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## Special Executive Report

**S-4246**

**April 4, 2005**

This updated Special Executive Report contains the following:

Section	Description	Page
1	CME <sup>®</sup> Euro FX and Japanese Yen European-Style Options Launch on Sunday, April 3, 2005	1
	Side by Side and CME GALAX-C <sup>®</sup> Hand-held Unit Trading	1
	European Exercise Definition	1
	Trading Hours (Central Time) for CME European-Style FX Options	2
	Ticker Symbols for CME European-Style FX Options	2
	Initial Options Contract Months*	2
2	European-Style FX Options Operational Time Table at Expiration*	3
3	All or None (AON) Trading	5
4	Block Trading	5
5	CME Globex <sup>®</sup> Error Trade Policy	5
6	CME Globex Price Bands	5
7	Pit Location and Trading Floor Price Displays*	6
8	Membership Access / New Product Access Program	6
9	Reportable Position Levels for CME European-Style FX Options	6
10	Options Contract Month Listing Procedures	7
11	Selected Quote Vendor Symbols*	8
12	Revised CME Rulebook Contract Terms	8
13	Contract Specifications Summary	12

*\*Indicates a new or updated section*

### **1. CME EURO FX AND JAPANESE YEN EUROPEAN-STYLE OPTIONS LAUNCH ON SUNDAY, APRIL 3, 2005**

**Launch Dates:** CME Euro FX and CME Japanese Yen European-style options on futures contracts will start trading on the CME<sup>®</sup> Globex<sup>®</sup> platform at 5:00 PM Central Time (CT) on Sunday, April 3, 2005, and on the trading floor beginning at 7:20 AM CT on Monday, April 4, 2005.

**Side by Side and CME GALAX-C<sup>®</sup> Hand-held Unit Trading:** The new European-style FX options will trade side by side on the trading floor and on the CME Globex platform. The listings and the trading of CME American-style FX options are unchanged. CME European-style FX options will be available for trading on the CME GALAX-C<sup>®</sup> hand-held unit. Please see staff at the 5<sup>th</sup> floor Hand-held Distribution Center for more information on GALAX-C trading, to register for a class, and/or apply for a unit.

**European Exercise Definition:** The new contract terms are designed to appeal to over-the-counter (OTC) FX options market participants. By definition, the European-style options are exercised at expiration only. Exercise and assignment of CME European-style FX options are based on the "CME currency fixing price" determined at 9:00 a.m. CT (10:00 a.m. Eastern Time) on Fridays. See details under Section 2.

#### **Contacts:**

**Scott Brusso, Director, Foreign Exchange, at (312) 930-3133**

**Dave Schulz, Associate Director, Foreign Exchange, at (312) 930-3426**

**Steve Youngren, Associate Director, Financial Product Development, at (312) 930-4583**

**TRADING HOURS (CENTRAL TIME) FOR CME EUROPEAN-STYLE FX OPTIONS**

**TRADING FLOOR (Monday through Friday)**

7:20 a.m. to 2:00 p.m.

**CME Globex Platform (Sunday through Friday)**

5:00 p.m. (trading opens for the next trade date) to 4:00 p.m. the following day. On Friday CME Globex platform closes at 4:00 p.m. and reopens Sunday at 5:00 p.m.

**TICKER SYMBOLS FOR CME EUROPEAN-STYLE FX OPTIONS**

FX CONTRACT	TRADING FLOOR				CME Globex SIDE BY SIDE TICKER SYMBOL	CME Globex <u>Weekly Options</u> Commodity Codes & Ticker Symbols	CME CURRENCY FIXING PRICE SYMBOLS
	RTH Commodity Code	RTH Ticker Symbol	All-Or-None (Trading Floor Only)	<u>Weekly Options</u> Commodity Codes & Ticker Symbols			
<b>EC</b>	YT	YT	0T	1T-5T	XT	1Q-5Q	YT
<b>JY</b>	YJ	YJ	0J	1Y-5Y	XJ	1O-5O	YJ

**INITIAL OPTIONS CONTRACT MONTHS**

<u>Outrights</u>	<u>Contract*</u>	<u>Termination of Trading</u>		<u>Exercise &amp; Expiration</u>	<u>Underlying Futures*</u>
		<u>Trading Floor</u>	<u>CME Globex</u>		
Quarter 1	Jun 2005	Jun 2, 2005	Jun 3, 2005	Jun 3, 2005	Jun 2005
Quarter 2	Sep 2005	Sep 8, 2005	Sep 9, 2005	Sep 9, 2005	Sep 2005
Quarter 3	Dec 2005	Dec 8, 2005	Dec 9, 2005	Dec 9, 2005	Dec 2005
Quarter 4	Mar 2006	Mar 2, 2006	Mar 3, 2006	Mar 3, 2006	Mar 2006

<u>Serial</u>	<u>Contract*</u>	<u>Termination of Trading</u>		<u>Exercise &amp; Expiration</u>	<u>Underlying Futures*</u>
		<u>Trading Floor</u>	<u>CME Globex</u>		
Serial 1	Not listed	n.a.	n.a.	n.a.	n.a.
Serial 2	May 2005	May 5, 2005	May 6, 2005	May 6, 2005	Jun 2005

<u>Weekly</u>	<u>Contract*</u>	<u>Termination of Trading</u>		<u>Exercise &amp; Expiration</u>	<u>Underlying Futures*</u>
		<u>Trading Floor</u>	<u>CME Globex</u>		
Week 3*	April 15, 2005*	Apr 14, 2005	Apr 15, 2005	Apr 15, 2005	Jun 2005
Week 4*	April 22, 2005*	Apr 21, 2005	Apr 22, 2005	Apr 22, 2005	Jun 2005
Week 5*	April 29, 2005*	Apr 28, 2005	Apr 29, 2005	Apr 29, 2005	Jun 2005
Week 2	May 13, 2005*	May 12, 2005	May 13, 2005	May 13, 2005	Jun 2005

\*Indicates a change or new section.

**INITIAL OPTIONS CONTRACT MONTHS (continued)**

<b><u>Calendar Spreads</u></b>	<b><u>Floor **</u></b>	<b><u>CME Globex</u></b>
		None listed at this time

<b><u>Inter-Commodity Spreads</u></b>	<b><u>Floor**</u></b>	<b><u>CME Globex</u></b>
		None listed at this time

\*\*Spreads involving CME European-style FX options traded on the trading floor will follow similar spread trading conventions for existing CME American-style FX options.

The regular options listing schedule includes four March quarterly cycle months, two serial months and four weekly options contracts.

## **2. EUROPEAN-STYLE FX OPTIONS OPERATIONAL TIME TABLE AT EXPIRATION (REVISED PROCEDURES)**

- a. CME European-style FX options expire on Fridays at 9:00 a.m. Central time. Floor trading of the CME European-style FX options terminates at 2:00 p.m. Central time on Thursdays.<sup>1</sup> CME Globex platform trading of these options terminates at 9:00 a.m. on Fridays. As noted previously, CME European-style FX options will be available for trading on the CME GALAX-C<sup>®</sup> hand-held unit.
- b. A regular FX outtrade session is held on Friday morning prior to the market opening to resolve outtrades and give ups from the prior trading day.
- c. On Friday, as soon after 9:00 a.m. Central time as is practicable, CME will determine for each European-style FX option the "CME currency fixing price," the price defining which options are in the money and exercised. These "fixing prices" are rounded to the nearest whole (one-point) tick as defined by the respective contract's Price Increments rule.
- d. Block trades can be reported to the CME Globex Control Center (GCC) up until 4:00 p.m. Central time on Friday.
- e. On Friday afternoon, the special outtrade session for expiring options is held. At this session, all outstanding outtrades resulting from floor trading or block trading must be resolved. Firms have until the normal 7:00 p.m. deadline to get all giveups and average-price transactions accepted.
- f. Final exercise and assignment (E&A) is run Friday night at the normal time using the special "CME currency fixing prices" captured at 9:00 a.m. Central time. Clearing House exercises all in-the-money and abandons all at- and out-of-the-money (at-the-money fixing price is considered out-of-the-money) CME European-style FX options based on the "CME currency fixing price."

<sup>1</sup> CME European-style FX options contracts may be traded directly on the CME Globex platform until expiration at 9:00 a.m. on Fridays. These options positions may also be hedged with the underlying futures contracts traded both on the trading floor and the CME Globex platform. Also, in addition to trading the CME European-style options on the CME Globex platform, customers wanting to trade on economic release numbers issued on Friday mornings could trade the current American-style CME FX options, which remain listed under existing conventions.

- g. The methodology for calculating the CME currency fixing price is composed of several “tiers” and is consistently applied to each nearby currency futures contract underlying the European-style option. Depending upon the pricing history unique to each currency futures contract, the resulting CME currency fixing price calculations can be based on varying tiers. For example, the British pound and Swiss franc CME currency fixing prices might be based on Tier 2 (when listed for trading at a future date), but the Euro FX and Japanese yen fixings might be based only on Tier 1 on the same day.

Tier 1 Take the two-minute average of sale (trade) prices, weighted by volume where available, from 8:58 to 9:00 a.m. Central time on the day of determination of the CME currency fixing price.

Tier 2 If no sales (trades) occurred during the two-minute interval noted above, take the midpoint of each bid & ask spread where available and average the resulting midpoints over the two-minute interval. However, when looking at each bid / ask spread, if it is wider than a specified number of points (inputted variable, e.g., 3 points for Euro and Japanese yen, 4 points for British pound, etc.), then ignore that average bid & ask pair in the calculation.

Tier 3 If no sales (trades) and no bid and ask prices occurred during the two-minute interval, then take the five-minute average of sale (trade) prices, weighted by volume where available, from 8:55 to 9:00 a.m. Central time.

Tier 4 If no sales (trades) occurred during the five-minute interval noted above, take the midpoint of each bid & ask spread where available and average the resulting midpoints over the five-minute interval. However, when looking at each bid / ask spread, if it is wider than a specified number of points (inputted variable, e.g., 3 points for Euro and Japanese yen, 4 points for British pound, etc.), then ignore that average bid & ask pair in the calculation.

Tier 5 If no sales (trades) and no bid and ask prices occurred during the five-minute interval, then Exchange staff shall take into consideration any other information it deems appropriate to determine the CME currency fixing price for that day. This information may include, but is not limited to the following, and the procedures to determine the information may be performed in any order by Exchange staff: (1) repeat the steps described in Tiers 3 or 4 at ever increasing five-minute increments (e.g., intervals of 10, 15, 20, etc. minutes) until data is obtained; (2) derive synthetic futures prices from quote vendor spot rates and appropriate maturity forward points; and (3) set the CME currency fixing price using any other information or method deemed appropriate.

- h. Therefore, knowledge of the forced exercise of all in-the-money options combined with automatic forced abandonment of all at- and out-of-the-money options enable the Clearing House, clearing firms and their customers to predict shortly after 9:00 a.m. Central time on Friday, which expiring FX options positions will be assigned futures positions. Therefore, customers/clearing firms will know to hedge or trade out of the newly assigned futures positions at a time when the futures and OTC markets are open and trading. Since the OTC FX options market also values its expiring options at 9:00 a.m. Central time each day, OTC market participants can look at their combined OTC options, futures and European-style futures options books at the same time and make appropriate trading decisions. This compatibility will make CME European-style FX options appealing to OTC FX options traders.

If you have any questions, please contact Steve Youngren, Associate Director, Financial Product Development, at (312) 930-4583.

### **3. ALL-OR-NONE TRADING**

All-Or-None (AON) trading for the CME European-style FX options contracts will be allowed at minimum thresholds of 100 contracts. AON trading will be conducted in same location as regular pit-trading of the respective currency options pits.

If you have any questions, please contact Lori Aldinger, Senior Financial Analyst, Financial Product Development, at (312) 930-2337.

### **4. BLOCK TRADING**

Block trading is allowed in the CME European-style FX options on futures contracts at minimum thresholds of 250 contracts. Block trading of underlying futures contracts is not allowed.

If you have any questions, please contact Lori Aldinger, Senior Financial Analyst, Financial Product Development, at (312) 930-2337.

### **5. CME Globex ERROR TRADE POLICY**

The standard CME Globex error trade policy for CME foreign exchange options applies to the CME European-style FX options as follows:

<u>Prices</u>	<u>No Bust Range</u>
Below 6	Bust eligible
6 to 10	3 ticks or less
11 to 20	4 ticks or less
21 to 50	5 ticks or less
51 to 100	7 ticks or less
101 & above	10 ticks or less

If you have any questions, please contact the CME Globex Control Center at (312) 456-2391.

### **6. CME Globex PRICE BANDS**

As with our existing American-style currency options contracts, there are no price limits for CME Globex or for floor trading CME European-style FX contracts, and if the underlying futures were to be under a lock limit situation, then trading of the options would be halted. However, for CME Globex trading, automated price banding prevents execution of orders at prices falling outside of 60 ticks for outright trades and 20 ticks for spread trades from the last sale, best bid or best offer. Price banding prevents the entry of limit orders more than a pre-determined amount above the last price in the case of bids and more than the same pre-determined amount below the last price in the case of offers. The band "shadows" the currency futures or options price as it reacts to new transaction prices, higher bids and lower offers. The CME Globex bands

minimize inadvertent price entries into CME Globex. The underlying futures price bands are the same as for both the European-style and American-style FX options bands.

If you have any questions, please contact the CME Globex Control Center at (312) 456-2391.

## **7. PIT LOCATION AND TRADING FLOOR PRICE DISPLAYS**

The two new CME European-style FX options will be traded in the same trading areas as the corresponding American-style options pits. Hence, European-style Euro FX options will be traded in the American-style Euro FX options pit and the European-style Japanese yen options will be traded in the American-style Japanese yen options pit.

Price displays for the European-style Euro FX options will be on the West Board. Price displays for the European-style Japanese yen options will be on the South Board. The daily "CME currency fixing prices" for both the European-style Euro FX and Japanese yen options will appear on the Center West Span Board. The daily "CME currency fixing prices" are calculated from price and volume data for the futures contract month underlying the next to expire CME European-style FX option. (See section 2 page 4 for more details on the CME currency fixing price.)

If you have any questions, please contact Mike Briskey, Associate Director, Trading Floor Operations, at (312) 930-4567 or Lupe Garcia, Associate Director, Trading Floor Operations, at (312) 930-8261.

## **8. MEMBERSHIP ACCESS / NEW PRODUCT ACCESS PROGRAM**

As options products, the new CME European-style FX options contracts are allocated to the IOM Division and are included in the Exchange's New Product Access Program (CME Rule 194.— NEW PRODUCT ACCESS PROGRAM). GEM members trading these products will be charged lessee clearing fee rates rather than out-of-division rates for a limited time.

GEM members wanting to spread CME European-style FX options with outright CME Euro FX and CME Japanese yen futures or the counterpart American-style options, (i.e., IMM futures or IOM options) would have to enter orders for those trades either simultaneously with or after the European-style FX options leg (see INTERPRETATION OF RULE 135.A. REGARDING ALLOWABLE SPREADS FOR GEM MEMBERS).

If you have any questions, please contact Lori Aldinger, Senior Financial Analyst, Financial Product Development, at (312) 930-2337.

## **9. REPORTABLE POSITION LEVELS FOR CME EUROPEAN-STYLE FX OPTIONS**

For purposes of Rule 817 – REPORTS OF LARGE POSITIONS, the minimum levels at which positions must be reported to the Exchange is 25.

If you have any questions, please call Steve Mair, Manager, Currency Surveillance, at (312) 466-4382.

## **10. OPTIONS CONTRACT MONTH LISTING PROCEDURES**

**March Quarterlies on Trading Floor:** For the trading floor, CME will list the next March quarterly options contract month not yet listed for trading on the business day following

termination of the nearby March quarterly options contract month on the trading floor. Therefore, CME will list the June 2006 options contract month on the trading floor on the morning of Friday, June 3, 2005, which is the business day following the Thursday, June 2, 2005, termination of trading day for the June 2005 options contract month on the trading floor.

**March Quarterlies on the CME Globex platform:** For CME Globex trading, CME will list the next March quarterly options contract month not yet listed for trading on the CME Globex platform on the evening (5:00 p.m.) of the termination of trading day for the nearby March quarterly options contract month on the trading floor. Therefore, for the European-style options on CME Euro FX and CME Japanese yen futures, CME will list the June 2006 options contract month on CME Globex on the evening of Thursday, June 2, 2005 for the CME Globex trade date of Friday, June 3, 2005, which is the business day following the Thursday, June 2, 2005, termination of trading day on the trading floor for the June 2005 options contract month.

**Serials on Trading Floor & the CME Globex platform:** Similarly, the July 2005 serial options contract month will be listed for trading on the trading floor on Friday, April 8, 2005, the business day following theoretical termination of trading on the trading floor for the unlisted April 2005 first serial contract month on Thursday, April 7, 2005. The July 2005 serial options contract month will be listed for trading on CME Globex on the evening (5:00 p.m.) of the termination of trading day on the trading floor for the nearby serial options contract month. Therefore, for the European-style options on CME Euro FX and CME Japanese yen futures, CME will list the July 2005 options contract month on CME Globex on the evening of Thursday, April 7, 2005, for the CME Globex trade date of Friday, April 8, 2005, which is the business day following the theoretical Thursday, April 7, 2005, termination of trading day on the trading floor for the unlisted April 2005 options contract month. The August 2005 serial options contract month will be listed for trading on the trading floor on Friday, May 6, 2005, the business day following termination of trading on the trading floor for the May 2005 serial options contract month. Also, the August 2005 serial options contract months will be listed for trading on CME Globex on the evening of Thursday, May 5, 2005, for the trade date of Friday, May 6, 2005, which is the business day following the Thursday, May 5, 2005, termination of trading day on the trading floor for the May 2005 serial contract month.

**Weeklies on Trading Floor & the CME Globex platform:** CME will list for trading on the trading floor, the "May 20, 2005" weekly options, on Friday, April 15, 2005, the business day following the Thursday, April 14, 2005 termination of trading on the trading floor for the "April 15, 2005" weekly option. CME will list for trading on CME Globex, the "May 20, 2005" weekly options, on the evening of Thursday, April 14, 2005, for the CME Globex trade date of Friday, April 15, 2005, which is the business day following termination of trading on the trading floor for the "April 15, 2005" weekly options.

If you have any questions, please contact Steve Youngren, Associate Director, Financial Product Development, at (312) 930-4583.

## **11. SELECTED QUOTE VENDOR SYMBOLS**

### **CME European-Style Foreign Currency Options on Euro FX and Japanese Yen Futures**

Vendor Name	System Name	RTH Ticker Symbol	CME Globex Ticker Symbol	AON Symbol	Fixing Symbol	Weekly Options Side-by-side Ticker Symbols	Weekly Options Globex Ticker Symbols
		Euro FX / Japanese Yen	Euro FX / Japanese Yen	Euro FX / Japanese Yen	Euro FX / Japanese Yen	Euro FX / Japanese Yen	Euro FX / Japanese Yen
		YT / YJ	XT / XJ	OT (zero-tee) / OJ	YT / YJ	1T-5T / 1Y-5Y	1Q-5Q / 1O-5O (5-oh)
Bloomberg	Bloomberg	YTA / YJA	GYTA / GYJA	WTA / WJA	YT / YJ	1TA-5TA / 1VA-5VA	G1TA-G5TA / G1VA-G5VA
Comstock	Comstock						
CQG Inc.	CQG for Windows	YT/YJ***	XT/XJ***	N/A	EUY / JYY	N/A	N/A
Data Transmission Network		N/A	N/A	N/A	N/A	N/A	N/A
E-Signal	eSignal	YT/YJ	XT/XJ	N/A	N/A	N/A	N/A
E-Signal/BMI	Market Center	YT/YJ	XT/XJ	N/A	N/A	N/A	N/A
Futuresource	Futures Source	YT/XJ	YT/XJ	YT/XJ	YT/XJ	YT/XJ	YT/XJ
Hyperfeed/PC Quote		N/A	N/A	N/A	N/A	N/A	N/A
ILX Systems	ILX Workstation						
Moneyline Telerate		US@YT/US@YJ	US@XT/US@XJ	US@OT/US@OJ	US@YT/US@YJ	US@1T-5T/US@1Y-5Y	US@1Q-5Q/US@1O-5O
Reuters	IDN (ETH)	<0#YT+><0#YJ+>	<0#XT+><0#XJ+>	<0#T+><0#J+>	<.YTY> <.YJY2>	<0#YJW+><0#YJW+>	<0#YJW+><0#YJW+>
Bridge	BIS	US@YT/US@YJ	US@XT/US@XJ	US@OT/US@OJ	US@YT/US@YJ	US@1T-5T/US@1Y-5Y	US@1Q-5Q/US@1O-5O
Telesphere	Telesphere						
Track Data	MX	X'XB`	XT'XJ`	N/A	X'XB`	N/A	N/A
TradeStation		YT.P / YJ.P	YT / YJ	OT.P / OJ.P	\$YTY / \$YJY	1T-5T / 1Y-5Y	1Q-5Q / 1O-5O

\*\*\*CQG: May be a few weeks delay before these are available on their system.

If you have any questions, please contact Laura Sutor, Market Data Analyst, Market Data Operations, at (312) 648-5480.

## 12. REVISED CME RULEBOOK CONTRACT TERMS

Responding to customer requests, CME staff under delegated authority from the Board of Directors has made minor operational modifications to the CME European-style FX options exercise and termination of trading rules. The net effect of these changes is to extend trading of the CME European-style FX options on the CME Globex platform from the previous termination of 2:00 p.m. CT on Thursdays to 9:00 a.m. CT on Fridays when the options expire. A copy of the amended rules follows with additions underlined, and deletions bracketed and overstruck.

### AMENDMENTS TO SELECT<sup>2</sup> EUROPEAN-STYLE EXERCISE OPTIONS ON FOREIGN EXCHANGE FUTURES

Amendments apply to all five CME European-style foreign exchange contracts (existing CME Rules 251A, 252A, 253A, 254A, 261A.). However, since CME will list initially only CME Euro FX and CME Japanese Yen European-style foreign exchange options, only CME Rules 261A. and 253A. will be published with these amendments. The amendments for the other three European-style foreign exchange options (BP, CD & SF) will be published at such time as they are listed for trading.

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<sup>2</sup> Selection includes Options on British Pound Sterling Futures, Options on Canadian Dollar Futures, Options on Japanese Yen Futures, Options on Swiss Franc Futures, and Options on Euro Futures.

Additions are underlined and deletions are bracketed with strikeouts. CME will insert the appropriate Chapter numbers 251, 252, 253, 254 and 261 into the blank spaces.

**\_\_\_A00. SCOPE OF CHAPTER**

This chapter is limited in application to trading put and call options on [enter name of currency, e.g., Euro] futures contracts. Separate contracts as indicated shall be listed for trading specifying American-style exercise and European-style exercise. The procedures for trading, clearing, inspection, delivery and settlement and any other matters not specifically covered herein shall be governed by the rules of the Exchange.

**\_\_\_A01. OPTION CHARACTERISTICS**

**\_\_\_A01.H. Termination of Trading for American-Style Exercise Options**

**1. Monthly Options in the March Quarterly Cycle ("Quarterly Options")**

Trading in monthly options in the March quarterly cycle (i.e., March, June, September and December) shall terminate at the close of trading (usually 2:00 p.m. Central time) on the second Friday immediately preceding the third Wednesday of the contract month. If the foregoing date for termination is a scheduled Exchange holiday, trading in monthly options shall terminate on the immediately preceding business day. In the event that the underlying futures market does not open on the scheduled expiration day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

**2. Monthly Options Not in the March Quarterly Cycle ("Serial Options")**

Trading in monthly options not in the March quarterly cycle (i.e., January, February, April, May, July, August, October and November) shall terminate at the close of trading (usually 2:00 p.m. Central time) on the second Friday immediately preceding the third Wednesday of the contract month. If the foregoing date for termination is a scheduled Exchange holiday, trading in monthly options shall terminate on the immediately preceding business day. In the event that the underlying futures market does not open on the scheduled expiration day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

**3. Weekly Options**

Trading in weekly options shall terminate at the close of trading (usually 2:00 p.m. Central time) on those Fridays that are not also the termination of trading of a monthly option as described in the preceding sections 1 and 2. If the foregoing date for termination is a scheduled Exchange holiday, trading in weekly options shall terminate on the immediately preceding business day. In the event that the underlying futures market does not open on the scheduled expiration day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

**A01.I. Termination of Trading and Expiration Days for European-Style Exercise Options**

**1. Monthly Options in the March Quarterly Cycle ("Quarterly Options")**

The options expire on the second Friday immediately preceding the third Wednesday of the contract month (usually at 9:00 a.m. Central time). If the foregoing date for expiration is a scheduled Exchange holiday, option expiration shall occur at the same time on the immediately preceding business day. Trading in monthly options in the March quarterly cycle (i.e., March, June, September and December) on the trading floor shall terminate at the close of trading (usually 2:00 p.m. [Chicago] Central time) on the [second Thursday] business day immediately preceding the [third Wednesday] expiration of the contract month. Trading in monthly options in the March quarterly cycle (i.e., March, June, September and December) on the CME® Globex® platform shall terminate at 9:00 a.m. Central time on the contract month expiration day. ~~If the foregoing date for termination is a scheduled Exchange holiday, trading in monthly options shall terminate on the immediately preceding business day.~~ In the event that the underlying futures market does not open on the scheduled expiration day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

**2. Monthly Options Not in the March Quarterly Cycle ("Serial Options")**

The options expire on the second Friday immediately preceding the third Wednesday of the contract month (usually at 9:00 a.m. Central time). If the foregoing date for expiration is a scheduled Exchange holiday, option expiration shall occur at the same time on the immediately preceding business day. Trading in monthly options not in the March quarterly cycle (i.e., January, February, April, May, July, August, October and November) on the trading floor shall terminate at the close of trading (usually 2:00 p.m. Central time) on the [second Thursday] business day immediately preceding the [third Wednesday] expiration of the contract month. Trading in monthly options not in the March quarterly cycle (i.e., January, February, April, May, July, August, October and November) on the CME Globex platform shall terminate at 9:00 a.m.

~~Central time on the contract month expiration day. [If the foregoing date for termination is a scheduled Exchange holiday, trading in monthly options shall terminate on the immediately preceding business day.]~~ In the event that the underlying futures market does not open on the scheduled expiration day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

### 3. Weekly Options

~~The options expire (usually at 9:00 a.m. Central time) on those Fridays that are also not expirations for either monthly options in the March quarterly cycle or monthly options not in the March quarterly cycle. If the foregoing date for expiration is a scheduled Exchange holiday, option expiration shall occur at the same time on the immediately preceding business day. Trading in weekly options on the trading floor shall terminate at the close of trading (usually 2:00 p.m. Central time) on those [Thursdays] business days immediately preceding the expiration of the weekly option that are not also the termination of trading of a monthly option as described in the preceding sections 1 and 2. Trading in weekly options on the CME Globex platform shall terminate at 9:00 a.m. Central time on the contract month expiration days that are not also the contract month expiration days of a monthly option as described in the preceding sections 1 and 2. [If the foregoing date for termination is a scheduled Exchange holiday, trading in weekly options shall terminate on the immediately preceding business day.]~~ In the event that the underlying futures market does not open on the scheduled expiration day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

#### **A02. LISTING OF EXERCISE PRICES** [Rule is unchanged.]

#### **A03. EXERCISE**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of option contracts on [enter name of currency, e.g., Euro] futures. Both American-style and European-style exercise options on currency futures are available for trading.

##### **A03.A.1. Exercise of American-Style Exercise Options by Buyer**

An option may be exercised by the buyer on any business day that the option is traded. To exercise an option the clearing member representing the buyer shall present an exercise notice to the Clearing House by 7:00 p.m. Central time on the day of exercise.

All [enter name of currency, e.g., Euro] options that are in the money<sup>3</sup> and have not been liquidated or exercised prior to the termination of trading, shall, in the absence of contrary instructions delivered to the Clearing House by 7:00 p.m. Central time on the day of termination of trading by the clearing member representing the option buyer, be exercised automatically.

##### **A03.A.2. Exercise of European-Style Exercise Options**

All in-the-money options are automatically exercised by the Clearing House on the ~~[business day following the termination of trading]~~ day of expiration for the option. All out-of-the-money options are abandoned by the Clearing House on the ~~[business day following the termination of trading]~~ day of expiration for the option. To determine whether an option is in or out of the money on this day, the Exchange shall calculate the relevant "CME currency fixing price" from pit-traded and GLOBEX-traded underlying futures contracts as follows:

- Tier 1     Take the two-minute average of sale (trade) prices, weighted by volume where available, from 8:58 to 9:00 a.m. Central time on the day of determination of the CME currency fixing price.
- Tier 2     If no sales (trades) occurred during the two-minute interval noted above, take the midpoint of each bid & ask spread where available and average the resulting midpoints over the two-minute interval. However, when looking at each bid / ask spread, if it is wider than a specified number of points (inputted variable, e.g., 3 points for Euro, 6 points for British pound, etc.), then ignore that average bid & ask pair in the calculation.
- Tier 3     If no sales (trades) and no bid and ask prices occurred during the two-minute interval, then take the five-minute average of sale (trade) prices, weighted by volume where available, from 8:55 to 9:00 a.m. Central time.
- Tier 4     If no sales (trades) occurred during the five-minute interval noted above, take the midpoint of each bid & ask spread where available and average the resulting midpoints over the five-minute interval. However, when looking at each bid / ask spread, if it is wider than a specified number of points (inputted variable, e.g., 3 points for Euro, 6 points for British pound), then ignore that average bid & ask pair in the calculation.
- Tier 5     If no sales (trades) and no bid and ask prices occurred during the five-minute interval, then Exchange staff shall take into consideration any other information it deems appropriate to determine the CME currency fixing price for that day. This information may include, but is not limited to the following, and the procedures to determine the information may be performed in any order by Exchange staff: (1) repeat the steps described in Tiers 3 or 4

<sup>3</sup> An option is in the money if the settlement price of the underlying futures contract at termination lies above the exercise price in the case of a call, or lies below the exercise price in the case of a put.

at ever increasing five-minute increments (e.g., intervals of 10, 15, 20, etc. minutes) until data is obtained; (2) derive synthetic futures prices from quote vendor spot rates and appropriate maturity forward points; and (3) set the CME currency fixing price using any other information or method deemed appropriate.

The calculation of the CME currency fixing price at Tiers 1 to 5 shall be rounded to each contract's Price Increment's definition. For example, for Euro with a Price Increment of \$0.0001 per Euro, the CME currency fixing price shall be rounded to the nearest \$0.0001 per Euro (with \$0.00005 and above rounded up to \$0.0001, and \$0.00004 and below rounded down to \$0.0000).

An option is in the money if the CME currency fixing price of the underlying futures contract lies above the exercise price in the case of a call, or lies below the exercise price in the case of a put. For example, if the CME currency fixing price were 1.3051 or higher, then 1.3050 Calls shall be exercised. If the CME currency fixing price for Euro were 1.3050 or lower, then 1.3050 calls shall be abandoned. Similarly, if the CME currency fixing price were 1.3049 or lower, then 1.3050 Puts shall be exercised. If the CME currency fixing price for Euro were 1.3050 or higher, then 1.3050 Puts shall be abandoned.

#### **\_\_\_\_\_A03.B. Assignment**

Exercise notices either accepted from buyers of American-style exercise options or created by the Clearing House for buyers of European-style exercise options shall be assigned by the Clearing House through a process of random selection to clearing members with open short positions in the same series. American-style or European-style option characteristics shall be considered a criterion for same series. A clearing member to which an exercise notice is assigned shall be notified thereof as soon as practicable after such notice is assigned by the Clearing House, but not later than 45 minutes before the opening of Regular Trading Hours in the underlying futures contract on the following business day.

The clearing member assigned an exercise notice shall be assigned a short position in the underlying futures contract if a call is exercised or a long position if a put is exercised. The clearing member representing the option buyer shall be assigned a long position in the underlying futures contract if a call is exercised and a short position if a put is exercised.

All such futures positions shall be assigned at a price equal to the exercise price of the option and shall be marked to market in accordance with Rule 814 on the trading day following acceptance by the Clearing House of the exercise notice.

End of rule revisions.

If you have any questions, please contact Steve Youngren, Associate Director, Financial Product Development, at (312) 930-4583.

### 13. CME® EUROPEAN-STYLE FOREIGN EXCHANGE OPTIONS\*\*\*\*

	Euro FX Options	Japanese Yen Options
<b>Trading Unit (underlying)</b>	One Euro FX futures contract (€125,000)	One Japanese yen futures contract (¥12,500,000)
<b>Ticker Symbol</b>	CME® Globex® (Quarterly/Serial): XT Open Outcry (Quarterly/Serial): YT Open Outcry (Weekly): 1T-5T CME Globex (Weekly): 1Q-5Q AON: OT	CME Globex (Quarterly/Serial): XJ Open Outcry (Quarterly/Serial): YJ Open Outcry (Weekly): 1Y-5Y CME Globex (Weekly): 1O-5O AON: OJ
<b>Minimum Tick Size</b>	\$.0001 per Euro (equal to \$12.50). \$.00005 per Euro (\$6.25) for option prices of \$.00045 or less.	\$.000001 per Japanese yen (equal to \$12.50). \$.0000005 per Japanese yen (\$6.25) for option prices of \$.0000045 or less.
<b>Regular Strikes</b>	\$.005, e.g., \$1.055, \$1.060, \$1.065, etc.	\$.00005, e.g., \$.00425, \$.00430, \$.00435, etc.
<b>Initial Strikes Listed</b>	At-the-money strike plus 24 higher and 24 lower (+/- 24 on CME Globex)	At-the-money strike plus 30 higher and 30 lower (+/- 30 on CME Globex)
<b>Position Accountability</b>	A person owning/controlling a combination of options and underlying futures contracts that exceed 10,000 futures-equivalent contracts net on the same side of the market in all contract months combined shall provide, in a timely fashion, upon request by the Exchange, information regarding the nature of the position.	A person owning/controlling a combination of options and underlying futures contracts that exceed 10,000 futures-equivalent contracts net on the same side of the market in all contract months combined shall provide, in a timely fashion, upon request by the Exchange, information regarding the nature of the position.
<b>Price Limits</b>	Trading halted when underlying futures is locked limit (currently, no underlying futures limits). Options price banding on CME Globex is the same as underlying futures. Outrights =60 ticks & spreads =20 ticks.	
<b>Expiration Months</b>	Four option contract months in the March Quarterly Cycle (Mar, Jun, Sep, Dec), and two option contract months not in the March Quarterly Cycle, that is, serial months (Jan, Feb, Apr, May, Jul, Aug, Oct, Nov), plus four weekly expirations will trade on CME Globex and the trading floor.	
<b>Expiration Day</b>	Quarterly & Serial (Monthly) Options: Options expire on the second Friday immediately preceding the third Wednesday of the contract month usually at 9:00 a.m. (Chicago time) Weeklies: Options expire usually at 9:00 a.m. (Chicago time) on Fridays not also an expiration for quarterly and serial (monthly) options	
<b>Termination of Trading</b>	Quarterly & Serial (Monthly) Options: Floor trading terminates at the normal Regular Trading Hours (RTH) closing time (usually 2:00 p.m. Chicago time) on the business day preceding the expiration of the contract month. For any expiring option, CME Globex platform trading terminates at 9:00 a.m. (Chicago time) on the expiration day. Weeklies: Floor trading terminates at the normal RTH closing time (usually 2:00 p.m. Chicago time) on those business days preceding expiration of the weekly options that are not the termination of a quarterly or serial European-style option. For any expiring option, CME Globex platform trading terminates at 9:00 a.m. (Chicago time) on the expiration day.	
<b>Delivery</b>	Exercises into a physical delivery futures contract	
<b>Exercise Procedures</b>	European-style: All in-the-money options are automatically exercised at expiration. All European-style at-the-money and out-of-the-money options are abandoned by the Clearing House on the option expiration day. To determine whether an option is in or out of the money on this day, the Exchange calculates a "CME currency fixing price" from pit-traded and CME Globex-traded underlying futures contracts at 9:00 a.m. (Chicago time) on the European-style option expiration day.	
<b>Trading Hours</b>	<u>Monday through Friday</u>	
<b>Open Outcry</b>	7:20 a.m.-2:00 p.m. (Chicago time); occurs side-by-side with CME Globex trading. <u>Sunday through Friday</u>	
<b>CME Globex</b>	5:00 p.m.-4:00 p.m. (Chicago time) the following day. On Friday CME Globex platform closes at 4:00 p.m. and reopens Sunday at 5:00 p.m.	

\*\*\*\*All contract terms specified here are the same as for American-style options except for the termination of trading day and the exercise.