



Special Executive Report

DATE: January 9, 2024
SER#: 9307
SUBJECT: Amendments to the CME, CBOT, NYMEX, and COMEX Event Contracts

Effective Sunday, January 28, 2024, for trade date Monday, January 29, 2024, and pending all relevant Commodity Futures Trading Commission (“CFTC” or “Commission”) regulatory review periods, Chicago Mercantile Exchange Inc. (“CME”), The Board of Trade of the City of Chicago, Inc. (“CBOT”), New York Mercantile Exchange, Inc. (“NYMEX”), and Commodity Exchange, Inc. (“COMEX”) (collectively, the “CME Group Exchanges”) will amend the CME, CBOT, NYMEX and COMEX Event Contracts as noted in Table 1. Below (the “Event Contracts”) for trading on the CME Globex electronic trading platform (“CME Globex”).

Specifically, the Exchanges shall amend:

1. Rule 2300. (“Scope of Chapter”) to allow for expiries beyond daily; and
2. Rule 2302.C. (“Price Increments”) to increase the price range from \$20 to \$100 and the minimum price increment from 0.25 to 1.00; and
3. the Strike Price Listing and Exercise Procedures Table to describe all available expiries for each Event Contract pursuant to Rule 2300 (see Table 2. below); and
4. Rule 2302.G. (“Settlement Value”) to increase the settlement value of the Event Contracts from \$20 to \$100; and
5. the Position Limit, Position Accountability and Reportable Level table such that each Event Contract will have its own Single Month Accountability Level of 2,500 contracts (\$100), equal to a notional value of \$250,000.
6. Lastly, CME is amending the strike price listing schedule for the Event Contracts on E-mini Standard & Poor’s 500 Futures and Event Contracts on E-mini Nasdaq-100 Futures Contracts, as summarized in Table 2, in connection with CME’s plans to list longer dated expiries in such contracts. Currently, the strike price listing schedule for these equity index event contracts is calculated using specific point and strike counts around the at-the-money strike price. CME is amending the strike price listing schedule such that the strike price calculation shall be driven by percentage values and include day-to-expiry (DTE) clauses in strike generation.

Table 1.

	Contract Title	Rulebook Chapter	Commodity Code
CME Equity	Event Contracts on E-mini Standard and Poor’s 500 Stock Price Index Futures	CME 23	ECES
	Event Contracts on E-mini Nasdaq-100 Index Futures	CME 23	ECNQ

	Event Contracts on E-mini Russell 2000 Index Futures	CME 23	ECRTY
CME Cryptocurrency	Event Contracts on Bitcoin Futures	CME 23	ECBTC
CME FX	Event Contracts on Euro FX Futures	CME 23	EC6E
CBOT Equity	Event Contracts on E-mini Dow Jones Industrial Average Index Futures	CBOT 23	ECYM
NYMEX Energy	Event Contracts on Light Sweet Crude Oil Futures	NYMEX 23	ECCL
	Event Contracts on Henry Hub Natural Gas Futures	NYMEX 23	ECNG
COMEX Metals	Event Contracts on Gold Futures	COMEX 23	ECGC
	Event Contracts on Silver Futures	COMEX 23	ECSI
	Event Contracts on Copper Futures	COMEX 23	ECHG

Table 2.

Contract Title	Rulebook Chapter	CME Globex Code	Current Strike Price Listing Schedule	Amended Strike Price Listing Schedule
Event Contracts on E-mini Standard and Poor's 500 Stock Price Index Futures	CME 23	ECES	<p>Series Listing Convention: One daily contract listed on the Principal Contract Month of the Underlying Futures</p> <p>Strike Listing Rule: 10 strikes at \$10.00 increment above and below the at-the-money strike, then 2 strikes at \$25.00 increment above and below the highest and lowest \$10.00 increment strike, then 2 strikes at \$50.00 increment above and below the highest and lowest \$25.00 increment strike.</p> <p>Upon demand and at the discretion of the exchange, additional strikes added in \$10.00 and \$25.00 increments.</p>	<p>Series Listing Convention: One daily contract listed on the Principal Contract Month of the Underlying Futures, <u>plus, one contract listed expiring on the last US business day of the nearest quarter (Mar/Jun/Sep) and one contract listed expiring on the last US business day of the calendar year.</u></p> <p><u>For all expiries, the next contract will be listed the day following the preceding contract's expiration</u></p> <p><u>Strike Listing Rule: Strikes listed for 20% above the at-the-money strike and 25% below the at-the-money strike at 100 index point increment.</u></p> <p><u>When less than 66 days remain until expiration (DTE), additional strikes listed for 10% above the at-the-money strike and 15% below the at-the-money strike at 50 index point increment.</u></p> <p><u>When less than 14 days remain until expiration (DTE), additional strikes listed for 5% above the at-the-money</u></p>

				<p><u>strike and 10% below the at-the-money strike at 25 index point increment.</u></p> <p><u>When less than 7 days remain until expiration (DTE), additional strikes listed for 2% above the at-the-money strike and 4% below the at-the-money strike at 10 index point increment.</u></p> <p><u>Additional strikes may be listed for trading, and strikes scheduled to be listed for trading may be suspended at the sole discretion of the Exchange.</u></p>
<p>Event Contracts on E-mini Nasdaq-100 Futures</p>	<p>CME 23</p>	<p>ECNQ</p>	<p>Series Listing Convention: One daily contract listed on the Principal Contract Month of the Underlying Futures</p> <p>Strike Listing Rule: 10 strikes at \$50.00 increment above and below the at-the-money strike, then 2 strikes at \$100.00 increment above and below the highest and lowest \$50.00 increment strike, then 2 strikes at \$250.00 increment above and below the highest and lowest \$100.00 increment strike.</p> <p>Upon demand and at the discretion of the exchange, additional strikes added in \$50.00 increments.</p>	<p>Series Listing Convention: One daily contract listed on the Principal Contract Month of the Underlying Futures, plus, one contract listed expiring on the last US business day of the nearest quarter (Mar/Jun/Sep) and one contract listed expiring on the last US business day of the calendar year.</p> <p><u>For all expiries, the next contract will be listed the day following the preceding contract's expiration</u></p> <p><u>Strike Listing Rule: • Strikes listed for 20% above the at-the-money strike and 25% below the at-the-money strike at 500 index point increment.</u></p> <p><u>When less than 66 days remain until expiration (DTE), additional strikes listed for 10% above the at-the-money strike and 15% below the at-the-money strike at 250 index point increment.</u></p> <p><u>When less than 14 days remain until expiration (DTE), additional strikes listed for 5% above the at-the-money strike and 10% below the at-the-money strike at 100 index point increment.</u></p> <p><u>When less than 7 days remain until expiration (DTE), additional strikes listed for 2% above the at-the-money strike and 4% below the at-the-money strike at 10 index point increment.</u></p> <p><u>Additional strikes may be listed for trading, and strikes scheduled to be listed for trading may be suspended at the sole discretion of the Exchange.</u></p>

The amendments to each Exchange's Chapter 23 Rules and the changes to the CME strike price listing schedule described above are collectively referred to as the "Rule Amendments."

The purpose of the Rule Amendments is to improve the Event Contracts based on feedback received by the Exchanges from market participants. Market participants advised that amending the notional value of the Event Contracts will more closely align with customer demand. More specifically, market participants noted that if the Exchanges change the notional value to \$100 and the price range to 0-100 the participants could establish trades at prices that readily convey their assessed probability of a successful outcome for the contract.

For example, with the current contract terms, if a market participant believes an Event Contract has an 80% chance of finishing in-the-money it would price the market at \$16.00. This is because the option delta associated with such a contract would be $.80 * \$20 \text{ contract value} = \16 . With the new contract size and price range, when a market participant assesses that an Event Contract has an 80% chance of finishing in-the-money it can price the contract at \$80, or $.80 * \$100$, clearly signaling the market participant's 80% probability assessment.

Modifying the tradable range will also increase accessibility and reduce frictions for traders.

Based on feedback received conducting extensive market research, CME Group determined these structural changes would facilitate market participants' trading. The "multiplier" of the contract will remain \$1.

In addition, market participants have advised that the implementation of longer dated Event Contracts on the flagship futures on equity indices will enable them to hold a market view in multiple time horizons. More specifically, an Event Contract with a longer time horizon will allow market participants additional opportunities to establish trades related to their views of future events, allowing additional flexibility on the timing of a potential event occurring, ultimately allowing for greater risk mitigation and trading precision. The Exchanges anticipate that similar market demand could arise for longer dated Event Contracts on other underlying futures contracts, and thus the Rule Amendments add that flexibility with respect to listing of all the Event Contracts. The changes to the position accountability level (which is the same for each contract) reflect the proportional notional size increase of the Contracts to leave the aggregate notional value of the accountability level unchanged.

The CME Group Exchanges initially listed Event Contracts on certain futures contracts on September 19, 2022, which expire on a daily basis (see [SER 8968R](#) dated August 25, 2022). CME subsequently listed Event Contracts on Bitcoin Futures on March 13, 2023 (see [SER 9092](#) dated February 14, 2023).

Event Contracts are cash settled, European Style options that settle against the prices of underlying futures contracts, with a fixed Settlement Value (payout) for an in-the-money option. Under the current contract terms and conditions, the Event Contracts are listed for daily expiration, whereas under the Rule Amendments they will expire on specified dates as determined by the listing Exchange (including daily). The Event Contracts are listed on the corresponding CME Group Exchange where the underlying futures contract is listed. The Event Contracts do not exercise into underlying futures positions and do not exercise into delivery of the commodity underlying the futures contract. Rather, they cash settle in reference to the daily settlement prices of futures contracts listed on the CME Group Exchanges.

As explained in the submission for the initial listing of the Event Contracts ([SER 8968R](#) dated August 25, 2022), the Event Contracts are options on futures under the Commodity Exchange Act (“CEA” or the “Act”).

Given that the Event Contracts are cash settled contracts based on daily settlement prices for futures, the underlying cash market overview will be the settlement practices for each underlying futures contract. The Daily Settlement Methodology is time tested, solid, transparent, and well-documented on the [CME website](#).

Currently, all Event Contracts are listed as daily contracts on the Principal Contract Month of the underlying futures, and the Exchanges currently intend to continue listing such daily contracts. In addition, pursuant to the Rule Amendments, CME plans to list Event Contracts on E-mini Standard & Poor’s 500 Futures and E-mini Nasdaq 100 Futures with one contract listed expiring on the last US business day of the nearest quarter (Mar/Jun/Sep) and one contract listed expiring on the last US business day of the calendar year. Pursuant to the Rule Amendments, CME may list other longer dated Event Contracts on E-mini Standard & Poor’s 500 Futures and E-mini Nasdaq 100 Futures and the CME Group Exchanges may list longer dated Event Contracts on other underlying futures.

With specific regard to the longer dated Event Contracts on E-mini Standard & Poor’s 500 Futures and E-mini Nasdaq 100 Futures, the CME Globex commodity code will be reflective of the various expiries. For example, assuming that the current date is January 5, 2024, Event Contracts on E-mini Standard & Poor’s 500 Futures would be listed as:

- ECESF405: Current day January 5, 2024 expiration
- ECESH428: Quarter end ECES March 28, 2024 expiration
- ECESZ431: Year end ECES December 31, 2024 expiration

Pursuant to the Rule Amendments, all Event Contracts listed after the Rule Amendments take effect will be valued at \$100 and will have a fixed payout (when in the money) and will settle on specified dates as determined by the Exchange (e.g., daily, quarterly or annually), in reference to the settlement prices of their underlying futures contracts listed on the CME Group Exchanges.

As noted, the Event Contracts do not exercise into underlying futures positions nor exercise into delivery of a commodity. Under the Rule Amendments, if an Event Contract expires “in the money” in reference to the underlying futures settlement price, the short position holder will pay, and the long position holder will receive, a payment of \$100. As described further below, Event Contracts are subject to premium style margining.

As with the current listed Event Contracts, depending on the front-end system used to submit orders, the opportunity to trade an Event Contract may be expressed to a market participant as a “yes/no” choice. In that case, the ‘Yes’ contract shall mean: On the expiry date of the Event Contract, as specified by the Exchange, will the daily settlement price for the specified futures contract be above X, and the ‘No’ contract shall mean: On the expiry date of the Event Contract, as specified by the Exchange, will the daily settlement price for the specified futures contract be at or below X. When presented in this fashion, executing a ‘Yes’ trade constitutes purchasing a fixed payout call option on the futures contract daily settlement price, and executing a ‘No’ trade constitutes purchasing a fixed payout put option on the futures contract daily settlement price.

The CME Group Exchanges remind all market participants that they are required to abide by applicable local regulations with respect to trading in Event Contracts. Market participants that trade or wish to trade Event Contracts, and brokers that seek to sell or distribute such products, must therefore comply with any applicable restrictions or prohibitions imposed by such market participant's home jurisdiction, including where applicable, and without limitation, the prohibitions on marketing, offering or distribution of such products to retail customers in the United Kingdom and the European Union.

The Event Contracts are and will continue to be subject to premium style margining (payment up-front). A person establishing a long position in an Event Contract through a futures commission merchant ("FCM") will pay its FCM the full premium amount for each such contract when purchased, which amount the FCM will pay to the Clearing House with the next settlement cycle (intra-day or end-of-day). This is the maximum amount that a purchaser can lose.¹

For a long-dated Event Contract, a person establishing a short position through an FCM will pay its FCM \$100 for each contract, covering the full amount of the seller's potential payment exposure on the contract if the option expires in the money. The FCM will pay that amount to the Clearing House with the next settlement cycle and, concurrently, the Clearing House will pass on the premium paid for the Event Contract to the seller's FCM through the settlement process, resulting in a net outlay for the seller equal to \$100 per contract minus the premium received. The Clearing House will receive and hold \$100 total from the long and short sides for each cleared Event Contract, covering the maximum exposure under the position. Consequently, open positions in a long-dated Event Contract will not be subject to payment of daily market-to-market variation gains or losses.

Exhibit 1 provides amendments to CME, CBOT, NYMEX and COMEX Chapter 23 ("Event Contracts") in blackline format. Exhibit 2 provides the related Exchange fees.

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¹ The CME Group Exchanges anticipate that market participants other than market makers are likely to establish long positions in put or call Event Contracts and sell Event Contracts to liquidate an open long position.

Exhibit 1
CME, CBOT, NYMEX, COMEX Rulebooks
(additions underscoring; deletions struck through)

Chapter 23
Event Contracts

2300. SCOPE OF CHAPTER

Event Contracts are ~~daily expiring~~, cash-settled, European style, premium style, options on futures contracts **that expire on specified dates as determined by the Exchange, as set forth in the Strike Price Listing and Exercise Procedures Table.**

Each Event Contract shall expire on the Expiration Date to the daily settlement price of the Principal Contract Month of the Underlying Futures as calculated by the Exchange at a time determined by the Exchange.

An Event Contract gives the right to receive a fixed Settlement Value per Contract on the Settlement Date.

The following Rules set forth the terms of Event Contracts. In addition to the Rules of this chapter, Event Contracts shall be subject to the general rules of the Exchange as applicable.

Unless otherwise specified, times referenced herein shall refer to and indicate Central time.

2302. EVENT CONTRACTS CHARACTERISTICS

2302.G. Settlement Value

The Settlement Value of each Event Contract shall be determined by the Exchange as the daily settlement price of the Principal Contract Month of the Underlying Futures at Expiration.

- (a) For a Call Contract, if that day's settlement price of the Underlying Futures is strictly above the strike price, the Event Contract shall be deemed to have expired in-the-money, with a Settlement Value of ~~\$20.00~~ **\$100.00**; conversely, if that day's settlement price of the Underlying Futures is equal to, or below the strike price, the Event Contract shall be deemed to have expired out-of-the-money, with a Settlement Value of \$0.00.
- (b) For a Put Contract, if that day's settlement price of the Underlying Futures is equal to, or below the strike price, the Event Contract shall be deemed to have expired in-the-money, with a Settlement Value of ~~\$20.00~~ **\$100.00**; conversely, if that day's settlement price of the Underlying Futures is above the strike price, the Event Contract shall be deemed to have expired out-of-the-money, with a Settlement Value of \$0.00.

[Remainder of Chapter unchanged.]

Exhibit 2 Exchange Fees

[Effective February 1, 2024]

CME

Membership Type	Venue/Transaction Type	Current	New
Individual Members Clearing Members Rule 106.J Equity Member Firms & Rule 106.J Qualified Subsidiaries Rule 106.I Members & Rule 106.I Qualified Affiliates Rule 106.S Member Approved Funds	CME Globex	\$0.01	\$0.03
	Cash Settlement**	\$0.10	\$0.10
Rule 106.D Lessees Rule 106.F Employees	CME Globex	\$0.03	\$0.09
	Cash Settlement**	\$0.15	\$0.15
Rule 106.R Electronic Corporate Members	CME Globex	\$0.03	\$0.09
	Cash Settlement**	\$0.15	\$0.15
Rule 106.H and 106.N Firms Clearing Non-Equity Member Firms	CME Globex	\$0.03	\$0.09
	Cash Settlement**	\$0.15	\$0.15
International Incentive Program (IIP) Participants International Volume Incentive Program (IVIP) Participants	CME Globex	\$0.05	\$0.15
	Cash Settlement**	\$0.20	\$0.20
Latin American Fund Manager Incentive Program (FMIP) Participants	CME Globex	\$0.05	\$0.15
	Cash Settlement**	\$0.20	\$0.20
Members Trading Outside of Division	CME Globex	\$0.05	\$0.15
	Cash Settlement**	\$0.20	\$0.20
Non-Members	CME Globex	\$0.05	\$0.15
	Cash Settlement**	\$0.20	\$0.20

CBOT

Level	Account Owner	Execution Type	Venue/ Transaction Type	Current	New
Individual Member					
1	Individual Members	Member Account Owner	CME Globex	\$0.01	\$0.03
			Cash Settlement*	\$0.10	\$0.10
	Individual Delegates	Delegate Trading Own Account	CME Globex	\$0.03	\$0.09
			Cash Settlement*	\$0.15	\$0.15
Equity Members (Individual Equity members, Clearing Equity Member Firms and Equity Member Firms)					
2	Rule 106.J Equity Member Firms Rule 106.I Affiliate Equity Member Firms Individual Equity Members (Other Member/Delegate executing trade)	Member or Delegate	CME Globex	\$0.01	\$0.03
			Cash Settlement*	\$0.10	\$0.10
	Clearing Equity Member Firms Rule 106.I Affiliate Membership Umbrella - Qualified Affiliate	Non-Member	CME Globex	\$0.03	\$0.09
			Cash Settlement	\$0.10	\$0.10
	Rule 106.S. Family of Funds Equity Member Firms	Member, Delegate or Non-Member	CME Globex	\$0.03	\$0.09
			Cash Settlement*	\$0.10	\$0.10
Trading Members (Individual Non-Equity Members, Clearing Non-Equity Member Firms and Non-Equity Member Firms)					
3	Individual Non-Equity Members (Other Member/Delegate executing trade) Clearing Non-Equity Member Firms Rule 106.H. Member Firms Rule 106.I. Affiliate Trading Member Firms (w/ an owned seat)	Member, Delegate or Non-Member	CME Globex	\$0.03	\$0.09
			Cash Settlement*	\$0.15	\$0.15
	Individual Delegates (Other Member/Delegate executing trade) Rule 106.I. Affiliate Trading Member Firms (w/ a leased seat)	Member, Delegate or Non-Member	CME Globex	\$0.03	\$0.09
			Cash Settlement*	\$0.15	\$0.15
	Rule 106.S. Family of Funds Trading Member Firms	Member, Delegate or Non-Member	CME Globex	\$0.03	\$0.09
			Cash Settlement*	\$0.15	\$0.15
Electronic Corporate Member Firm					
4	Rule 106.R Electronic Corporate Member Firms	Member, Delegate or Non-Member	CME Globex	\$0.03	\$0.09
			Cash Settlement*	\$0.15	\$0.15
Non-Members					
5	International Incentive Program (IIP) International Volume Incentive Program (IVIP)	Member, Delegate or Non-Member	CME Globex	\$0.05	\$0.15
			Cash Settlement*	\$0.20	\$0.20
	Latin American Fund Manager Incentive Program (FMIP)	Member, Delegate or Non-Member	CME Globex	\$0.05	\$0.15
			Cash Settlement*	\$0.20	\$0.20
	Non-Members	N/A	CME Globex	\$0.05	\$0.15
			Cash Settlement*	\$0.20	\$0.20

NYMEX/COMEX

	Current		New	
	Member	Non-Member	Member	Non-Member
CME Globex	\$0.01	\$0.05	\$0.03	\$0.15
Cash Settlement*	\$0.10	\$0.20	\$0.10	\$0.20

*All Cash Settlement Fees shall be waived through February 29, 2024.