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## Special Executive Report

S-4040

December 17, 2003

### **EXPANDED STRIKE PRICE RANGE FOR LIVE CATTLE OPTIONS**

Under authority delegated by the Board of Directors, the strike price range for Live Cattle options in 1-cent intervals is expanded from 10 cents to 14 cents, effective Wednesday, December 17, 2003.

The text of rule amendments is shown below, with additions underlined and deletions bracketed and overstruck:

#### **OPTIONS ON LIVE CATTLE FUTURES**

##### **101A01. OPTION CHARACTERISTICS**

##### **E. Exercise Prices**

##### **1. Options in the February Bi-Monthly Cycle**

The exercise prices shall be stated in terms of cents per pound. For all contract months, exercise prices shall be at intervals of 2¢; e.g., 60¢, 62¢, 64¢, etc. In addition, for the first two contract month, some exercise prices shall also be at intervals of 1¢; e.g., 60¢, 61¢, 62¢, etc., as is described below.

At the commencement of option trading in a contract month, the Exchange shall list put and call options at intervals of 2¢ in a range 14¢ above and below the previous day's settlement price of the underlying futures contract. When a sale, bid, offer, or settlement price in the underlying futures contract occurs at, or passes through an exercise price, the Exchange shall list on the next trading day put and call options at the next higher (or next lower) exercise price within a 14¢ range above (or below) the exercise price at which or through which the underlying futures sale, bid, offer, or settlement price occurred.

When a contract becomes the second nearest contract month in the February bi-monthly cycle, the Exchange shall add exercise prices at 1¢ intervals at a range [~~10¢~~] 14¢ above and below the previous day's settlement price. Thereafter, when a sale, bid, offer, or settlement price occurs at, or passes through, any exercise price, the Exchange shall on the next trading day list put and call options at the next higher (or next lower) exercise price within a [~~10¢~~] 14¢ range above (or below) the exercise price through which the underlying futures sale, bid, offer, or settlement price occurred. In addition, when a sale, bid, offer, or settlement price occurs at, or passes through, any even-numbered exercise prices; e.g., 60¢, 62¢, 64¢, the Exchange shall on the next trading day list put and call options at the next higher (or next lower) even-numbered exercise price within a 14¢ range above (or below) the exercise price through which the underlying futures sale, bid, offer, or settlement price occurred. 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 there are any questions regarding this matter, please contact Paul Peterson, Director, Research and Product Development at 312-930-4587 or Jack Cook, Economist, Research and Product Development at 312-930-3295.