



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

312/930.1000 tel/  
312/466.4410 fax

## Special Executive Report

S-4138

October 8, 2004

### **Board Approves Amendments to E-Mini™ S&P 500®, S&P 500, S&P 500 Growth, S&P 500 Value Options Tick Size and GLOBEX® Order Entry Quantity**

On September 8, 2004 and October 6, 2004, the Board approved the following changes to the E-Mini S&P 500, S&P 500, S&P 500 Growth, and S&P 500 Value options contracts effective as of **Sunday, November 7, 2004**:

- A minimum price fluctuation or tick of 0.05 index point (\$2.50) for E-mini S&P 500 options trading at premiums of 3.00 index points or less will be applied. The current E-mini S&P 500 option tick of 0.25 index points (\$12.50) for options trading at premiums above 3.00 index points will be retained. Cabinet trades may be entered at minimum ticks of 0.05 index points (\$2.50) regardless of the level of option premium in contrast to the current 0.125 (\$6.25) cabinet trade increment.
- The S&P 500, S&P 500 Growth, and S&P 500 Value option tick sizes such that options trading at premiums of 3.00 index points or less will be quoted in 0.05 index point (\$12.50) ticks. Current practices require that options trading at premiums of 2.00 index points or less are quoted in 0.05 ticks.
- A GLOBEX order entry quantity limit of 1,500 contracts with respect to E-mini S&P 500 options will be applied. Currently no order entry quantity is applied to options although a 400 contract limit is applied to electronically traded equity index futures.

There will also be a GLOBEX fee waiver for E-mini S&P 500 options extended to 106H, 106R, EIP, and AIP members in addition to the fee waiver that has been previously approved for customers. The fee waiver will be effective from **October 1, 2004** through **June 2005**.

The table below illustrates the changes and rule amendments follow with additions underlined and deletions bracketed and struck out.

### Changes to Equity Options Tick Values

<b>E-mini S&amp;P 500</b>	<b>CURRENT</b>	<b>NEW (As of Nov. 7, 2004)</b>
<b>Large Tick</b>	0.25 index pts (\$12.50)	Premium > 3.00 ⇒ 0.25 index pts (\$12.50)
<b>Small Tick</b>	0.25 index pts (\$12.50)	Premium ≤ 3.00 ⇒ 0.05 index pts (\$2.50)
<b>Cabinet Trade</b>	0.125 index pts (\$6.25)	0.05 index pts (\$2.50)
<b>S&amp;P 500</b>	<b>CURRENT</b>	<b>NEW (As of Nov. 7, 2004)</b>
<b>Large Tick</b>	Premium > 2.00 ⇒ 0.10 index pts (\$25)	Premium > 3.00 ⇒ 0.10 index pts (\$25)
<b>Small Tick</b>	Premium ≤ 2.00 ⇒ 0.05 index pts (\$12.50)	Premium ≤ 3.00 ⇒ 0.05 index pts (\$12.50)
<b>Cabinet Trade</b>	0.05 index pts (\$12.50)	0.05 index pts (\$12.50)
<b>S&amp;P 500 Growth</b>	<b>CURRENT</b>	<b>NEW (As of Nov. 7, 2004)</b>
<b>Large Tick</b>	Premium > 2.00 ⇒ 0.10 index pts (\$25)	Premium > 3.00 ⇒ 0.10 index pts (\$25)
<b>Small Tick</b>	Premium ≤ 2.00 ⇒ 0.05 index pts (\$12.50)	Premium ≤ 3.00 ⇒ 0.05 index pts (\$12.50)
<b>Cabinet Trade</b>	0.05 index pts (\$12.50)	0.05 index pts (\$12.50)
<b>S&amp;P 500 Value</b>	<b>CURRENT</b>	<b>NEW (As of Nov. 7, 2004)</b>
<b>Large Tick</b>	Premium > 2.00 ⇒ 0.10 index pts (\$25)	Premium > 3.00 ⇒ 0.10 index pts (\$25)
<b>Small Tick</b>	Premium ≤ 2.00 ⇒ 0.05 index pts (\$12.50)	Premium ≤ 3.00 ⇒ 0.05 index pts (\$12.50)
<b>Cabinet Trade</b>	0.05 index pts (\$12.50)	0.05 index pts (\$12.50)

**358A01.C. Minimum Fluctuations**

The price of an option shall be quoted in index points, except as provided in Rule 584 (GLOBEX® Volatility Quotes). Each .01 index point (1 basis point) shall represent \$0.50.

The minimum fluctuation shall be .25 index points (also known as one tick). Trades may also occur at a price of ~~[-125]~~ .05 index points, ~~[\$6.25]~~ \$2.50, ~~[also known as one-half tick],~~ whether or not such trades result in the liquidation of positions for both parties to the trade. A trade with a price equal to or less than 3.00 index points may also occur at a price in multiples of .05 index points, \$2.50.

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

**351A01.C. Minimum Fluctuations**

The price of an option shall be quoted in index points, except as provided in Rule 584 (GLOBEX Volatility Quotes). Each .01 index point (1 basis point) shall represent \$2.5. The minimum fluctuation shall be .10 index points (\$25.00, also known as one tick). Trades may also occur at a price of .05 index points (\$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. ~~[During RTH, a]~~ A trade with a price equal to or less than ~~[2.00]~~ 3.00 index points may also occur at a price in multiples of .05 index points, e.g. 15 index points (\$37.50, also known as one and one-half ticks), and 1.95 index points (\$487.50 also known as nineteen and one-half ticks).

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

**355A01.C. Minimum Fluctuations**

The price of an option shall be quoted in index points, except as provided in Rule 584 (GLOBEX Volatility Quotes). Each .01 index point (1 basis point) shall represent \$2.5. The minimum fluctuation shall be .10 index points (\$25.00, also known as one tick). Trades may also occur at a price of .05 index points (\$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. ~~[During RTH, a]~~ A trade with a price equal to or less than ~~[2.00]~~ 3.00 index points may also occur at a price in multiples of .05 index points, e.g., .15 index points (\$37.50, also known as one and one-half ticks), and 1.95 index points (\$487.50, also known as nineteen and one-half ticks).

If options are quoted in volatility terms, the minimum fluctuation shall be .05 percent.

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### **356A01.C. Minimum Fluctuations**

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

### **557.B. Execution of Orders**

1. Orders of any quantity may be accepted for stock index futures and options on stock index futures for entry on the GLOBEX System. However, orders exceeding 400 futures contracts must be entered on the GLOBEX System as multiple entries each of which must not exceed 400 contracts. Orders exceeding 1,500 contracts in options on E-mini S&P 500 futures contract must be entered on the GLOBEX System as multiple entries each of which must not exceed 1,500 contracts. This restriction shall not apply to TRAKRS contracts where orders of any quantity may be entered, within normal GLOBEX System limitations.

*For more information, please do not hesitate to call Tina Lemieux, Director, Equity Products at 312-930-3151, Tom Boggs, Associate Director, Equity Products at 312-930-3038 or Brett Vietmeier, Associate Director, Equity Products at 312-930-3394.*