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## Special Executive Report

S-4122

August 3, 2004

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

The strike price range for 2-cent strikes in Feeder Cattle Options will be expanded from 10 cents to 16 cents above and below the previous day's settlement. Under delegated authority, this change will be effective on Tuesday, August 3, 2004.

The text of amended Rule 102A01.E is noted below, with additions underlined and deletions bracketed and overstruck:

#### **OPTIONS ON FEEDER CATTLE FUTURES**

##### **102A01. OPTION CHARACTERISTICS**

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

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 months, some exercise prices shall be at intervals of 1¢; e.g., 61¢, 62¢, 63¢, etc., as described below. For the expiring contract month, some exercise prices shall also be at intervals of .50¢; e.g., 60.50¢, 61.50¢, 62.50¢, etc., as described below.

At the commencement of option trading in a contract month, the Exchange shall list put and call options at 2¢ intervals in a range of ~~[4¢]~~ 16¢ 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 option contracts at the next higher (or next lower) exercise price within a ~~[4¢]~~ 16¢ 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 month becomes the second nearest contract month, the Exchange shall add exercise prices at 1¢ intervals at a range of 6¢ above and below the previous day's settlement price of the underlying futures contract. If the previous day's futures contract settlement price equals an eligible exercise price, then that exercise price shall also be listed, if not yet listed. Thereafter, when a sale, bid, offer, or settlement price in the underlying futures contract occurs at, or passes through, an odd-numbered 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 6¢ range above (or below) the exercise price at which or through which the underlying futures sale, bid, offer, or settlement price occurred.

On the first business day of the expiring contract month, the Exchange shall add exercise prices for the expiring contract at .50¢ intervals at a range 2¢ above and below the previous day's settlement price. If the previous day's futures contract settlement price equals an eligible exercise price, then that exercise price shall also be listed. Thereafter, when a sale, bid, offer, or settlement price occurs at, or passes through, a half-cent 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 2¢ 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 you have any questions about this matter, please contact Jack Cook, Economist, Research and Product Development, at (312) 930-3295, or Paul Peterson, Director, Research and Product Development, at (312) 930-4587.