



## Special Executive Report

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S- 6456

November 16, 2012

### **Change in the Underlying Futures Contract of Monthly and Weekly Options on Mexican Peso/U.S. Dollar (“MXN/USD”) Futures**

The Chicago Mercantile Exchange Inc. (“CME” or “Exchange”) is amending the trading rules and regulations for monthly and weekly options on Mexican Peso/U.S. Dollar (“MXN/USD”) futures so that they no longer exercise into monthly futures of the same corresponding contract month but instead into the more liquid and transparent underlying futures contract that is the nearest futures contract in the March quarterly cycle (*i.e.*, March, June, September, and December). These changes are designed to improve the utility of monthly and weekly MXN/USD options for market participants while facilitating the calculation of daily settlement pricing marks that are used by CME Clearing in the determination of variation margin for these options. These changes will make monthly and weekly MXN/USD options consistent with the trading terms and conditions of monthly and weekly options on the Exchange’s six major foreign exchange currency pair futures.<sup>1</sup>

These modifications will become effective on Sunday, December 2, 2012 for **trade date Monday, December 3, 2012**. CME will apply these amendments to monthly options beginning with the January 2013 expiry and to weekly options beginning with the December 2012 expiry. The Exchange intends to maintain the current practice of listing monthly MXN/USD futures expirations going forward, but will no longer offer options on these monthly futures.

To facilitate the implementation of the above mentioned contract changes to MXN/USD options on December 3, CME is delisting all currently listed monthly and weekly MXN/USD options that do not exercise into futures contracts in the March quarterly expiry cycle, effective immediately. These specific monthly and weekly option expiries have no open interest.

Attachment 1 summarizes revised Rules 256A01.D., 256A01.H., and 256A02 for monthly and weekly MXN/USD options.

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<sup>1</sup> The Australian dollar, British sterling, Canadian dollar, Euro, Japanese yen, and Swiss franc.

# Attachment 1

## Revised Rules and Regulations Chapter 256A: Options on Mexican Peso/U.S. Dollar Futures

### 256A01.D. Underlying Futures Contract

The underlying futures contract is the nearest futures contract in the March quarterly cycle (i.e., March, June, September, and December) whose termination of trading follows the option's last day of trading by more than two Exchange business days. This rule applies to March quarterly, serial, and weekly options on Mexican peso futures contracts.

### 256A01.H. Termination of Trading

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

Trading in monthly options in the March quarterly cycle (i.e., March, June, September and December) shall terminate at the close of trading (usually 2:00 p.m. Central time) on the second Friday immediately preceding the third Wednesday of the contract month. If the foregoing date for termination is a scheduled Exchange holiday, trading in monthly 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.

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

Trading in monthly options not in the March quarterly cycle (i.e., January, February, April, May, July, August, October and November) shall terminate at the close of trading (usually 2:00 p.m. Central time) on the second Friday immediately preceding the third Wednesday of the contract month. If the foregoing date for termination is a scheduled Exchange holiday, trading in monthly 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.

#### 3. Weekly Options

Trading in weekly options shall terminate at the close of trading (usually 2:00 p.m. Central time) on those Fridays that are not also the termination of trading of a monthly option as described in the preceding sections 1 and 2. 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.

### 256A02. LISTING OF EXERCISE PRICES

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

At the commencement of trading in a contract month, the Exchange shall list put and call options at the regular exercise price that is nearest the previous day's settlement price of the underlying futures contract. For options on Mexican peso futures, the Exchange shall list put and call options at the next twenty-four higher and next twenty-four lower regular exercise prices.

When a sale, bid, offer, or settlement price in the underlying futures occurs within half a regular exercise price interval of the twenty-fourth highest or twenty-fourth lowest existing regular exercise price for options on Mexican peso futures, put and call options at the next higher or next lower regular exercise price shall be listed for trading on the next trading day. New options may be listed for trading up to and including the termination of trading.

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

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

Upon demand, the Exchange shall list put and call options at any regular exercise price listed for trading in the next March quarterly cycle that is nearest the expiration of the option. New options may be listed for trading up to and including the termination of trading.

#### 3. 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.