



## Special Executive Report

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S- 5499

November 30, 2010

### **Expanded Eurodollar Mid-Curve Option Listings**

On **Monday, December 20, 2010**, CME ("Exchange") will expand its listings of Eurodollar Mid-Curve options to include:

- Serial Two-Year ("**Green**") Mid-Curve options; and
- Quarterly Three-Year ("**Blue**") Mid-Curve options.

At launch, the Exchange will initially list January and February 2011 Green Mid-Curve options. These options will exercise into the March 2013 Eurodollar futures contract.

In addition, the Exchange will list March, June, September, and December 2011 Blue Mid-Curve options. These options will exercise, respectively, into the March, June, September, and December 2014 Eurodollar futures contracts.

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

Furthermore, CME is certifying rule changes that enable the Exchange to list serial Blue Mid-Curve options as well as serial Fifth-Year ("**Gold**") Mid-Curve options. This ensures that the Exchange will maintain the flexibility to list such Mid-Curve options, at its discretion, in the future.

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

Please refer questions about this notice to:

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## 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 <sup>1</sup>

##### 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, ~~and 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, ~~and 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 <sup>2</sup>

###### 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.

<sup>1</sup> Effective December 1991. Revised December 1993; November 1994; February 1995; February 1998; August 2003.

<sup>2</sup> Revised December 1996.

#### 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 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. Fifth-Year Mid-Curve Options

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

For Fifth-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.

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

For Serial Fifth-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 Fifth-Year Mid-Curve options that expire in January or February is the March futures contract that expires in four calendar years.

### **452A01.E. Exercise Prices<sup>3</sup>**

#### 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 Fifth-Year 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 Fifth-Year 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.<sup>4</sup>

<sup>3</sup> Revised April 1986; November 1986; September 1988; March 1989; July 1992; December 1993; May 1995; April 2001; August 2003; May 2004.

<sup>4</sup> Revised September 1997; January 1998; June 1998, December 2001; June 2003.

**452A01.J. Termination of Trading**<sup>5</sup>

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 One-Year, Two-Year, **Three-Year**, and Fifth-Year Mid-Curve options 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.

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<sup>5</sup> Effective December 1991. Revised December 1993; April 1994; February 1995; December 2001; August 2003.