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### CME UPDATE 03-08

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#### I. **BOARD APPROVES ETH EURODOLLAR FUTURES MARKET MAKER PROGRAM**

At its Regular Meeting on Wednesday, August 6, 2003, the Board of Directors approved an ETH Eurodollar futures Market Maker Program in order to establish a dedicated electronic market making effort during the Asian day and European morning trading hours. The program guidelines are as follows:

- Program Duration: One year
- Market makers must be CME members, lessees or trade a proprietary account at a member firm
- Market makers must commit to making markets on GLOBEX during ETH no wider than one basis point, 100 hundred contracts up, in a quarterly Eurodollar contract
  - Number of participants: Up to 8 specified accounts
- Market makers are eligible to receive a waiver of GLOBEX system fees during ETH (clearing fees still apply) and a rebate of connectivity charges up to a maximum of \$2,500/month
- Market makers who fulfill program requirements for the full year will be eligible for an additional one year ETH GLOBEX system fee waiver.

If you have any questions, please contact Mr. Peter Barker, Director, Interest Rate Products, at (312) 930-8554, or Larry Grannan, Associate Director, Interest Rate Products, at (312) 454-8312.

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**II. BOARD APPROVES REDUCTION IN THE GLOBEX® SYSTEM FEE FOR INTEREST RATE PRODUCTS**

At its Regular Meeting on Wednesday, August 6, 2003, the Board of Directors approved a reduction in the GLOBEX® system fee for Interest Rate Products. The fee reduction from \$.25 per side to \$.10 applies to members, member firms and lessees. Non-member rates remain unchanged.

The fee reduction will be effective as of September 2, 2003.

If you have any questions, please contact Mr. Peter Barker, Director, Interest Rate Products, at (312) 930-8554, or Mr. Larry Grannan, Associate Director, Interest Rate Products, at (312) 454-8312.

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**III. BOARD APPROVES REDUCTION IN THE GLOBEX® CUSTOMER FEE  
FOR ELECTRONICALLY TRADED E-MINI™ EQUITY PRODUCT  
CALENDAR SPREAD TRADES**

At its Regular Meeting on Wednesday, August 6, 2003, the Board of Directors approved a reduction in the GLOBEX® customer fee for electronically traded E-mini equity product calendar spread trades from \$.50 per side to \$.10 per side. The fee reduction applies only to calendar spreads traded as a spread transaction.

The fee reduction will be effective as of September 2, 2003.

If you have any questions, please contact Mr. Rick Redding, Managing Director, Equity Products, at (312) 930-3373, or Mr. Brett Vietmeier, Associate Director, Equity Products, at (312) 930-3394.

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**IV. BOARD APPROVES MODIFICATIONS TO RULE 152 ("GLOBEX OPEN ACCESS TO LEARNING (GOAL) PERMIT PROGRAM")**

At its Regular Meeting on Wednesday, August 6, 2003, the Board of Directors approved modifications to Exchange Rule 152 ("GLOBEX Open Access to Learning (GOAL) Permit Program") that incorporate the new title of the program and an additional limitation providing that participants in the program must be engaged in trading Exchange products while on the trading floors during the program's authorized time periods. The complete text of Rule 152 appears below.

**152. GLOBEX OPEN ACCESS LEARNING (GOAL) PERMIT PROGRAM****152.A. Number of Trading Permits**

The Exchange shall authorize and issue GOAL Permits to eligible individuals. The number issued shall not exceed 300. GOAL Permits that have been revoked, withdrawn, or abandoned may be reissued.

**152.B. Eligibility**

GOAL Permits for individuals will be available to applicants who are approved by the Exchange after submitting a completed application form, application fee and written guarantee by a clearing member firm.

**152.C. Term of Permits**

GOAL Permits are non-transferable and shall be valid for one year, subject to early termination if the permit holder fails to meet the requirements of the program, or the permit holder violates CME rules. A GOAL Permit may be renewed if the GOAL Permit holder is in good standing.

**152.D. Cost of GOAL Permits**

GOAL Permits will be offered for a monthly fee of \$150.

**152.E. Specific Trading Privileges**

GOAL Permit holders shall be entitled to exercise electronic trading privileges for their own account on the CME trading floor during non-RTH hours.

**152.F. Additional Limitations on GOAL Permit Holders**

1. A GOAL Permit conveys no equity to the holder and the GOAL Permit Holder may not transfer the GOAL permit.
2. A GOAL Permit does not entitle the Permit Holder to voting privileges or attendance at members' social functions.
3. A GOAL Permit holder must present a clearing member firm guarantee at the time of application. A GOAL Permit holder may withdraw from the program at any time.

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4. A GOAL Permit holder will not be permitted to employ others on the trading floor.
5. A GOAL Permit holder must disclose all accounts in which he or she has an interest to CME. A GOAL Permit holder may not have an interest in, or exercise control over, accounts at a firm other than his or her qualifying clearing firm.
6. Any person who relinquishes trading privileges as a CME, IMM, IOM, or GEM member may not exercise trading floor privileges as a GOAL Permit Holder for a two year period after relinquishing such privileges. Exchange staff may grant exemptions from this restriction upon a showing of financial hardship.
7. If a GOAL Permit holder has other employment on the CME trading floor during the RTH session, he or she will be subject to all restrictions on trading floor employees, except that GOAL Permit Holders will be allowed to have an interest in a trading account while holding that floor employment, and the GOAL Permit Holder's qualifying clearing firm may enter orders for liquidation of an open position established during the night session in the GOAL Permit holder's account. Outside of the time period provided for in Rule 152.E, GOAL permit holders may not, under any circumstances, trade or enter orders for their own accounts, or accounts in which they have a financial interest or trading control. Violation of this rule may be a major offense.
8. While on the CME trading floor, GOAL Permit holders must be engaged in trading Exchange products. Failure to comply with this provision may result in the revocation of the GOAL Permit.

#### **152.G. Jurisdiction**

Exchange staff shall have the greatest latitude in determining whether GOAL Permit holders have complied with the rules of the program. In the event that Exchange staff determines that a GOAL Permit holder has failed to comply with the rules of this program, it shall have the authority to suspend GLOBEX trading privileges and to revoke the GOAL permit.

#### **152.H. Non-Compliance**

1. GOAL Permit holders are subject to all rules and regulations of the Exchange that apply to members, except as otherwise provided in this Rule 152.
2. Disciplinary action taken against GOAL Permit holders for non-compliance with this program or for violations of any Exchange rules shall be in accordance with the applicable rules of the Exchange.
3. All GOAL Permit holders who enter orders on GLOBEX terminals must be identified to the Exchange as GLOBEX terminal operators in accordance with Rule 576 and shall be subject to all rules of the Exchange that relate to GLOBEX trading.

If you have any questions concerning Rule 152, please contact Mr. James P. Moran, Director, Market Regulation, at (312) 930-8520, or Ms. Laura Giacomino, Associate Director, Trading Floor Operations, at (312) 930-8259.

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**V. BOARD APPROVES CHANGE TO HEADSET POLICY IN THE STANDARD & POOR'S 500<sup>®</sup> STOCK PRICE INDEX FUTURES PIT**

At its Regular Meeting on Wednesday, August 6, 2003, the Board of Directors approved a headset policy change concerning the Standard & Poor's 500<sup>®</sup> Stock Price Index futures ("SP") pit. The change allows local traders with primary spots on the second local step (two steps up from the bottom of the pit) to wear wireless headsets to make calls to, or receive calls from, on or off-floor locations, subject to the following additional conditions:

- SP locals with primary spots on the second local step who decide to wear a headset may do so for a trial period of 90 days, during which time their pit location **may** become reviewable for challenge under the conditions described below.
- During the 90 day period, any member who is interested in challenging for this spot must submit a request in writing to the Exchange. Requests should be delivered to Mike Briskey, Associate Director, Trading Floor Operations, who can be contacted at (312) 930-4567.
- Immediately prior to the 90<sup>th</sup> day, the primary second step local will be informed of the number of challengers for the spot, but not the identity of the challengers.
- On the 90<sup>th</sup> day, the primary second step local will need to decide whether to relinquish wearing the headset (resulting in his ability to maintain his spot unchallenged) or continue wearing the headset (resulting in the spot being deemed reviewable pursuant to the pit space dispute guidelines). Note that a primary second step local that decides to relinquish wearing the headset may not again wear a headset on the second local step for one year from the date he or she ceased wearing the headset.
- For spots deemed reviewable, a hearing before a panel of the Pit Supervision Committee will be held as soon as practicable after the 90<sup>th</sup> day to determine who will be awarded the spot.

The policy changes are effective immediately. Members are reminded that changes to existing headset policy approved by the Board are a binding decision of the Exchange. Violations of the policy are subject to disciplinary action pursuant to Exchange rules. Additionally, members may not begin to operate under the terms of the new policy until they have submitted an application or updated existing applications and received approval from the Exchange Telecommunications Department.

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Questions concerning the application and approval process, or the updating of existing applications, should be directed to Mr. Roger Crabtree, Director, Telecommunications, at (312) 930-8194, or Mr. William Taylor, Manager, Telecommunications, at (312) 930-8279.

General questions concerning the policy change, or regulatory or audit trail requirements, should be directed to Mr. Eric S. Wolff, Managing Director, Regulatory Affairs, at (312) 930-3255, or Mr. Robert A. Sniegowski, Associate Director, Market Regulation, at (312) 648-5493.

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**VI. BOARD APPROVES LISTING OF EURODOLLAR FIFTH-YEAR MIDCURVE OPTIONS**

At its Regular Meeting on Wednesday, August 6, 2003, the Board of Directors approved the listing of Eurodollar Fifth-Year MidCurve Options ("Gold MidCurve Options").

The Fifth-year MidCurve Options mirror all the features of the Two-year MidCurve Options except the underlying futures. The Fifth-Year MidCurve Option is exercisable into a standard quarterly Eurodollar futures contract with expiration forty-eight (48) months following the option's expiration. For example, a December 2003 Fifth-Year MidCurve Option is exercisable into a December 2007 Eurodollar futures.

The Fifth-Year MidCurve Option series will commence trading on the trade date of August 18, 2003. The table on the next two pages shows proposed listing cycles, strike listing rules, minimum price fluctuation and other applicable rules for the Gold MidCurves. The corresponding features of the other active Eurodollar options are also shown for comparison purposes. The text of the proposed rule amendments to accommodate the Fifth-year MidCurve Options follows the table, with deletions bracketed and overstruck and additions double-underlined.

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	<b>"Regular" Options</b>	<b>One-Year MidCurve Options</b>	<b>Two-Year MidCurve Options</b>	<b>Fifth-Year MidCurve Options</b>
Underlying Futures	Quarterly Options: Futures with same expiration month as the option Serial Options: First Quarterly futures following options expiration	Quarterly Options: Futures expiring 12 months following option expiration Serial Options: First Quarterly futures expiring at least 12 months following options expiration	Quarterly Options: Futures expiring 24 months following option expiration Serial Options: No Serial Options	Quarterly Options: Futures expiring 48 months following option expiration Serial Options: No Serial Options
Listing Cycle	8 Quarterly Months 2 Serial Months	4 Quarterly Months 2 Serial Months	4 Quarterly Months	4 Quarterly Months
Minimum Price Fluctuation (Full tick = 0.01 IMM Index point)	Quarterly Options: Expiring: Quarter- tick 2 <sup>nd</sup> – 4 <sup>th</sup> : Half-tick 5 <sup>th</sup> – 8 <sup>th</sup> : Half-tick at or below 5 ticks, full-tick above ticks Serial Options: Half-tick	Quarterly Options: 1 <sup>st</sup> & 2 <sup>nd</sup> : Half-tick 3 <sup>rd</sup> & 4 <sup>th</sup> : Full-tick Serial Options: Half-tick	Quarterly Options: 1 <sup>st</sup> & 2 <sup>nd</sup> : Half-tick 3 <sup>rd</sup> & 4 <sup>th</sup> : Full-tick Serial Options: No Serial Options	Quarterly Options: 1 <sup>st</sup> & 2 <sup>nd</sup> : Half-tick 3 <sup>rd</sup> & 4 <sup>th</sup> : Full-tick Serial Options: No Serial Options
Full Strike Listing Range (± IMM index points from previous settlement, full strikes = integral multiples of 0.25 IMM Index point)	Quarterly Options with expiration: More than 15 months away - ±2.50 12 - 15 months away - ±2.00 0 - 12 months away – ±1.75 Serial Options: ±1.75	Quarterly Options: ±2.50 Serial Options: ±2.50	Quarterly Options: ±2.50 Serial Options: No Serial Options	Quarterly Options: ±2.50 Serial Options: No Serial Options
Special Half Strike Listing (half strikes = integral multiples of 0.125 IMM Index point)	Quarterly Options: Two nearest options only, at- the-money plus 1 half-strike above and below Serial Options: At-the-money plus 1 half-strike above and below	Quarterly Options: Nearest options only, at-the- money plus 1 half-strike above and below Serial Options: At-the-money plus 1 half-strike above and below	Quarterly Options: Nearest options only, at-the- money plus 1 half-strike above and below Serial Options: No Serial Options	Quarterly Options: Nearest options only, at-the- money plus 1 half-strike above and below Serial Options: No Serial Options
Special Trading Facility	All-or-None: 2,000 contracts minimum in an outright trade, 2,000 contracts minimum in at least one leg of a combination trade Block trade: 4,000 contracts minimum in outright or combination during the period of 6am – 4pm Chicago Time on a trading day, 500 contracts minimum otherwise			

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**CHAPTER 452A**  
**OPTIONS ON THREE-MONTH EURODOLLAR FUTURES**

**452A00. SCOPE OF CHAPTER**

This chapter is limited in application to trading in put and call options of the Three-Month Eurodollar Time Deposit futures contract ("Eurodollar options"). The procedures for trading, clearing, inspection, delivery and settlement and any other matters not specifically covered herein shall be governed by the rules of the Exchange.

**452A01. OPTION CHARACTERISTICS****452A01.A. Contract Months, Trading Hours, and Trading Halts**

Options contracts shall be listed for such contract months and scheduled for trading during such hours, except as indicated below, as may be determined by the Board of Directors.

There shall be no trading in any Three-Month Eurodollar option contract when the primary futures contract for that Eurodollar contract is limit bid or offered.

For purposes of this rule, the primary futures contract shall be defined as the futures contract trading in the lead month configuration in the pit.

For purposes of this rule during Electronic Trading Hours (ETH), the GLOBEX Control Center shall have the responsibility of determining whether the primary futures contract is limit bid or offered.

**452A01.B. Trading Unit**

The trading unit shall be an option to buy, in the case of the call, or to sell, in the case of the put, one Eurodollar Time Deposit futures contract as specified in Chapter 452.

For options on 5-Year Eurodollar bundle futures (or "5-Year bundle options"), the trading unit shall be an option to buy, in the case of the call, or to sell, in the case of the put, one 5-Year Eurodollar futures bundle. A 5-Year Eurodollar futures bundle consists of 20 consecutive March Quarterly Eurodollar futures contracts.

**452A01.C. Minimum Fluctuations**

The price of an option shall be quoted in IMM Index points, except as provided in Rule 584 (GLOBEX Volatility Quotes). Each .01 IMM Index point (1 basis point) shall represent \$25, except for 5-Year bundle options as specified in Paragraph 5. For example, a quote of 0.35 represents an option price of \$875 (35 basis points x \$25).

1. Contract Month Whose Underlying Futures Contract is the Nearest Expiring Futures Contract Month

The minimum fluctuation shall be .0025 IMM Index point (also known as one-quarter tick).

2. First Four Contract Months in the March Quarterly Cycle and First Two Months Not in the March Quarterly Cycle Excluding the Contract Month Whose Underlying Futures Contract Month is the Nearest Expiring Futures Contract Month.

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The minimum fluctuation shall be .005 IMM Index point (also known as one-half tick). Trades may also occur at a price of .0025 IMM Index point (\$6.25, also known as one-quarter tick), whether or not such trades result in the liquidation of positions for both parties to the trade.

For the purpose of Rule 813.—Settlement Prices, the minimum fluctuation shall be .0025 IMM Index point (\$6.25, also known as one-quarter tick)

### 3. Second Four Contract Months in the March Quarterly Cycle

The minimum fluctuation shall be .01 IMM Index point (\$25, also known as one tick). Trades may also occur at a price of .0025 IMM Index point (\$6.25, also known as one-quarter tick), whether or not such trades result in the liquidation of positions for both parties to the trade. During the RTH, a trade may also occur at a price of .015 IMM Index points (\$37.50, also known as one and one-half ticks), .025 IMM Index points (\$62.50, also known as two and one-half ticks), .035 IMM Index points (\$87.50, also known as three and one-half ticks, and .045 IMM Index points (\$112.50, also known as four and one-half ticks).

For the purposes of Rule 813—Settlement Prices, the minimum fluctuation shall be .0025 IMM Index point (\$6.25, also known as one-quarter tick).

### 4. All Other Contract Months

The minimum fluctuation shall be .01 IMM Index point (also known as one tick). Trades may also occur at a price of .005 IMM Index point (\$12.50, also known as one-half tick), whether or not such trades result in the liquidation of positions for both parties to the trade. Trades may also occur at a price of .0025 IMM Index point (\$6.25, also known as one-quarter tick), whether or not such trades result in the liquidation of positions for both parties to the trade.

For the purpose of Rule 813—Settlement Prices, the minimum fluctuation shall be .0025 IMM Index point (\$6.25, also known as one-quarter tick).

### 5. 5-Year Bundle Options

The minimum fluctuation shall be .01 IMM Index point (\$500, also known as one tick). Trades may also occur at a price of .005 IMM Index point (\$250, also known as one-half tick), whether or not such trades result in the liquidation of positions for both parties to the trade. During RTH, a trade may also occur at a price of .015 IMM Index points (\$750, also known as one and one-half ticks), and .025 IMM Index points (\$1250, also known as two and one-half ticks).

### 6. MidCurve Options

For the first two contract months in the March Quarterly Cycle and the first two months not in the March Quarterly Cycle, the minimum fluctuation shall be .005 IMM Index point (\$12.50, also known as one-half tick). Trades may also occur at a price of .0025 IMM Index point (\$6.25, also known as one-quarter tick), whether or not such trades result in the liquidation of positions for both parties to the trade.

For all other contract months, the minimum fluctuation shall be .01 IMM Index point (\$25, also known as one tick). Trades may also occur at a price of .0025 IMM Index point (\$6.25, also known as one-quarter tick), whether or not such trades result in the liquidation of positions for both parties to the trade. During RTH, a trade may also occur at a price of .015 IMM Index points (\$37.50, also known as one and one-half ticks), .025 IMM Index points (\$62.50, also known as two and one-half ticks), .035 IMM Index points (\$87.50, also known as three and one-half ticks), and .045 IMM Index points (\$112.50, also known as four and one-half ticks).

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For the purpose of Rule 813—Settlement Prices, the minimum fluctuation shall be .0025 IMM Index point (\$6.25, also known as one-quarter tick).

If options are quoted in volatility terms, the minimum fluctuations shall be 0.05 percent.

**452A01.D. Underlying Futures Contracts****1. Options in the March Quarterly Cycle**

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 ~~and~~, 4 and 5 and those 5-Year bundle options specified in Paragraph ~~5~~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**

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 ~~and~~, 4 and 5 and those 5-Year bundle options specified in Paragraph ~~5~~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**One-Year Mid-Curve Options in the March Quarterly Cycle:

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:

For 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.

**4. Two-Year Mid-Curve Options**

For Two-Year Mid-Curve options, the underlying futures contract is the futures contract that expires twenty-four calendar months after the month in which the option expires.

**5. Fifth-Year MidCurve Options**

For Fifth-Year Mid-Curve options, the underlying futures contract is the futures contract that expires forty-eight calendar months after the month in which the option expires.

**6. 5-Year Bundle Options**

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### 5-Year Bundle Options in the March Quarterly Cycle:

For the 5-Year bundle option that expires in the March quarterly cycle, (i.e., March, June, September, and December), the underlying instrument is the 5-Year bundle with the nearest futures contract expiring in the same month as the option expires. For example, the underlying instrument for the December 97 5-Year bundle option is the 5-Year bundle starting with the December 97 futures contract.

### 5-Year Bundle Options Not in the March Quarterly Cycle:

For 5-Year bundle option that expires in months other than those in the March quarterly cycle, (i.e., January, February, April, May, July, August, October, and November), the underlying instrument is the 5-Year bundle with the nearest futures contract expiring in the March quarterly cycle that is next to the expiration of the option. For example, the underlying instrument for the 5-Year bundle option that expires in January 98 or February 98 is the 5-Year bundle futures starting with the March 98 futures contract.

#### **452A01.E. Exercise Prices**

##### **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 5-Year bundle options, exercise prices shall be stated as in terms of the average price of the futures contracts in the underlying bundle.

For Options in the March Quarterly Cycle, Options Not in the March Quarterly Cycle and 5-Year Bundle 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. For contract expirations whose expiration date is up to and including 12 months away, all eligible exercise prices in a range of 1.75 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 1.75 IMM Index points above and 1.75 IMM Index points below the exercise price nearest the previous day's settlement price. For contract expirations whose expiration date is more than 12 months up to and including 15 months away, all eligible exercise prices in a range of 2.00 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 2.00 IMM Index points above and 2.00 IMM Index points below the exercise price nearest the previous day's settlement price. For contract expirations whose expiration date is more than 15 months away, all eligible exercise prices in a range of 2.50 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 2.50 IMM Index points above and 2.50 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.

For One-Year ~~and~~, Two-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 2.50 IMM Index points above and below the exercise price that is nearest the futures price shall be listed for trading.

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Thereafter, the Exchange shall add for trading all eligible exercise prices in a range of 2.50 IMM Index points above and 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 two nearest Options in the March Quarterly cycle and two nearest options not in the March Quarterly cycle, 12.5 point exercise prices shall be listed beginning on the Exchange business day following the expiration of the last contract month in the same listing cycle. For the nearest options in the March Quarterly cycle and two nearest options not in the March Quarterly cycle 1-Year MidCurve options, and the nearest options in the March Quarterly cycle 2-year and 5th-Year MidCurve options, 12.5 point exercise prices shall be listed beginning on the Exchange business day following the expiration of last contract month in the same listing cycle. The Exchange shall list put and call options at the 12.5 point exercise price that is nearest the previous day's settlement price of the underlying futures contract month and the 12.5 point exercise price above and the 12.5 point exercise price below the 12.5 point exercise price that is nearest the previous day's settlement price of the underlying futures contract.

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

**452A01.F. Position Accountability**

A person owning or controlling a combination of options and underlying futures contracts that exceeds 10,000 futures-equivalent contracts net on the same side of the market in all contract months combined shall provide, in a timely fashion, upon request by the Exchange, information regarding the nature of the position, trading strategy, and hedging information if applicable.

For the purpose of this rule, the futures equivalent of an option contract is 1 times the previous business day's IOM risk factor for the option series. Also for purposes of this rule, a long call option, a short put option, and a long underlying futures contract are on the same side of the market; similarly, a short call option, a long put option, and a short underlying futures contract are on the same side of the market.

**452A01.G. [Reserved]**

**452A01.H. Accumulation of Positions**

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, shall be cumulated.

**452A01.I. [Reserved]**

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### 452A01.J. Termination of Trading

#### 1. Options in the March Quarterly Cycle

For options in the March quarterly cycle, except for those Mid-Curve options specified in Paragraph 3 and those 5-Year bundle options specified in Paragraph 4, options trading shall terminate at the same date and time as the underlying futures contract.

#### 2. Options Not in the March Quarterly Cycle

Options trading for contracts not in the March quarterly cycle except for those Mid-Curve options specified in Paragraph 3 and those 5-Year bundle options specified in Paragraph 4, 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

Trading in One-Year ~~and~~, Two-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.

#### 4. 5-Year Bundle Options

Trading in 5-Year Bundle options 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.

### 452A01.K. Contract Modifications

Specifications shall be fixed as of the first day of trading of a contract except that all options must conform to government regulations in force at the time of exercise. If the U.S. Government, an agency or duly constituted body thereof issues an order, ruling, directive or law inconsistent with these rules, such order, ruling, directive or law shall be construed to become part of these rules and all open and new options contracts shall be subject to such government orders.

*(The remainder of this chapter remains unchanged.)*

If you have any questions, please contact Mr. Peter Barker, Director, Interest Rate Marketing, at (312) 930-8554, or Mr. Richard Co, Associate Director, Research & Product Development, at (312) 930-3227.

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**VII. BOARD APPROVES CHANGES TO RULE REGARDING BUNCHED ORDER ALLOCATION**

At its Regular Meeting on Wednesday, August 6, 2003, the Board of Directors approved changes to Rule 536.E. regarding customer orders. These changes were necessary in order to comply with the CFTC's rule revision regarding post trade allocation of bunched orders.

On July 11, 2003, the Commodity Futures Trading Commission ("CFTC") approved final rule revisions to CFTC Rule 1.35(a-1)(5). The amendments establish the terms and conditions that govern the post-allocation of bunched orders. Specifically, the CFTC's rule amendments modify the rule in six ways:

First, the amendments permit the bunching of orders placed on behalf of *all* customers. Under the previous rule, only orders for "qualified eligible participants" (*i.e.*, sophisticated customers), were eligible for inclusion in a bunched order. Second, the amendments expand the class of eligible account managers from registered CTAs and Investment Advisors to include non-registered CTAs and IAs, as well as foreign advisors that trade solely on behalf of non-U.S. persons.

Third, the amendments replace the mandatory disclosure requirement (*i.e.*, with respect to allocation methodology, comparative results and interest of the account manager) with an information availability requirement. Fourth, the amendments obviate the requirement that, before placing a bunched order, an account manager must provide the FCM with a written certification that the account manager is aware of the requirements of the rule.

Fifth, the amendments modify the manner in which it is determined that the allocation methodology is fair and equitable. Under the previous rule, the appropriate allocation of a given trade had to be verifiable. Under the amendments, the rule merely requires that fairness be determined over time, rather than by a trade-by-trade basis. In addition, the amendments require account managers to provide, in an effort to minimize end-of-trading session congestion, allocation information to FCMs in a time "sufficiently" before the end of the trading session during which the order is executed. The previous rule required that such information be provided "no later than the end of the day the order is executed."

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Finally, the amendments modify the recordkeeping requirements to clarify the responsibilities of account managers and FCMs. Account managers are required to maintain and make available to the CFTC records sufficient to show that allocations are fair and equitable. FCMs are required to maintain and make available to the CFTC records that identify the orders subject to bunching and the accounts to which trades executed for such orders are allocated.

CME's conforming rule changes require that the allocation and recording of bunched orders must be done in compliance with CFTC and NFA guidelines. The proposed amendments to CME Rule 536.E. are set forth below with additions underlined and deletions lined out.

### 536. RECORDS FOR ORDERS AND PERSONAL TRANSACTIONS DURING REGULAR TRADING HOURS 1

#### 536.A-D [No Change]

#### 536.E. Customers' Orders 2

At the time of execution, every order received from a customer must be in writing and except as provided below, must include the customer's designation. Each such order shall be dated and time-stamped when received and when returned or, in the case of an arbitrage or flashed transaction, when confirmed or cancelled. A customer's account designation is not required at the time of execution for orders eligible for post-trade allocation.

~~A customer's account designation is not required at the time of execution for orders entered by Eligible Account Managers, including one of the following, who has been granted investment discretion with regard to eligible customer accounts:~~

- ~~1. A CTA registered with the Commission pursuant to the CEA;~~
- ~~2. An investment advisor registered with the SEC pursuant to the Investment Advisers Act of 1940;~~
- ~~3. A bank, insurance company, trust company or savings and loan association subject to federal or state regulation; or~~
- ~~4. A foreign adviser who provides advice solely to foreign persons and who is subject to regulation by a foreign regulator or self-regulatory organization that has been granted an exemption pursuant to Section 30.10 of the CFTC Regulations or has entered into a Memorandum of Understanding or other arrangement for cooperative enforcement and information sharing with the CFTC provided that the certification required by this Rule is made ("foreign entity").~~

Bunched orders entered by Eligible Account Managers must be allocated and recorded in accordance with CFTC Regulation 1.35(a-1)(5) and NFA's Interpretive Notice related to Compliance Rule 2-10 without a customer's account designation must be entered for accounts owned by Eligible Customers as defined in CFTC Regulation 1.35(a-1)(5)(ii).

~~Before a member accepts for clearing any part of an order eligible for post execution allocation, it must receive from the account manager:~~

- ~~1. If not previously provided, certification in writing that:~~
  - ~~a. Before placing the initial order eligible for post execution allocation, the account manager disclosed to each of its customers to be subject to post execution allocation;~~

1 Rule 932.C.1. contains recording requirements for orders entered for discretionary accounts. Revised October 1986; December 1986; September 1989; June 1990; Revised November 2000.

2 Revised July 1999; Revised November 2000.

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- i. ~~The general nature of the allocation methodology the account manager will use;~~
  - ii. ~~The standard by which the account manager will judge the fairness of allocations;~~
  - iii. ~~The ability of the customer to review summary or composite data sufficient for that customer to compare its results with those of other relevant customers; and~~
  - iv. ~~Whether the accounts in which the account manager may have any interest may be included with customer accounts in bunched orders eligible for post-execution allocation.~~
- b. ~~The account manager is aware of and will abide by the provisions of this Rule.~~
2. ~~If not previously identified, the identity of each eligible customer to which fills will be allocated.~~
3. ~~If the account manager is a foreign adviser, written certification from a foreign authority stating that (1) the foreign adviser's activities are subject to regulation by that foreign authority and (2) the foreign authority will provide, upon request of the Commission, Department of Justice, or CME Department of Market Regulation, information that relates to the foreign adviser's compliance with the requirements of this Rule.~~

~~Orders eligible for post-execution allocation must be allocated in accordance with and subject to the following requirements:~~

- 1. ~~Allocations must be made only to the accounts of eligible customers.~~
- 2. ~~Allocations must be made as soon as practicable after the entire transaction is executed, but no later than the time specified by Exchange staff in the Clearing House Manual of Operations.~~
- 3. ~~Allocations must be fair and equitable. No account or group of accounts may receive consistently favorable or unfavorable treatment.~~
- 4. ~~The allocation methodology must be sufficiently objective and specific so that the appropriate allocation for a given trade can be verified in an independent audit.~~
- 5. ~~The allocation methodology must be consistently applied.~~

~~The following record keeping requirements apply to the post-execution allocation of orders:~~

- 1. ~~Prior to order placement, each account manager shall create and timestamp an order origination document reflecting the terms of the order and expected allocation thereof. Any subsequent determination to alter any terms or allocation of the order shall likewise be documented;~~
- 2. ~~Each order shall be identified by group identifier or other code on the office and/or floor order ticket at the time of placement. The group identifier or other code on each order ticket shall relate back to the specific order origination document required by the preceding paragraph;~~
- 3. ~~Each account manager shall make available, upon request of any representative of the Commission, the United States Department of Justice, or the CME Department of Market Regulation, the following records:~~
  - a. ~~The disclosure documents required pursuant to this Rule; and~~
  - b. ~~Records reflecting futures and option transactions and other transactions and any other records, including the order origination document that would identify the management strategy or the allocation methodology or would relate to, or reflect upon, the fairness of the allocations.~~
- 4. ~~Each account manager shall make available for review, upon request of an eligible customer, summary or composite data sufficient for that customer to compare its results with those of other relevant customers. These summary data may be prepared so as not to disclose the identity of individual account holders.~~

**B20**

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If you have any questions regarding the proposed rule amendments, please contact Mr. Eric Wolff, Managing Director, Regulatory Affairs, at (312) 930-3255 or Mr. Stephen Szarmack, Associate General Counsel, at (312) 648-5422.

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**VIII. BOARD APPROVES CHANGES TO GLOBEX® TRADING HOURS, EFFECTIVE MONDAY, SEPTEMBER 29, 2003**

At its Regular Meeting on Wednesday, August 6, 2003, the Board of Directors approved amendments to GLOBEX trading hours, effective Monday, September 29, 2003. These amendments ... (1) eliminate the current 10:00–11:00 p.m. (Central time) GLOBEX shutdown for all CME products traded on the GLOBEX system (including foreign exchange and interest rate products); and (2) open GLOBEX stock index trading at 3:30 p.m. instead of 3:45 p.m. (Central time).

These actions will provide access to GLOBEX trading during key periods where the current schedule of Exchange operations may inhibit significant trading activity. In particular, overseas customers in Exchange interest rate and foreign exchange products will be able to trade on GLOBEX between 10:00-11:00 p.m. nightly, the time of the current operational shutdown. Further, when the new hours are effective, CME stock index product customers will be able to trade CME stock index products on GLOBEX, when corporate earnings are frequently reported during the late afternoon (3:30 p.m. to 4:30 p.m.).

**New GLOBEX Hours** – The table below details the new GLOBEX trading hours.

Products	Current GLOBEX Trading Hours	Proposed GLOBEX Trading Hours
E-Mini S&P 500 futures and options, E-Mini NASDAQ-100 futures, E-Mini Russell 2000 futures, E-Mini Russell 1000 futures, E-Mini Midcap 400 futures, S&P BARRA Growth futures and options, S&P BARRA Value futures and options, Financial SPCTR futures, Techcomm SPCTR futures, FORTUNE e-50 futures, Weather (HD, CD, Seasonal) futures and options	<ul style="list-style-type: none"> <li>On Sundays and holidays from 5:30 p.m. to 3:15 p.m. the following day</li> <li>On Mondays through Thursdays from 3:45 p.m. to 3:15 p.m. the following day</li> <li>Shutdown period from 10:00 to 11:00 p.m. nightly</li> </ul>	<ul style="list-style-type: none"> <li>On Sundays and holidays from 5:30 p.m. to 3:15 p.m. the following day</li> <li>On Mondays through Thursday from 3:30 p.m. to 4:30 p.m.; trading to halt between 4:30 p.m. to 5:00 p.m.; trading ends at 3:15 p.m. the following day</li> <li>Shutdown period from 4:30 to 5:00 p.m. nightly (1), (3)</li> </ul>
S&P 500 futures and options, NASDAQ-100 futures and options, Russell 2000 futures, S&P Midcap 400 futures	<ul style="list-style-type: none"> <li>On Sundays and holidays from 5:30 p.m. to 8:15 a.m. the following day</li> <li>On Mondays through Thursdays from 3:45 p.m. to 8:15 a.m. the following day</li> <li>Shutdown period from 10:00 to 11:00 p.m. nightly</li> </ul>	<ul style="list-style-type: none"> <li>On Sundays and holidays from 5:30 p.m. to 8:15 a.m. the following day</li> <li>On Mondays through Thursday from 3:30 p.m. to 4:30 p.m.; trading to halt between 4:30 p.m. to 5:00 p.m.; trading ends at 8:15 a.m. the following day</li> <li>Shutdown period from 4:30 to 5:00 p.m. nightly (1), (3)</li> </ul>

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Products	Current GLOBEX Trading Hours	Proposed GLOBEX Trading Hours
<b>Eurodollar futures, LIBOR futures, T-Bill futures, 2, 5, 10-Year SWAP futures, Fed Funds Turn futures, 5, 10-Year Agency futures, 28-Day TIE futures, 91-Day CETES futures</b>	<ul style="list-style-type: none"> <li>On Sundays and holidays from 5:30 p.m. to 4:00 p.m. the following day</li> <li>On Mondays through Thursdays from 4:30 p.m. to 4:00 p.m. the following day</li> <li>Shutdown period from 10:00 to 11:00 p.m. nightly</li> </ul>	<ul style="list-style-type: none"> <li>On Sundays and holidays from 5:30 p.m. to 4:00 p.m. the following day</li> <li>On Mondays through Thursdays from 5:00 p.m. to 4:00 p.m. the following day</li> <li>Shutdown period from 4:00 to 5:00 p.m. nightly (2), (3)</li> </ul>
<b>Eurodollar options, LIBOR options</b>	<ul style="list-style-type: none"> <li>On Sundays and holidays from 5:32 p.m. to 7:04 a.m. the following day</li> <li>On Mondays through Thursdays from 2:13 p.m. to 7:04 a.m. the following day</li> <li>Shutdown period from 10:00 to 11:00 p.m. nightly</li> </ul>	<ul style="list-style-type: none"> <li>On Sundays and holidays from 5:32 p.m. to 7:04 a.m. the following day</li> <li>On Mondays through Thursdays from 2:13 p.m. to 7:04 a.m. the following day</li> <li>Shutdown period from 4:00 to 5:00 p.m. nightly (3)</li> </ul>
<b>Currency futures</b>	<ul style="list-style-type: none"> <li>On Sundays and holidays from 5:30 p.m. to 4:00 p.m. the following day</li> <li>On Mondays through Thursdays from 4:30 p.m. to 4:00 p.m. the following day</li> <li>Shutdown period from 10:00 to 11:00 p.m. nightly</li> </ul>	<ul style="list-style-type: none"> <li>On Sundays and holidays from 5:30 p.m. to 4:00 p.m. the following day</li> <li>On Mondays through Thursdays from 5:00 p.m. to 4:00 p.m. the following day</li> <li>Shutdown period from 4:00 to 5:00 p.m. nightly (2), (3)</li> </ul>
<b>Currency options (except Australian dollar, New Zealand dollar and South African rand options, which are not listed on GLOBEX)</b>	<ul style="list-style-type: none"> <li>On Sundays and holidays from 5:30 p.m. to 7:05 a.m. the following day</li> <li>On Mondays through Thursdays from 2:30 p.m. to 7:05 a.m. the following day</li> <li>Shutdown period from 10:00 to 11:00 p.m. nightly</li> </ul>	<ul style="list-style-type: none"> <li>On Sundays and holidays from 5:30 p.m. to 7:05 a.m. the following day</li> <li>On Mondays through Thursdays from 2:30 p.m. to 7:05 a.m. the following day</li> <li>Shutdown period from 4:00 to 5:00 p.m. nightly (3)</li> </ul>
<b>Benzene futures, Mixed Xylene futures</b>	<ul style="list-style-type: none"> <li>On Sundays and holidays from 5:30 p.m. to 2:15 p.m. the following day</li> <li>On Mondays through Thursdays from 3:00 p.m. to 2:15 p.m. the following day</li> <li>Shutdown period from 10:00 to 11:00 p.m. nightly</li> </ul>	<ul style="list-style-type: none"> <li>On Sundays and holidays from 5:30 p.m. to 2:15 p.m. the following day</li> <li>On Mondays through Thursdays from 3:00 p.m. to 2:15 p.m. the following day</li> <li>Shutdown period from 4:00 to 5:00 p.m. nightly (3)</li> </ul>
<b>GSCI futures and options</b>	<ul style="list-style-type: none"> <li>On Sundays and holidays from 5:30 p.m. to 2:00 p.m. the following day</li> <li>On Mondays through Thursdays from 2:30 p.m. to 2:00 p.m. the following day</li> <li>Shutdown period from 10:00 to 11:00 p.m. nightly</li> </ul>	<ul style="list-style-type: none"> <li>On Sundays and holidays from 5:30 p.m. to 2:00 p.m. the following day</li> <li>On Mondays through Thursdays from 2:30 p.m. to 2:00 p.m. the following day</li> <li>Shutdown period from 4:00 to 5:00 p.m. nightly (3)</li> </ul>

- (1) The GLOBEX pre-opening session shall be conducted from 4:50 p.m. to 5:00 p.m. Trades concluded between 3:30 p.m. and 4:30 p.m. shall be posted for the next trade date. The next day's trading session shall recommence at 5:00 p.m. and trades concluded at 5:00 p.m. and after shall be for the next trade date (or 5:30 p.m. on Sundays and holidays).
- (2) The daily trade session shall conclude at 4:00 p.m. – trades booked from 5:00 p.m. and after shall be booked for the next trade date (or 5:30 p.m. on Sundays and holidays). The GLOBEX pre-opening session shall be conducted from 4:50 p.m. to 5:00 p.m.
- (3) Actual opening / reopening times at 5:00 p.m. are subject to normal GLOBEX opening rotation schedules.

If you have any questions, please contact Mr. Jim Krause, Managing Director, Operations & Enterprise Computing, at (312) 930-8173, or Mr. Steven Youngren, Associate Director, Financial Product Development, at (312) 930-4583.

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**IX. BOARD APPROVES MODIFICATION TO CME\$INDEX FUTURES  
FINAL SETTLEMENT PROCEDURE**

At its Regular Meeting on Wednesday, August 6, 2003, the Board of Directors approved modifying the current procedure used to calculate the final settlement for the CME\$INDEX futures contract based on feedback from market makers in CME\$INDEX futures. The current procedure calls for a settlement of expiring CME\$INDEX futures against the index value rounded to two decimal places (0.01). Under the new rule, the index value will be rounded to three decimal places (0.001). The change will be effective beginning with the September 2003 contract.

This new procedure is being implemented because the current rounding procedure introduces a fairly sizeable discrepancy in accounting for CME\$INDEX arbitrage/hedge trades. Rounding the index value to three decimals instead of two decimals will reduce any rounding error from as much as \$5.00 to less than \$0.50 per contract.

Please also note that cross-rate FX futures contracts involving Canadian Dollar expire at the same time as the CME\$INDEX and futures contracts on other major currencies. The current settlement procedure for these cross-rate futures contracts call for a staff-determined reference price for Canadian Dollar futures at 9:16 a.m. When determining this rate, exchange staff may include the Canadian Dollar rate implied by the final settlement prices of the CME\$INDEX and other currency futures in their consideration along with Canadian Dollar futures floor and GLOBEX prices and quote vendor Canadian Dollar "spot next" and "tom next" prices at 9:16 a.m. on the Monday cross-rate termination of trading day.

Following is the rule amendment with additions underlined and deletions bracketed and overstruck.

**40402. SETTLEMENT PROCEDURES****40402.A. Physical Delivery**

## 1. Procedures

In addition to the procedures and requirements contained in this chapter, delivery procedures shall be governed by the rules set forth in Chapter 7.

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## Final Settlement

The CME\$INDEX is a trade-weighted geometric average of seven currencies and is computed using the following formula, currencies, currency weights and the final settlement prices of futures contracts of the underlying component currencies traded on the Exchange that expire simultaneously with the CME\$INDEX:

The CME\$INDEX at time t is computed using the following equation:

$$CME \$INDEX_t = B_t \cdot \prod_{i=1}^7 (1/S_{i,t})^{w_{i,t}}$$

where  $\prod_{k=1}^n (x_k)$  is the product of  $x_k$  as k ranges from 1 to n,  $S_{it}$  is the exchange rate of currency i at time t, expressed in dollars per unit of foreign currency,  $w_{i,t}$  is the weight of currency i at time t, and  $B_t$  is a multiplier that is calculated every time the currency weights,  $w_{i,t}$  change to ensure continuity. The index value is rounded to ~~two~~ three decimal places (0.001).

[Remainder of rule is unchanged.]

If you have any questions, please contact Mr. Scott Brusso, Director, Foreign Exchange at (312) 930-3133, or Mr. Steven Youngren, Associate Director, Financial Research, at (312) 930-4583.