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## Special Executive Report

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S-3989

September 5, 2003

### **BOARD APPROVES AMENDMENTS TO OPTIONS ON CME DEGREE DAYS INDEX FUTURES RULES**

At its Regular Meeting on September 3, 2003, the Board of Directors approved amendments to Options on CME Degree Days Index Futures Rule **403A01.E. Exercise Prices**. These amendments will become effective at the start of business on Monday, September 8, 2003 for all listed contract months.

The amendments are shown below, with additions underlined and deletions bracketed and overstruck.

#### **CHAPTER 403A OPTIONS ON CME DEGREE DAYS INDEX FUTURES**

**1**

##### **2403A01.E. Exercise Prices**

##### **3FOR HDD ONLY**

Exercise prices shall be stated in terms of the respective CME Degree Days Index futures contract that is deliverable upon exercise of the option.

For all contract months, exercise prices shall be at intervals of ~~[40]~~50 CME Degree Days Index points (e.g., 700, 750, 800, etc.). In addition, for options on the two contract months nearest to expiration, some exercise prices shall also be at intervals of 10 index points (e.g., 710, 720, 730, etc.). ~~[For example, if the underlying CME Degree Days Index futures is trading at 700, this would be the at the money strike and the next strike higher would be at 710, then 720, etc.]~~

At the commencement of option trading in a contract ~~[period]~~month, the Exchange shall list put and call options at intervals of 50 index points in a range of 250 index points above and below ~~[the exercise price that is nearest]~~ the previous day's settlement price of the underlying futures contract. Thereafter, when the settlement price in the underlying futures contract occurs at or passes through any exercise price, the Exchange shall list on the next trading day put and call options at the next higher (or lower) exercise price within a 250-point range above (or below) the settlement price. ~~[In addition, for options on the CME HDD, all eligible exercise prices in a range of 250 HDD(350 HDD for October Chicago & October NYC) above and below the exercise price that is nearest that futures price shall be listed for trading.]~~

~~For options on the CME-CDD, all eligible exercise prices in a range of 200 CDD above and below the exercise price that is nearest that futures price shall be listed for trading.]~~

Furthermore, for options on the two contract months nearest to expiration, the Exchange shall list put and call options at intervals of 10 index points in a range of 100 index points above and below the previous day's settlement price of the underlying futures contract. Thereafter, when a settlement price in the underlying futures contract occurs at or passes through any exercise price, the Exchange shall list on the next trading day put and call options at the next higher (or lower) exercise price within a 100-point range [the 250 HDD (350 HDD for October Chicago & October NYC) above (or below) the settlement price.]~~exercise price nearest the previous day's settlement price for options on the CME HDD Degree Days Index, or with the 200 CDD above (or below) the exercise price nearest the previous day's settlement price for options on the CME-CDD Index.]~~ New options may be listed for trading up to and including the termination of trading.

### **FOR CDD ONLY**

Exercise prices shall be stated in terms of the respective CME Degree Days Index futures contract that is deliverable upon exercise of the option.

For all contract months, exercise prices shall be at intervals of 10 CME Degree Days Index points. For example, if the underlying CME Degree Days Index futures is trading at 700, this would be the at-the-money strike and the next strike higher would be at 710, then 720, etc.

At the commencement of trading in a contract period, the Exchange shall list put and call options at the exercise price that is nearest the previous day's settlement price of the underlying futures contract. For options on the CME-CDD, all eligible exercise prices in a range of 200 CDD above and below the exercise price that is nearest that futures price shall be listed for trading.

Thereafter, when a settlement price in the underlying futures contract occurs at or passes through any exercise price, the Exchange shall list on the next trading day put and call options at the next higher (or lower) exercise price within the 200 CDD above (or below) the exercise price nearest the previous day's settlement price for options on the CME-CDD Index. 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.

If you have any questions, please contact Charles Piszczor, Senior Market Analyst, Commodity Product Development, at (312) 930-4536, or Paul Peterson, Director, Commodity Product Development at (312) 930-4587.