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## Special Executive Report

**S-4447**

**May 4, 2006**

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### **1. CME ISRAELI SHEKEL FOREIGN EXCHANGE (FX) FUTURES AND OPTIONS CONTRACTS BEGIN TRADING ON SUNDAY, MAY 7, 2006**

On Thursday, April 6, 2006, the Exchange announced the listing for trading of CME Israeli Shekel versus the U.S. Dollar futures and options on futures contracts, in order to expand the CME foreign exchange (FX) product line. These contracts will be physically-delivered futures, and American-style options. Both the futures and their options will be listed for trading exclusively on the CME Globex® electronic trading system. Contract launch highlights follow immediately below. A contract terms summary appears on page 7 and the detailed contract specifications and necessary rule amendments for the CME Rulebook follow the summary on page 8.

**Launch:** Sunday, May 7, 2006 at 5:00 p.m. for the CME Globex trade date of Monday, May 8, 2006.

### **2. TRADING HOURS**

Both futures and options will be traded exclusively on the CME Globex electronic trading system on Sundays through Fridays from 5:00 p.m. to 4:00 p.m. Central Time (CT) on the next day. Please note that on Friday the CME Globex platform closes at 4:00 p.m. and reopens Sunday at 5:00 p.m. CT.

#### **Contacts:**

Scott Brusso, Director, Foreign Exchange, at (312) 930-3133  
Steve Youngren, Associate Director, Financial Product Development, at (312) 930-4583  
Lori Aldinger, Associate Director, Financial Product Development, at (312) 930-2337

### 3. INITIAL CONTRACT MONTHS & LISTING PROCEDURES

Futures: Jun. 2006, Sep. 2006, Dec. 2006, Mar. 2007, Jun. 2007, Sep. 2007; plus calendar spreads of Sep. 2006 vs. Jun. 2006, Dec. 2006 vs. Jun. 2006, and Mar. 2007 vs. Jun. 2006.

Options: Jun. 2006, Sep. 2006, Dec. 2006, Mar. 2007 plus serials Jul. 2006, Aug. 2006 and weeklies [note the "5/11/06" weekly is not listed] 5/18/06, 5/25/06 and 6/1/06.

<b>CME Israeli Shekel Futures Contract Listing Procedures</b>			
	<b><i>Contract Month</i></b>	<b><i>Termination Date</i></b>	<b><i>Delivery Date</i></b>
<b>Initial Futures Months</b>	June 2006	6/19/06*	6/21/06
	September 2006	9/18/06	9/20/06
	December 2006	12/18/06	12/20/06
	March 2007	3/19/07	3/21/07
	June 2007	6/18/07	6/20/07
	September 2007	9/17/07	9/19/07
	September 2007	9/17/07	9/19/07
<b>New Futures Month Added for Trading on Tuesday, June 20, 2006, the Day Following Termination of Nearby Contract.*</b>	December 2007	12/17/07	12/19/07

<b>CME Israeli Shekel Options Contract Listing Procedures</b>			
	<b><i>Options Type</i></b>	<b><i>Series</i></b>	<b><i>Termination Date</i></b>
<b>Initial Options</b>	Weekly	Initial "5/11/06" not listed	Initial "5/11/06" not listed
	Weekly	5/18/06	5/18/06
	Weekly	5/25/06	5/25/06
	Weekly	6/1/06	6/1/06
	March Quarterly	June 2006	6/8/06
	Serial	July 2006	7/6/06
	Serial	August 2006	8/3/06
	March Quarterly	September 2006	9/7/06
	March Quarterly	December 2006	12/7/06
	March Quarterly	March 2007	3/8/07
	March Quarterly	March 2007	3/8/07
	March Quarterly	March 2007	3/8/07
<b>New Options Added for Trading on Day Following Termination of Nearby Series.</b>	Weekly	6/15/06 (listed on 5/12/06, the day following the theoretical "5/11/06" weekly option termination date)	6/15/06
	Weekly	6/22/06 (listed on 5/19/06)	6/22/06
<b><i>Continued</i></b>	<b><i>Options Type</i></b>	<b><i>Series</i></b>	<b><i>Termination Date</i></b>

	Weekly	6/29/06 (listed on 5/26/06)	6/29/06
	Weekly, etc.	7/13/06 (listed on 6/2/06)	7/13/06
	March Quarterly	June 2007 (listed on 6/9/06)	6/7/07
	Serial	October 2006 (listed on 7/7/06)	10/5/06
	Serial	November 2006 (listed on 8/4/06)	11/2/06
	March Quarterly, etc.	September 2007 (listed on 9/8/06)	9/6/07

#### **4. FUTURES AND OPTIONS CONTRACTS TERMINATION OF TRADING SCHEDULES**

The CME Israeli Shekel futures will terminate on the second business day preceding the third Wednesday of the contract month (standard IMM FX futures termination dates rule).

However, please note that for the CME Israeli Shekel options, CME has specified the termination of trading for the March quarterly and serial month CME Israeli Shekel Options to be the second Thursday immediately preceding the third Wednesday of the contract month (as opposed to the "second Friday immediately preceding" for other CME foreign exchange options). Weekly options will terminate on any other Thursdays that are not termination days for March quarterly and serial month shekel options.

Israel-based market participants preferred Thursday terminations for CME Israeli Shekel options rather than Fridays due to the opinion that liquidity in the underlying CME Israeli Shekel futures may decrease on Fridays in general (due to the observation of the Sabbath) and be somewhat more limited after 1:00 p.m. Israel time (8 hours ahead of Chicago or 5:00 a.m. Chicago time). By terminating CME Israeli Shekel options on Thursday, there is a greater likelihood of liquidity in the underlying CME Israeli Shekel futures contracts when market participants may look to offset assigned CME Israeli Shekel futures contracts from exercised options. However, analogous to the other CME foreign exchange options on physically delivered futures, please note that the CME Israeli Shekel options termination of trading date is not impacted by bank holidays in Israel.

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

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

The CME Israeli shekel futures contracts are allocated to the IMM Division and the associated options on futures are allocated to the IOM Division. Also, according to CME Rule 194 – **NEW PRODUCT ACCESS PROGRAM**, the CME Israeli shekel futures and options contracts will be included in the Exchange's "New Product Access Program." One effect of this provision is that GEM members trading these products on CME Globex will be charged lessee clearing fee rates rather than out-of-division rates for a limited time.

If you have any questions, please call Lori Aldinger, Associate Director, Financial Product Development, at (312) 930-2337.

## **6. BLOCK TRADING**

Block trading is allowed in the CME Israeli Shekel options on futures contracts (U.S. dollar based) at minimum thresholds of 250 contracts. Block trading of CME Israeli Shekel futures is not allowed.

If you have any questions, please call Lori Aldinger, Associate Director, Financial Product Development, at (312) 930-2337.

## **7. PROMOTIONAL FEE WAIVER**

All Exchange fees for all market participants will be waived for one year from the launch date (Sunday, May 7, for the trade date of Monday, May 8, 2006) for the CME Israeli shekel futures and options contracts.

If you have any questions, please contact Scott Brusso, Director, FX at (312) 930-3133.

## **8. REPORTABLE POSITION LEVELS AND UNDERLYING CASH INSTRUMENT FOR A CME ISRAELI SHEKEL FUTURES EFP**

For purposes of Rule 817 – REPORTS OF LARGE POSITIONS, the minimum levels at which positions must be reported to the Exchange is 25 for the new CME Israeli shekel futures and options contracts.

The cash side of an EFP transaction in the CME Israeli shekel futures contracts will follow standard EFP procedures. A market participant doing an EFP for these contracts will need underlying cash evidence of U.S. dollars or Israeli shekel as appropriate for the transaction.

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

## **9. PERFORMANCE BOND REQUIREMENTS**

Effective Monday, May 8, 2006, the CME Israeli shekel futures and options performance bonds will be as follows:

### **CME Currency Futures Outright Rates**

CME Israeli Shekel (IS)

<b>Rate Type</b>	<b>New Initial</b>	<b>New Maintenance</b>	<b>Volatility Scan Range</b>	<b>Short Option Minimum</b>
Spec	\$6,750	\$5,000	1%	1.5%
Hedge/Member	\$5,000	\$5,000		

### **CME Currency Futures Intra-Commodity Spread Rates**

CME Israeli Shekel (IS) - All Months

<b>Rate Type</b>	<b>Initial</b>	<b>Maintenance</b>
Spec	\$68	\$50
Hedge/Member	\$50	\$50

Please contact the Risk Management Department at (312) 648-3888, if you have any questions regarding these Performance Bonds.

#### **10. CME GLOBEX ERROR TRADE POLICY**

The standard CME Globex error trade policy for CME foreign exchange futures will apply to the CME Israeli Shekel futures. This includes a no bust range of “20 ticks or less” which is currently applicable for all foreign currency futures.

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

#### **11. CME GLOBEX PRICE BANDS**

As with our existing currency contracts, there are no price limits for CME Globex trading of CME Israeli Shekel futures and options contracts. However, for CME Globex trading, automated price banding prevents execution of orders at prices falling outside of 60 ticks (60 points) for outright trades and 10 ticks (10 points) 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 price as it reacts to new transaction prices, higher bids and lower offers. The CME Globex bands minimize inadvertent price entries into CME Globex.

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

#### **12. CHAPTER 7 DELIVERY RULE AMENDMENTS AND AGENT DELIVERY BANK**

The last section on pages 11 and 12 present amendments to Chapter 7 of the CME Rulebook to cover procedures for CME Israeli Shekel Futures contract physical deliveries. Please note that the Israeli Shekel is not yet eligible for delivery through CLS (Continuous Linked Settlement). Therefore, CME Israeli Shekel futures deliveries will be made under CME’s “Non-CLS” delivery rules. Also, currently, there is no same-day finality of payment for the Israeli Shekel. Therefore, CME’s currency delivery procedures require “dual orders to pay” (for sellers as well as buyers) to guarantee performance in the delivery process. “Dual orders to pay” were a prior requirement for CME South African Rand futures deliveries before the South African payments system adopted same-day finality of payment, and are still a requirement for CME currency cross-rate futures deliveries. Since Israel is working towards same-day finality of payment, the Exchange has included generic language in CME Chapter 7 delivery rules such that when a given country’s payments system adopts same-day finality of payment, CME will drop the requirement for “seller’s orders to pay” for that country’s currency futures deliveries.

CME has chosen Citibank as CME’s agent delivery bank for CME Israeli Shekel futures deliveries.

If you have any questions, please call Morgan Culverhouse, Manager Delivery and Fulfillment Services, Clearing House, at (312) 930-2892.

### 13. SELECTED QUOTE VENDORS AND CUSTOMER SERVICE NUMBERS

#### CME Israeli Shekel Futures and Options

Vendor Name	System Name	Israeli Shekel Futures and Options	Israeli Shekel Weekly Options
		ILS	IS1-IS5
Bloomberg	Bloomberg	ISA<currency>	1LmyC 1<currency>
CQG Inc.	CQG for Windows	ILS	N/A
Data Transmission Network		@IL	N/A
E-Signal	eSignal	6I	N/A
Futuresource	Futures Source	ILS	N/A
Hyperfeed/PC Quote		IF	N/A
Thompson	ILX Workstation	LT	N/A
Reuters	IDN (ETH)	@ILS	@1IS-@5IS
Bridge	BIS	ISR	N/A
Track Data	MX	ILS'	N/A
TradeStation		ILS	IS1-IS5

Vendor Name	Customer Service Number
Bloomberg	1-609-279-4110
CGI Group Inc.	1-800-387-8121
CQG Inc.	1-800-525-1085
Data Transmission Network	1-800-779-5000
E-Signal	1-800-762-7538
E-Signal/BMI	1-800-762-7538
Futuresource	1-800-678-6333
Hyperfeed/PC Quote	1-800-778-0445
ILX Systems	1-800-225-5459
Reuters	1-800-325-4357
Bridge	1-800-325-4357
Telerate	1-800-325-4357
Telesphere	1-800-325-4357
S&P Comstock	1-914-381-7000
Sungard	1-877-278-6371
Track Data	1-212-612-2100
CME Quote Vendor Services	1-312-930-8193

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

#### 14. SUMMARY CONTRACT SPECIFICATIONS: CME ISRAELI SHEKEL FUTURES AND OPTIONS

	Futures	Options on Futures
<b>Contract Size</b>	1,000,000 Israeli Shekelim (pl. Shekel) equal approximately to USD 223,000 as of 5/01/06	One futures contract
<b>Sample Quote</b>	<b>\$0.22300 per Israeli Shekel (ILS) <math>\approx</math> 4.4843 Shekelim/USD</b>	A quote of .00035 represents an option premium of \$350 ( $=1,000,000 \text{ ILS} \times \$0.00035 \text{ per ILS}$ )
<b>Minimum Price Fluctuation (Tick)</b>	\$0.00001 per Israeli Shekel (\$10.00/contract or approximately 44.84 ILS at current exchange rates). Also, trades can occur in \$0.000005 per Israeli shekel increments (\$5.00/contract) for ILS futures intra-currency spreads executed on CME® Globex®	\$0.00001 per Israeli shekel = \$10.00/contract; also, trades may occur at \$.000005 (\$5.00), \$.000015 (\$15.00), \$.000025 (\$25.00), \$.000035 (\$35.00), \$.000045 (\$45.00), which are less than five ticks of premium.
<b>Trading Hours</b>	Sundays through Fridays: 5:00 p.m. to 4:00 p.m. Central Time (CT) the next day. On Friday CME Globex platform closes at 4:00 p.m. and reopens Sunday at 5:00 p.m. CT.	Same as futures.
<b>Months</b>	Six (6) months in the March quarterly cycle, i.e., March, June, September and December	<u>Quarterly Options</u> : four (4) months in the March quarterly cycle. <u>Serial Options</u> : two (2) serial option months (non-March cycle months, e.g., January, February, April, May, July, August, October and November). <u>Weekly Options</u> : four (4) weekly options listed.
<b>Last Trading Day</b>	Trading ceases at 9:16 a.m. CT on the 2 <sup>nd</sup> business day before the 3 <sup>rd</sup> Wednesday of the contract month. If that day is not a CME business day, then the termination of trading will be at the same time on the preceding business day.	<u>Quarterly and Serial Options</u> : 2nd Thursday preceding the 3rd Wednesday of the contract month. <u>Weekly Options</u> : four (4) nearest Thursdays that are not also terminations for quarterly and serial options.
<b>Physical Delivery</b>	Israeli shekelim are physically delivered through approved delivery banks in Israel and U.S. dollars payments delivered through approved delivery banks in the U.S. (designated by CME)	NA
<b>Delivery Day</b>	3 <sup>rd</sup> Wednesday of the contract month. If not a bank business day in the country of delivery or for Chicago and New York City (NYC) banks, then delivery occurs on the next business day in the country of delivery, Chicago and NYC banks	NA
<b>Strike Prices</b>	NA	\$.001 per Israeli shekel, e.g., \$.2220, \$.2230, \$.2240. Strike price nearest the previous day's settlement price listed plus 21 additional strikes up/down.
<b>Exercise/Assignment</b>	NA	<u>American Style</u> : In-the-money options auto-exercised at expiration. Options may be exercised until 7:00 p.m. CT on any business day the option is traded.
<b>Position Accountability</b>	Positions more than 6,000 contracts net long or short, in all contract months combined must provide, in a timely fashion, upon request by the Exchange, information regarding the nature of the position.	A person owning or controlling a combination of options and underlying futures contracts that exceed 6,000 futures-equivalent contracts net on the same side of the market in all contract months combined, will provide, in a timely fashion, upon CME's request, information regarding the nature of the position.
<b>Spot Position Limits</b>	No more than 2,000 contracts net long or short in the spot month one week prior to termination.	No more than 2,000 futures-equivalent contracts net long or short in the spot month 1 week prior to termination.
<b>Maximum Price Fluctuation (Price Limits)</b>	Price banding in effect at $\pm 0.0006$ (60 ticks) for outright, $\pm 0.0001$ (10 ticks) for spreads <sup>1</sup>	Same level of options price banding on CME Globex as for the underlying futures. Trading halted when underlying futures is locked at limit (currently, no price limit in the underlying futures).
<b>Ticker Symbol</b>	ILS	ILS, Weeklies IS1-IS5
<b>Commodity Code</b>	IS	Same

<sup>1</sup> No price limits. However, for CME Globex trading, automated price banding prevents execution of orders at prices falling outside of the last sale, best bid or best offer and  $\pm$  the price band. 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 last foreign exchange futures price as it reacts to new transaction prices, higher bids and lower offers.

## **15. NEW CONTRACT RULES AND AMENDMENTS**

### **CHAPTER 269 Israeli Shekel Futures**

#### **26900. SCOPE OF CHAPTER**

This chapter is limited in application to futures trading in Israeli Shekelim versus the U.S. dollar. The procedures for trading, clearing, delivery, settlement and any other matters not specifically contained herein shall be governed by the rules of the Exchange.

#### **26901. FUTURES CALL**

##### **26901.A. Trading Schedule**

Futures contracts shall be scheduled for trading and delivery during such hours and in such months as may be determined by the Board of Directors.

##### **26901.B. Trading Unit**

The unit of trading shall be 1,000,000 Israeli Shekelim.

##### **26901.C. Price Increments**

Minimum price fluctuations shall be in multiples of \$.00001 per Israeli Shekel, equivalent to \$10.00 per contract. Trades may also occur in multiples of \$.000005 per Israeli Shekel, commonly referred to as one-half tick, for Israeli Shekel futures intra-currency spreads, executed as simultaneous transactions on CME® Globex® pursuant to Rule 542.F.

##### **26901.D. Position Limits and Accountability**

A person owning or controlling more than 6,000 contracts net long or net short in all contract months combined shall provide, in a timely fashion, upon request by the Exchange, information regarding the nature of the position, trading strategy, and hedging information if applicable; except that in no event shall such person own or control more than 2,000 contracts in the spot month on or after the day one week prior to the termination of trading day. For positions involving options on Israeli shekel futures, this rule is superseded by the option position limits and accountability rule.

In addition, the Exchange President or his designee or the Business Conduct Committee may require, at their discretion, that such positions not be further increased.

##### **26901.E. Accumulation of Positions**

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, shall be cumulated.

##### **26901.F. Exemptions**

The foregoing spot position limits shall not apply to bona fide hedge positions meeting the requirements of Regulation 1.3(z)(1) of the CFTC and the rules of the Exchange, and shall not apply to other positions exempted pursuant to Rule 543.

##### **26901.G. Termination of Trading**

Futures trading shall terminate on the second business day immediately preceding the third Wednesday of the contract month. If the foregoing date for termination is a bank holiday in Chicago or New York City, futures trading shall terminate on the next preceding business day common to Chicago and New York City banks and the Exchange.

##### **26901.H. Contract Modifications**

Specifications shall be fixed as of the first day of trading of a contract, except that all deliveries must conform to government regulations in force at the time of delivery. If any national or international government agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules and all open and new contracts shall be subject to such government orders.

#### **26902. SETTLEMENT PROCEDURES**

##### **26902.A. Physical Delivery**

###### **1. Procedures**

In addition to the procedures and requirements contained in this chapter, delivery procedures shall be governed by the rules set forth in Chapter 7.



2. Delivery Days

Delivery shall be made on the third Wednesday of the contract month. If that day is not a business day in the country of delivery or is a bank holiday in either Chicago or New York City, then delivery shall be made on the next day which is a business day in the country of delivery and is not a bank holiday in Chicago or New York City .

**26902.B. [Reserved]**

**26903. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

(Refer to Rule 701. – ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES)

(End Chapter 269)

**CHAPTER 269A**  
**Options on Israeli Shekel Futures**

**269A00. SCOPE OF CHAPTER**

This chapter is limited in application to trading in put and call options on Israeli Shekel futures contracts. 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.

**269A01. OPTION CHARACTERISTICS**

**269A01.A. Contract Months, Trading Hours, and Trading Halts**

Options contracts shall be listed for such contract months (i.e., expirations) and scheduled for trading during such hours, except as indicated below, as may be determined by the Board of Directors.

There shall be no trading in any Israeli Shekel option contract when the primary futures contract for that currency is limit bid or offered.

For purposes of this rule, the primary futures contract shall be defined as the futures contract trading in the lead month configuration in the pit.

For purposes of this rule, Exchange staff for the Israeli Shekel shall have the responsibility of determining during RTH whether the primary futures contract is limit bid or offered. During Electronic Trading Hours (ETH), the determination shall be made by the GLOBEX Control Center.

**269A01.B. Trading Unit**

The trading unit shall be an option to buy, in the case of the call, or to sell, in the case of the put, one Israeli Shekel futures contract as specified in Chapter 269.

**269A01.C. Price Increments**

The price of an option shall be quoted in U.S. dollars per Israeli Shekel. Each \$.00001 per Israeli Shekel (one point) shall represent \$10.00. For example, a quote of .00075 represents an option price of \$750.00 (75 points x \$10.00 per point). The minimum fluctuation shall be one point (also known as one tick). A trade may also occur at a price of \$.000005 (\$5.00, also known as one-half tick), \$.000015 (\$15.00, also known as one and one-half ticks), \$.000025 (\$25.00, also known as two and one-half ticks), \$.000035 (\$35.00, also known as three and one-half ticks), and \$.000045 (\$45.00, also known as four and one-half ticks).

**269A01.D. Underlying Futures Contract**

The underlying futures contract is the nearest futures contract in the March quarterly cycle (i.e., March, June, September and December) whose termination of trading follows the option's last day of trading by more than two Exchange business days. This rule applies to March quarterly, serial, and weekly options on Israeli Shekel futures contracts.

**269A01.E. Position Limits and Accountability**

A person owning or controlling a combination of options and underlying futures contracts that exceeds 6,000 futures-equivalent contracts net on the same side of the market in all contract months combined for Israeli shekel futures and options shall provide, in a timely fashion, upon request by the Exchange, information regarding the nature of the position, trading strategy, and hedging information if applicable. In addition, the Exchange President or his designee or the Business Conduct Committee may require, at their discretion, that such positions not be further increased. However, in no event shall a person own or control more than 2,000 futures-equivalent contracts in the spot month on or after the day one week prior to the underlying futures termination of trading day for the Israeli shekel.

For the purpose of this rule, the futures equivalent of an option contract is 1 times the previous business day's IOM risk factor for the option series. Also for purposes of this rule, a long call option, a short put option and a long underlying futures contract are on the same side of the market; similarly, a short call option, a long put option and a short underlying futures contract are on the same side of the market.

**269A01.F. Accumulation of Positions**

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, shall be cumulated.

**269A01.G. Exemptions**

The foregoing position limits shall not apply to commercially appropriate risk reducing option positions defined in accordance with Regulation 1.3(z)(1) of the CFTC and meeting the requirements of Rule 543 and shall not apply to other option positions exempted pursuant to Rule 543.

**269A01.H. Termination of Trading**

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 on the second Thursday 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 on the second Thursday 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 on those Thursdays 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.

**269A01.I. Contract Modification**

Specifications shall be fixed as of the first day of trading of a contract except that all options must conform to government regulations in force at the time of exercise. If the U.S. government, an agency, or duly constituted body thereof issues an order, ruling, directive, or law inconsistent with these rules, such order, ruling, directive, or law shall be construed to become part of these rules and all open and new options contracts shall be subject to such governmental orders.

**269A01.J. Exercise Prices**

Regular exercise prices shall be stated in terms of U.S. dollars per Israeli Shekel at intervals of \$.001, e.g., \$.213, \$.214, \$.215, etc.

**269A02. LISTING OF EXERCISE PRICES**

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

At the commencement of trading in a contract month, the Exchange shall list put and call options at the regular exercise price that is nearest the previous day's settlement price of the underlying futures contract. For options on Israeli Shekel futures, the Exchange shall list put and call options at the next twenty-one higher and next twenty-one lower regular exercise prices.

When a sale, bid, offer, or settlement price in the underlying futures occurs within half a regular exercise price interval of the twenty-first highest or twenty-first lowest existing regular exercise price for options on Israeli Shekel futures, put and call options at the next higher or next lower regular exercise price shall be listed for trading on the next trading day. 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.

2. Options Not in the March Quarterly Cycle ("Serial" and "Weekly Options")

Upon demand, the Exchange shall list put and call options at any regular exercise price listed for trading in the next March quarterly cycle futures option that is nearest the expiration of the option. New options may be listed for trading up to and including the termination of trading.

**269A03. EXERCISE**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of option contracts on Israeli Shekel futures.

**269A03.A. Exercise of Option 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. on the day of exercise.

All Israeli Shekel options that are in the money<sup>2</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. on the day of expiration by the clearing member representing the option buyer, be exercised automatically.

**269A03.B. Assignment**

Exercise notices accepted by the Clearing House shall be assigned through a process of random selection to clearing members with open short positions in the 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 of acceptance by the Clearing House of the exercise notice.

**269A04. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

(Refer to Rule 701. – ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES)

(End Chapter 269A)

***INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER 269A***

**CLARIFICATION OF NEW NON-AGRICULTURAL OPTION SPECULATIVE POSITION LIMIT RULE**

(Special Executive Report S-1618, March 31, 1986)

Please note that the new non-agricultural option speculative position limit rule supersedes the speculative position rule for the underlying futures contract. Therefore, for example, a trader may hold a gross futures position that exceeds the futures position limit rule if that gross position is part of a spread with options, such that the net position across options and futures is less than the applicable limit set in the option rule.

**Amendments to Chapter 7 for CME Israeli Shekel Futures Deliveries**

**CHAPTER 7  
NON-CLS (LEGACY) CURRENCY DELIVERIES**

[Additions are underlined and deletions are bracketed. CME Rules 736 to 737.A. are unchanged.]

●  
<sup>2</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.

**737.B. Physical Delivery Currency Cross-Rate and Israeli Shekel Contracts**

A clearing member representing a customer that intends to accept delivery of a Physical Delivery Currency Cross-Rate or Israeli Shekel Contract in liquidation of his position shall, no later than 11:00 a.m. on the last day of trading, present to the Clearing House a Buyer's Non-CLS Delivery Commitment. In addition by 1:00 p.m. on the first day preceding the delivery day that is a business day common to the Exchange, Chicago banks and New York City banks, the clearing member shall either deposit, or present a Bank Order to Pay, an amount in the minimum-fluctuation currency equal to the contract value based on the settlement price on the last day of trading. Such deposit shall be in the form of same-day funds to an account at a bank designated by the Clearing House. The bank Order to Pay shall be in a form approved by the Clearing House, and shall promise to pay same-day funds on the delivery day.

[CME Rules 737.C. to 738.A. are unchanged.]

**738.B. Physical Delivery Currency Cross-Rate and Israeli Shekel Contracts**

The clearing member representing a customer making delivery of a Physical Delivery Currency Cross-Rate or Israeli Shekel Contract, except for cross-rate contracts referenced in Rule 738.A., in liquidation of his position shall, no later than 11:00 a.m. on the last day of trading, present to the Clearing House a Seller's Non-CLS Delivery Commitment. In addition by 1:00 p.m. on the first day preceding the delivery day that is a business day common to the Exchange, Chicago banks and New York City banks, the clearing member shall either deposit, or present a Bank Order to Pay, an amount equal to the trading unit. Such deposit shall be in the form of same-day funds to an account at a bank designated by the Clearing House. The Bank Order to Pay shall be in a form approved by the Clearing House, and shall promise to pay same-day funds on the delivery day. The Seller shall have made all provisions necessary to receive delivery of the minimum-fluctuation currency within the country of issuance. The Seller's clearing member shall be responsible for delivering the foreign currency on the delivery date to a bank designated by the Clearing House. The Exchange reserves the right to eliminate the requirement for sellers to post a Bank Order to Pay in the event that a given country's payments systems, which previously required a prior Bank Order to Pay posting, implements same-day finality of payment.

Subject to the preceding two paragraphs, if the Seller's Non-CLS Delivery Commitment is received later than 11:00 a.m. on the last day of trading, but not later than 8:00 a.m. on the day following the last day of trading, the seller's clearing member shall be assessed a fine on a per-contract basis, the amount to be determined by Exchange staff. Any deliveries memoranda or instructions received subsequent to 8:00 a.m. on the day following the last day of trading, shall be deemed a delivery obligation failure and acted upon in accordance with Rule 743.B.

[CME Rules 738.C. through 743.B. are unchanged.]

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