September contract would be added on the first business day after the expiration of the July options contract.

b. Over time, new five-cent strike prices will be added to ensure that all strikes within [~~the reference number of 5 cent strikes above and below~~] **25 percent of** the previous day's settlement price in the underlying futures are listed.

3. All strikes will be listed prior to the opening of trading on the following business day. Upon demand and at the discretion of the Exchange, new out-of-current-range strike prices at regularly defined intervals may be added for trading on as soon as possible basis. The Exchange may modify the procedures for the introduction of strikes as it deems appropriate in order to respond to market conditions. As new [~~reference numbers of~~] 5 and 10 cent strikes are [~~determined each quarter~~] **added**, existing strikes outside the newly determined strike ranges without open interest may be de-listed.

Chapter 17A
Options on Rough Rice Futures

17A01.E. Exercise Prices

Trading shall be conducted for put and call options with striking prices in integral multiples of twenty (20) cents per hundredweight per Rough Rice futures contract as follows:

[~~A referencing price shall be determined each quarter on the first business day in March, July, September, and December and shall equal the daily settlement price of the nearest expiring Rough Rice futures contract. The chosen referencing price shall be multiplied by 50 percent and divided by 0.20 without remainder to determine the reference number of 20 cent strikes.~~]

1.

a. At the commencement of trading for each option contract, the Exchange shall list a strike closest to the previous day's settlement price of the underlying Rough Rice futures contract (the at-the-money strike), and [~~the reference number of~~] strikes **in a range of 50 percent** above and below the at-the-money strike. If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two.

b. Over time, strikes shall be added as necessary to ensure that all strikes within [~~the reference number of strikes above and below~~] **50 percent of** the previous day's settlement price in the underlying futures contract are listed.

2. All strikes will be listed prior to the opening of trading on the following business day. Upon demand and at the discretion of the Exchange, new out-of-current-range strike prices at regularly defined intervals may be added for trading on as soon as possible basis. The Exchange may modify the procedures for the introduction of strikes as it deems appropriate in order to respond to market conditions. As [~~a~~] new [~~reference number of~~] strikes [~~is determined each quarter~~] **are added**, existing strikes outside the newly determined strike ranges without open interest may be de-listed.