



20 South Wacker Drive
Chicago, IL 60606-7499
www.cme.com

312/930.1000 tel/
312/466.4410 fax

Special Executive Report

S-4038

December 15, 2003

Board Approves Revision to E-miniTM NASDAQ Composite[®] Index Futures Final Settlement Price Calculation

The Board of Directors has approved a revision to the procedures associated with the calculation of the Final Settlement Price of E-miniTM NASDAQ Composite[®] Index futures. This revision shall be effective with respect to the first expiration of this contract on December 19, 2003.

The Final Settlement Price for the contract is based on the opening values of the component stocks in the Index, referred to the Special Opening Quotation (SOQ). The SOQ utilizes a Volume Weighted Opening Price (VWOP) as the value of the component stocks for purposes of calculating the SOQ. If a component stock does not open for trade on the Final Settlement Date, the previous day's closing price is used to value that stock.

But if one or more stocks do not open for trade promptly or do not open for trade at all on the Final Settlement Date, publication of the SOQ and Final Settlement Price may be delayed, possibly until the conclusion of the trading day. Given that the NASDAQ Composite includes approximately 3,500 stocks, it is a virtual certainty that several stocks will not open promptly or at all on any particular day, delaying the publication of the Final Settlement Price.

In order to provide for the prompt publication of the Final Settlement Price, the procedure for calculating the SOQ shall be revised to incorporate a 9:30 a.m. (Chicago time) "cut-off" time, *i.e.*, if trading of any particular component stock does not commence before 9:30 a.m., the stock shall be valued at its previous day's closing price for purposes of calculating the SOQ.

This modification will likely affect the stock prices utilized in the determination of the SOQ of approximately 1% of the component stocks of the Index by weight. Accordingly, the impact of this revision on the value of the SOQ is expected to be slight. Note that this amendment applies only to E-mini NASDAQ Composite Index futures. The calculation methodology of the Final Settlement Price for other equity index futures remains unchanged.

Amendments to Exchange Rules are provided below with deletions bracketed and overstruck; and, additions underlined.

CHAPTER 377: E-MINI NASDAQ COMPOSITE INDEX FUTURES

37703. SETTLEMENT PROCEDURES

Delivery under the E-Mini NASDAQ Composite Index futures contract shall be by cash settlement.

37703.A. Final Settlement Price

The Final Settlement Price shall be determined on the third Friday of the contract month or, if the NASDAQ Composite Index is not scheduled to be published for that day, on the first earlier day for which the Index is scheduled to be published.

The final settlement price shall be a Special Opening Quotation of the NASDAQ Composite Index to be determined by the NASDAQ Stock Market Inc. ("NASDAQ"). If the NASDAQ does not open on the day scheduled for the determination of the Final Settlement Price, then the Final Settlement Price shall be the Special Opening Quotation of the first subsequent day on which NASDAQ does open.

The Special Opening Quotation of the NASDAQ Composite Index shall be based on Volume Weighted Prices (VWP) of NASDAQ Composite Index stocks. The VWP of a stock shall be computed from transaction prices in the five-minute period beginning with its first transaction price at or after 8:30 a.m. Chicago time, as reported by NASDAQ.

The VWP of a stock in the index shall be a weighted average of its transaction prices during this five-minute period. The weight associated with a particular transaction price shall be the fraction of the total volume of trade during this five-minute period which was executed at this transaction price.

If the first transaction of a stock occurs after ~~[2:55 PM]~~ 9:25 a.m., Chicago time, then its VWP shall be computed from transaction prices reported before ~~[3:00 p.m.]~~ 9:30 a.m., Chicago time. If a stock does not trade after 8:30 a.m. and before ~~[3:00 p.m.]~~ 9:30 a.m., Chicago time, then its VWP shall be its closing price from the previous day. However, if the President of the Exchange or his delegate determines that there is a reasonable likelihood that trading in the stock shall occur shortly, the President or his delegate may instruct that the price of stock shall be based, for the purposes of calculating the Final Settlement Price, on the opening price of the stock on the next day that it is traded on its primary market. Factors to be considered in determining whether trading in the stock is likely to occur shortly shall include the nature of the event and recent liquidity levels in the affected stock.

With the exception of trade reports with .O modifiers, trade reports that do not have modifiers attached to them shall be used for the computation of VWPs.

If you have any questions, please contact Mr. Brett Vietmeier, Associate Director, Index Products, at (312)930-3394, or Mr. Richard Co, Associate Director, Research and Product Development, at (312)930-3227.