

Market Data Operations

Date: January 23, 2008
Notice #: Q2008 - 017
Subject: Volatility-Quoted FX Options Starting Sunday, March 9, 2008 -- **UPDATED INFORMATION**

As previously announced, **starting Sunday, March 9, 2008** (trade date March 10), CME Group will begin trading volatility-quoted FX options. Volatility – based quoting facilitates “delta-neutral” trading, virtually eliminating the execution risk that is inherent to trading in premium-quoted options.

Volatility-quoted options will be available in both American- and European-style expiration on the following options products:

- EuroFX
- British Pound
- Japanese Yen
- Canadian Dollar
- Swiss Franc
- Australian Dollar (American-style only, initially)

These products will be fully fungible with the existing premium-quoted FX options and futures.

The table in Exhibit 1, on the following page, details product and group code information for each product.

MDP Channel Information

Market data for foreign currency volatility-quoted options will be disseminated via the Market Data Platform as follows:

<u>Message Type</u>	<u>MDP Channel</u>
ITC 2.1 Market Data	205
RLC Market Data	12

Market Depth Information

Market data messages in the ITC 2.1 format will display top of book only.

Market data messages in the RLC format will display quotes **5 deep**. This feature is new with this launch and is a departure from the top of book display associated with other Globex-traded options.

Volatility Pricing Conventions

The ITC 2.1 market data messages require **no changes** to support volatility-quoted options. Volatilities will be transmitted in the price field, and will be represented in percentage form; i.e. a volatility of 6 1/4% will be represented by .0625; this will be represented in the ITC 2.1 transmission format as **0006250**, with a **fractional indicator of 3**, which will be interpreted as 6.250. For RLC message enhancements, please refer to the [Volatility-Quoted Options Client Impact Assessment](#) document.

Please refer to **Exhibit 2**, attached, for transmission formats and fractional indicator information.

Volatility Display Recommendations

CME Group recommends that quote vendors display volatility rates in **percentage terms**, followed by the percent sign (%) if possible. If not possible, please be sure to indicate in a prominent place that the volatility rates are displayed in percentage terms, **not** in full decimal terms. For example, a volatility of 6 ¼% can be expressed as 6.25%; in full decimal terms, however, this becomes 0.0625.

Trading Hours

Volatility-quoted FX options will trade on the CME Globex platform from 5:00 PM Sunday through 4:00 PM Friday, Central Time.

Underlying Futures Contract

The underlying futures contract for the volatility-quoted option is the same underlying futures as the premium-based option counterpart. For example, the underlying future for both the premium and volatility quoted British Pound options is the British Pound futures contract.

Minimum Tick & Value

The minimum tick is 0.025 of a volatility point, equal to \$1.25/tick.

Contract Months

Valid contract months are four months in the March Quarterly Cycle and two not in the March quarterly cycle (serial months), plus four weekly options. Initial contracts will be the April, May, June, September, December 2008 and March 2009.

ITC 2.1 Ticker Testing

ITC 2.1 ticker testing will be held on **Friday, February 29, 2008** and **Friday, March 7, 2008** at approximately 5:00 PM Central Time.

RLC Testing

Customers can now certify for volatility-quoted options in New Release via AutoCert+. This brief certification is **mandatory** for all systems that will provide trading access to these options.

Volatility-Quoted FX Options Codes

Volatility-Quoted Option Product	Expiration Style	Listing Term	Group Code	Ticker Code	Exercise Price Listings and Intervals	Price Formats		
						Format	American Style Volatility Rate	European Style Volatility Rate
Australian Dollar	American	Monthly	3A	V6A	ATM ± 8, 50 points	Actual	10.505	10.505
Australian Dollar	American	Weekly	3A	VA(1-5)		ITC 2.1 Transmission	0010505	0010505
British Pound	American	Monthly	3B	V6B	ATM ± 8; 10 points	ITC 2.1 Fractional Indicator	3	3
British Pound	American	Weekly	3B	VB(1-5)	ATM ± 24; 50 points	RLC Format	10505	10505
British Pound	European	Monthly	3B	VXB		Preferred Display	10.505%	10.505%
British Pound	European	Weekly	3B	VB(A-E)		Note: If possible, please display the % (percent) sign in the preferred display; if not possible, please explain elsewhere that volatility quoted options are expressed in percentage terms, not decimal terms.		
Canadian Dollar	American	Monthly	3C	V6C	ATM ± 16; 5 points			
Canadian Dollar	American	Weekly	3C	VC(1-5)	ATM ± 8; .0.00005 points			
Canadian Dollar	European	Monthly	3C	VXC				
Canadian Dollar	European	Weekly	3C	VC(A-E)				
Euro FX	American	Monthly	3E	V6E	ATM ± 4; 0.005 points			
Euro FX	American	Weekly	3E	VE(1-5)	ATM ± 8; 10 points			
Euro FX	European	Monthly	3E	VXT				
Euro FX	European	Weekly	3E	VT(A-E)				
Japanese Yen	American	Monthly	3J	V6J	ATM ± 24; 50 points			
Japanese Yen	American	Weekly	3J	VJ(1-5)	ATM ± 16; 5 points			
Japanese Yen	European	Monthly	3J	VXJ				
Japanese Yen	European	Weekly	3J	VJ(A-E)				
Swiss Franc	American	Monthly	3S	V6S	ATM ± 8; .0.00005 points			
Swiss Franc	American	Weekly	3S	VS(1-5)				
Swiss Franc	European	Monthly	3S	VXS				
Swiss Franc	European	Weekly	3S	VS(A-E)				