

**SUBMISSION COVER SHEET**

**IMPORTANT:** Check box if Confidential Treatment is requested

**Registered Entity Identifier Code (optional):** 21-226 (1 of 2)

**Organization:** Chicago Mercantile Exchange Inc. ("CME")

**Filing as a:**  **DCM**  **SEF**  **DCO**  **SDR**

**Please note - only ONE choice allowed.**

**Filing Date (mm/dd/yy):** 06/11/21 **Filing Description:** Delisting of Certain CME and CBOT Equity and Interest Rates Option Contracts in Connection with the Elimination of Most CME and All CBOT Open Outcry Trading Pits

**SPECIFY FILING TYPE**

**Please note only ONE choice allowed per Submission.**

**Organization Rules and Rule Amendments**

- Certification § 40.6(a)
- Approval § 40.5(a)
- Notification § 40.6(d)
- Advance Notice of SIDCO Rule Change § 40.10(a)
- SIDCO Emergency Rule Change § 40.10(h)

**Rule Numbers:**

**New Product**

**Please note only ONE product per Submission.**

- Certification § 40.2(a)
- Certification Security Futures § 41.23(a)
- Certification Swap Class § 40.2(d)
- Approval § 40.3(a)
- Approval Security Futures § 41.23(b)
- Novel Derivative Product Notification § 40.12(a)
- Swap Submission § 39.5

**Product Terms and Conditions (product related Rules and Rule Amendments)**

- Certification § 40.6(a)
- Certification Made Available to Trade Determination § 40.6(a)
- Certification Security Futures § 41.24(a)
- Delisting (No Open Interest) § 40.6(a)
- Approval § 40.5(a)
- Approval Made Available to Trade Determination § 40.5(a)
- Approval Security Futures § 41.24(c)
- Approval Amendments to enumerated agricultural products § 40.4(a), § 40.5(a)
- "Non-Material Agricultural Rule Change" § 40.4(b)(5)
- Notification § 40.6(d)

**Official Name(s) of Product(s) Affected:** See filing.

**Rule Numbers:** See filing.

June 11, 2021

**VIA ELECTRONIC PORTAL**

Mr. Christopher J. Kirkpatrick  
 Office of the Secretariat  
 Commodity Futures Trading Commission  
 Three Lafayette Centre  
 1155 21st Street, N.W.  
 Washington, DC 20581

**Re: CFTC Regulation 40.6(a) Certification. Delisting of Certain CME and CBOT Equity and Interest Rates Option Contracts in Connection with the Elimination of Most CME and All CBOT Open Outcry Trading Pits.  
 CME Submission No. 21-226 (1 of 2)**

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange Inc. (“CME”) and The Board of Trade of the City of Chicago, Inc. (“CBOT”) (collectively, the “Exchanges”) hereby certify to the Commodity Futures Trading Commission (“CFTC” or “Commission”) the delisting of certain CME and CBOT Equity and Interest Rates option contracts as provided in the table below (the “Contracts”) effective upon the close of business on June 11, 2021 (collectively, the “Rule Amendments”). The Exchanges are implementing the Rule Amendments in connection with the elimination of most CME and CBOT open outcry trading pits. There is no open interest in the Contracts.

Contract Title	Rulebook Chapter	Commodity Code
Options on One-Month Eurodollar Futures	CME 453A	EM
Flexible Options on CME Standard and Poor’s 500 Stock Price Index futures (European style)	CME 351A	YP
Flexible Options on CME Standard and Poor’s 500 Stock Price Index futures (American style)	CME 351A	XP
Flexible Options on Nikkei Stock Average Futures (American-Style)	CME 352A	XN
Flexible Options on Nikkei Stock Average Futures (European-Style)	CME 352A	Y4
Options on Nikkei Stock Average Futures	CME 352A	NK
Flexible Options on U.S. Treasury Bond Futures (American-Style)	CBOT 18B	52
Flexible Options on U.S. Treasury Bond Futures (European-Style)	CBOT 18B	53
Flexible Options on Long-Term U.S. Treasury Note Futures (American-Style)	CBOT 19B	54
Flexible Options on Long-Term U.S. Treasury Note Futures (European-Style)	CBOT 19B	55
Flexible Options on Medium-Term U.S. Treasury Note Futures (American-Style)	CBOT 20B	60
Flexible Options on Medium-Term U.S. Treasury Note Futures (European-Style)	CBOT 20B	57
Flexible Options on Short-Term U.S. Treasury Note Futures (American-Style)	CBOT 21B	58
Flexible Options on Short-Term U.S. Treasury Note Futures (European-Style)	CBOT 21B	59
Flexible Options on 10-Year U.S. Treasury Note Futures (American-Style)	CBOT 26B	56
Flexible Options on 10-Year U.S. Treasury Note Futures (European-Style)	CBOT 26B	65
Flexible Options on Long-Term U.S. Treasury Bond Futures (American-Style)	CBOT 40B	97
Flexible Options on Long-Term U.S. Treasury Bond Futures (European-Style)	CBOT 40B	98

Exhibits A and B below provide amendments to the related CME and CBOT Rulebook chapters, respectively, in blackline format.

As a result of the delisting, information regarding the Contracts has been deleted from the respective product rulebook chapter, related position limits in the Position Limit, Position Accountability and Reportable Level Table located in the Interpretations and Special Notices Section of Chapter 5 (“Trading Qualifications and Practices”) of the CME and CBOT Rulebooks (the “Table”) and the list of block-eligible products located on the CME Group website. The Table is attached under separate cover, in blackline format, as Exhibit C.

The Exchanges reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“Act” or “CEA”) and identified that the following Core Principles may be impacted by the Rule Amendments as follows:

- **Emergency Authority**: There is no open interest in the Contracts, and therefore there will be no market disruption related to their delisting.
- **Availability of General Information**: The Exchanges will make publicly available the details of the delisting by publishing a Special Executive Report (“SER”) to the marketplace. The SER will be available on CME Group’s website.

Pursuant to Section 5c(c) of the Act and CFTC Regulations 40.6(a), the Exchanges hereby certify that the Rule Amendments comply with the Act, including regulations under the Act. There were no substantive opposing views to the proposal.

The Exchanges certify that this submission has been concurrently posted on the CME Group website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

Should you have any questions concerning the above, please contact the undersigned at (212) 299-2200 or via e-mail at [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A: Amendments to CME Rulebook Chapters (blackline format)  
Exhibit B: Amendments to CBOT Rulebook Chapters (blackline format)  
Exhibit C: Position Limits, Position Accountability and Reportable Level Table in Chapter 5 of the CME and CBOT Rulebooks (attached under separate cover) (blackline format)

**Exhibit A**  
**CME Rulebook**  
(Deletions are ~~struck through~~.)

**Chapter 453A**  
**Options on One-Month Eurodollar Futures**

**453A00. SCOPE OF CHAPTER**

~~This chapter is limited in application to options on One-Month Eurodollar futures. In addition to this chapter, options on One-Month Eurodollar futures shall be subject to the general rules and regulations of the Exchange insofar as applicable.~~

~~For purposes of this chapter, unless otherwise specified, times referred herein shall refer to and indicate Chicago time.~~

**453A01. OPTIONS CHARACTERISTICS**

**453A01.A. Contract Months and Trading Hours**

~~Options shall be listed for such contract months and scheduled for trading during such hours as may be determined by the Exchange.~~

**453A01.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 One-Month Eurodollar futures contract as specified in Chapter 453.~~

**453A01.C. Minimum Fluctuations**

~~The price of any option contract shall be quoted in IMM Index points corresponding to the futures contract into which such option contract is exercisable. Pursuant to Rules 45302.C., each 0.01 IMM Index point signifies one (1) basis point per annum of interest rate exposure in such futures contract's Trading Unit (Rule 45302.B.), and is equal to \$25 per option contract. For example, an option contract price of 0.35 IMM Index points represents \$875 (equal to 35 basis points x \$25 per basis point per option contract).~~

~~The minimum fluctuation shall be 0.0025 Index points, equal to \$6.25 per contract.~~

**453A01.D. [Reserved]**

**453A01.E. Exercise Prices**

~~Exercise prices shall be stated in terms of the IMM Index for the One-Month Eurodollar futures contract that is deliverable upon exercise of the option, and shall be at intervals of .125 Index Points, e.g., 92.125, 92.25, 92.375, 92.50, 92.625, 92.75, etc.~~

~~At the commencement of trading in a contract month, the Exchange shall list put and call options at the exercise price that is nearest the previous day's settlement price of the underlying futures contract.~~

~~For option contracts with terms to expiry of 12 months or less, the Exchange shall list all eligible exercise prices within a range of 1.50 IMM Index points above and below the exercise price that is nearest the underlying futures contract daily settlement price. Thereafter, the Exchange shall add for trading all eligible exercise prices within a range of 1.50 IMM Index points above and 1.50 IMM Index points below the exercise price nearest the previous day's underlying futures contract settlement price.~~

~~For option contracts with terms to expiry that are greater than 12 months and that are less than or equal to 15 months, the Exchange shall list all eligible exercise prices within a range of 1.75 IMM Index points above and below the exercise price that is nearest the underlying futures contract daily settlement price. Thereafter, the Exchange shall add for trading all eligible exercise prices within a range of 1.75 IMM Index points above and 1.75 IMM Index points below the exercise price nearest the previous day's underlying futures contract settlement price.~~

~~For option contracts with terms to expiry that are greater than 15 months, the Exchange shall list all eligible exercise prices within a range of 2.25 IMM Index points above and below the exercise price that is nearest the underlying futures contract daily settlement price. Thereafter, the Exchange shall add for trading all eligible exercise prices in a range of 2.25 IMM Index points above and 2.25 IMM Index points below the exercise price nearest the previous day's underlying futures contract settlement price.~~

~~Upon demand and at the discretion of the Exchange, a new option contract with an out-of-current range exercise price may be added, on an as-soon-as-possible basis, *provided that* the exercise price of such newly added option contract must be an integer multiple of 0.125 Index points (e.g., 92.125, 92.25, 92.375, 92.50, 92.625, 92.75).~~

New options may be listed for trading up to and including the termination of trading. The Exchange may modify the provisions governing the establishment of exercise prices as it deems appropriate.

**453A01.F. Position Limits, Exemptions, Position Accountability and Reportable Levels**

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

**453A01.G. Special Price Fluctuation Limits**

At the commencement of each trading day, the contract shall be subject to special price fluctuation limits as set forth in Rule 589 and in the Special Price Fluctuation Limits Table in the Interpretations & Special Notices Section of Chapter 5.

**453A01.H. I. [Reserved]**

**453A01.J. Termination of Trading**

Trading in an expiring option shall terminate on the same date and at the same time as the underlying futures contract.

**453A01.K. [Reserved]**

**453A02. EXERCISE AND ASSIGNMENT**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of options.

**453A02.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 5:30 p.m. on the day of exercise.

An option that is in-the-money and has not been liquidated or exercised prior to the termination of trading shall be exercised automatically, in the absence of contrary instructions delivered to the Clearing House by 5:30 p.m. on the day of expiration by the clearing member representing the option buyer. An option is in the money if the final settlement 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.

Corrections to option exercises may be accepted by the Clearing House after the 5:30 p.m. deadline and up to the beginning of final option expiration processing provided that such corrections are necessary due to: (1) a bona fide clerical error, (2) an unreconciled Exchange option transaction(s), or (3) an extraordinary circumstance where the clearing firm and customer are unable to communicate final option exercise instructions prior to the deadline. The decision whether a correction is acceptable will be made by the President of the Clearing House, or the President's designee, and such decision will be final.

**453A02.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 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.

**453A03. [RESERVED]**

(End Chapter 453A)

**CME Chapter 351A**  
**Options on Standard and Poor's 500 Stock Price Index Futures**

[Rules 351A00. – 351A29. are unchanged.]

**FLEXIBLE OPTIONS**

**351A30. SCOPE OF FLEXIBLE OPTIONS RULES**

~~For the purposes of the following Rules 351A30.-38. in respect of flexible options on Standard and Poor's 500 Stock Price Index futures ("flexible options"), standard options shall be as defined by the foregoing Rules 351A01.-29. Unless otherwise noted below, the following flexible options rules supersede the standard option regulations presented in the earlier part of this chapter.~~

**351A31. FLEXIBLE OPTIONS CHARACTERISTICS**

**351A31.A. Nature of Flexible Contracts**

~~Flexible options on futures shall be permitted, provided that no such flexible option shall have the same Underlying Futures Contract (Rule 351A01.D.), and the same Exercise Price (Rule 351A01.E.), and the same exercise style, and the same Termination of Trading (Rule 351A01.I.) as any standard option that is concurrently listed for trading. For the avoidance of doubt, a flexible option shall be permitted to have the same Underlying Futures Contract, same Exercise Price, same exercise style, and same Termination~~

~~of Trading as any standard option that is not concurrently listed for trading.~~

~~If and when a standard option is listed with terms and conditions identical to a flexible option previously opened for trading, then such option contract shall be traded only as a standard option and shall be subject to all trading requirements applicable to standard options. Upon the listing of such standard option, all open positions previously established in such flexible option, subject to flexible option trading procedures, shall become fully fungible with transactions in such standard option for all purposes under these Rules.~~

**351A31.B. Trading Unit**

~~The minimum size for requesting a quote for, or for trading in, a flexible option shall be 10 contracts, where each contract represents an option to buy, in the case of a call, or to sell, in the case of a put, one S&P 500 Index futures contract (Chapter 351), provided that a party may request a quote for, or may trade, fewer than 10 contracts in order to entirely close out a position in such flexible option.~~

~~Any respondent to a request for quote for a flexible option must be willing to trade at least 10 contracts, provided that such respondent may trade fewer than 10 contracts in order to entirely close out a position in such flexible option.~~

**351A31.C. Minimum Fluctuations**

~~Minimum price fluctuations for flexible options must conform to standards set forth in Rule 351A01.C.~~

**351A31.D. Underlying Futures Contracts**

~~The Underlying Futures Contract for a flexible option must be listed for trading (Chapter 351).~~

**351A31.E. Exercise Prices**

~~The exercise price of any flexible option must be an integer multiple of 0.10 Index points (e.g., 400.00, 400.10, 400.20). Such exercise price shall be no less than 0.10 Index points and no greater than 9999.90 Index points.~~

**351A31.F. Position Limits, Exemptions, Position Accountability and Reportable Levels**

~~(Refer to Rule 351A01.F.)~~

**351A31.G. [Reserved]**

**351A31.H. [Reserved]**

**351A31.I. Termination of Trading**

~~A flexible option may be specified to expire on any Business Day prior to and including the day scheduled for determination of the Final Settlement Price of such flexible option's Underlying Futures Contract (Rule 351A31.D.).~~

~~Trading in any flexible option shall terminate at the close of trading on such option's specified expiration date, provided that if a flexible option is specified to expire on the day scheduled for determination of the Final Settlement Price of such option's Underlying Futures Contract, then trading in such flexible option shall terminate at the same time as the close of trading in such Underlying Futures Contract on the Business Day first preceding such flexible option's specified expiration date.~~

~~Notwithstanding the aforementioned, if the Primary Listing Exchange (Rule 351A00.A.) is closed in observance of an unscheduled market holiday on a day previously scheduled as a Business Day, then trading in flexible option contracts that had been scheduled to expire on such day shall terminate, and such option contracts shall expire, on the Business Day immediately preceding such unscheduled market holiday.~~

~~In the event that the market in the Underlying Futures Contract for such flexible option does not open on the day scheduled for termination of option trading, trading in such option shall terminate on the next Business Day on which the market in such Underlying Futures Contract is open for trading.~~

~~A flexible option contract may be opened for trading, and may be traded, on its last day of trading.~~

**351A31.J. [Reserved]**

**351A32. FLEXIBLE OPTIONS EXERCISE**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of flexible options on S&P 500 Stock Price Index futures.

**351A32.A. Exercise of Flexible Options by Buyer**

Flexible options may be specified for either American style exercise or European style exercise. A flexible option for American style exercise may be exercised by the option buyer on any Business Day that such option may be traded. A flexible option for European style exercise can be exercised by the option buyer only upon expiration.

To exercise any flexible option, the clearing member representing the buyer shall present an exercise notice to the Clearing House no later than 5:30 p.m. on the day of exercise.

Any unexercised flexible option shall expire at 5:30 p.m. on such option's specified expiration date. Any flexible option that is in the money, and that has not been liquidated or exercised prior to its termination of trading, shall be exercised automatically upon expiration, in the absence of contrary instructions. Such contrary instructions must be delivered to the Clearing House, by the clearing member representing the buyer of such option, no later than 5:30 p.m., or such other time as may be designated by the Exchange, on the last day of trading in such option.

**351A32.B. Assignment**

For a given flexible option contract, an exercise notice accepted by the Clearing House (Rule 351A32.A.) shall be assigned by the Clearing House in accordance with Rule 351A02.B.

**351A33. [RESERVED]**

**351A34. INITIATING A FLEXIBLE OPTIONS CONTRACT SERIES**

The opening of trading in any flexible option shall occur through a Request for Quote ("RFQ") for such option, provided that no such RFQ shall be accepted by the designated flexible options pit official (a) within 15 minutes of the scheduled daily close of trading in such flexible option's Underlying Futures Contract or (b) within 15 minutes of termination of trading in such option's Underlying Futures Contract.

**351A35. [RESERVED]**

**351A36. RFQ TRADING INTERVAL**

Upon acceptance of an RFQ for a flexible option by the designated flexible options pit official in accordance with Rule 351A34., trading in such flexible option may occur immediately.

Priority among multiple RFQs shall be determined by the order in which such RFQs are submitted to the designated flexible options pit official, provided that all RFQs submitted before the open shall be treated equally.

**351A37. EXPIRATION OF AN RFQ**

Following an RFQ for a flexible option within a given trading session, trading in such flexible option shall remain open for the remainder of such trading session. Trading in a given flexible option series following a transaction in such option series shall remain open through the remainder of the trading session in which such transaction was executed and through each subsequent session in which there is open interest in such flexible option series.

**351A38. REPORTING OF FLEXIBLE OPTIONS TRADES**

The parties to any trade in a flexible option shall be responsible to report timely the quantity and price of such trade to the designated flexible options pit official.

[The remainder of the Chapter is unchanged.]

## Chapter 352A

### Options on Nikkei Stock Average Futures

**352A00. SCOPE OF CHAPTER**

This chapter is limited in application to options on Nikkei Stock Average ("Nikkei") futures. In addition to this chapter, options on Nikkei futures shall be subject to the general rules and regulations of the Exchange insofar as applicable. For purposes of this chapter, unless otherwise specified, times referred to herein shall refer to and indicate Chicago time.

**352A01. OPTIONS CHARACTERISTICS**

**352A01.A. Contract Months, Trading Hours, and Trading Halts**

Options contracts shall be listed for such contract months and scheduled for trading during such hours, except as indicated below, as may be determined by the Exchange. There shall be no trading in any option contract when the primary futures contract is limit bid or offered at any price limit except at the total daily price limit on an option's last day of trading. There shall be no trading in any option contract during a period when trading in the primary futures contract is halted pursuant to Rule 35202.I.

**352A01.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 Nikkei Stock

~~Average futures contract as specified in Chapter 352.~~

#### ~~352A01.C. Minimum Fluctuations~~

~~The price of an option shall be quoted in index points. Each index point shall represent \$5. The minimum fluctuation shall be 2.5 index points (\$12.50, also known as one-half tick).~~

#### ~~352A01.D. Underlying Futures Contract~~

##### ~~1. Options in the March Quarterly Cycle~~

~~For options that expire in the March quarterly cycle (i.e., March, June, September, and December), the underlying futures contract is the futures contract for the month in which the option expires. For example, the underlying futures contract for an option that expires in March is the March futures contract.~~

##### ~~2. Options Not in the March Quarterly Cycle~~

~~For options that expire in months other than those in the March quarterly cycle (i.e., January, February, April, May, July, August, October, and November), the underlying futures contract is the next futures contract in the March quarterly cycle that is nearest the expiration of the option. For example, the underlying futures contract for options that expire in January or February is the March futures contract.~~

#### ~~352A01.E. Exercise Prices~~

##### ~~1. Options in the March Quarterly Cycle~~

~~The exercise prices shall be stated in terms of the Nikkei Stock Average futures contract which is deliverable upon exercise of the option and shall be an integer divisible by 500 without remainder, e.g., 20000, 20500, 21000, etc.~~

~~At the commencement of trading in a contract month, the Exchange shall list put and call options, with exercise prices at each of the next six levels above the previous day's settlement of the futures contract deliverable upon exercise of the option (the underlying futures contract) and put and call options with exercise prices at each of the next six levels below that settlement price. If any of the foregoing exercise prices are within 100 index points of the settlement price of the underlying futures contract, then the Exchange shall list a thirteenth exercise price at the unoccupied level closest to the exercise price within 100 index points of the settlement.~~

~~When a sale, bid, or offer in the underlying futures contract occurs at, or passes through, the sixth highest (or sixth lowest) listed exercise price, put and call option contracts at the next higher (or lower) exercise price shall commence trading on the next Trading Day. New options may be listed for trading up to and including the termination of trading.~~

~~Exchange Staff, under delegated authority from the Board may modify the provisions governing the establishment of exercise prices as it deems appropriate.~~

##### ~~2. Options Not in the March Quarterly Cycle~~

~~Exercise prices for options not in the March quarterly cycle listed for trading shall be identical to the exercise prices that are listed for the March quarterly options on the same underlying futures contract. For example, the exercise prices listed for the January contract shall be identical to those listed for the March contract.~~

##### ~~3. Dynamically Listed Exercise Prices~~

~~Upon demand and at the discretion of the Exchange, new out-of-current-range exercise prices at regularly defined intervals may be added for trading on as soon as possible basis.~~

#### ~~352A01.F. Position Limits, Exemptions, Position Accountability and Reportable Levels~~

~~The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the~~

~~Interpretations & Special Notices Section of Chapter 5.~~

~~A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion. Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.~~

#### ~~352A01.G. [Reserved]~~

#### ~~352A01.H. [Reserved]~~

#### ~~352A01.I. Termination of Trading~~



## 1. Options in the March Quarterly Cycle

For options that expire in the March quarterly cycle, options trading shall terminate at the same date and time as the underlying futures contract.

## 2. Options Not in the March Quarterly Cycle

For options that expire in months other than those in the March quarterly cycle, options trading shall terminate on the third Friday of the contract month. If that day is not a scheduled Exchange Business Day, options trading shall terminate on the first 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.

352A01.J. [Reserved]

## 352A02. EXERCISE AND ASSIGNMENT

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of Nikkei options:

### 352A02.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 5:30 p.m. on the day of exercise. An option in the March quarterly cycle that is in the money and has not been liquidated or exercised prior to the termination of trading shall, in the absence of contrary instructions delivered to the Clearing House by 5:30 p.m. on the day of determination of the Final Settlement Price by the clearing member representing the option buyer, be exercised automatically. In the money options that expire in months other than those in the March quarterly cycle and have not been liquidated or exercised prior to the expiration shall, in the absence of contrary instructions delivered to the Clearing House by 5:30 p.m. on the day of the termination of trading by the clearing member representing the option buyer, be exercised automatically. Corrections to option exercises may be accepted by the Clearing House after the 5:30 p.m. deadline and up to the beginning of final option expiration processing provided that such corrections are necessary due to: (1) a bona fide clerical error, (2) an unreconciled Exchange option transaction(s), or (3) an extraordinary circumstance where the clearing firm and customer are unable to communicate final option exercise instructions prior to the deadline. The decision whether a correction is acceptable will be made by the President of the Clearing House, or the President's designee, and such decision will be final.

### 352A02.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 trading 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.

352A03. [RESERVED]

352A04.-29.[RESERVED]

## FLEXIBLE OPTIONS

### 352A30. SCOPE OF FLEXIBLE OPTIONS RULES

Unless otherwise noted below, the following flexible option rules supersede the standard option regulations presented in the earlier part of this chapter.

### 352A31. FLEXIBLE OPTIONS CHARACTERISTICS

#### 352A31.A. Nature of Flexible Contracts

Flexible options on Nikkei Stock Average futures shall be permitted in puts and calls that do not have the same underlying futures contract, and the same strike price, and the same exercise style, and the same Expiration Date as standard listed options that are already available for trading. Trading in standard options under certain flexible trading procedures shall be permitted prior to the listing of such options in the standard options pit or on Globex. Once and if these options are listed for trading as standard options in the standard options pit or on Globex, they will be traded only as standard options

in the standard options pit or on Globex subject to the standard option trading requirements. Upon such listing, all existing open positions established under flexible trading procedures shall be fully fungible with transactions in the respective standard option series for all purposes under these regulations.

#### 352A31.B. Trading Unit

The minimum size for requesting a quote and/or trading in a flexible option series is 10 contracts, where each contract represents an option to buy, in the case of the call, or to sell, in the case of the put, one Nikkei Stock Average futures contract as specified in Chapter 352. However, parties may request a quote and/or trade for less than 10 contracts in order to entirely close out a position in a flexible series.

Respondents to a request for quote must be willing to trade at least 10 contracts. However, a respondent may trade less than 10 contracts if the respondent is entirely closing out a position in the series.

#### 352A31.C. Minimum Fluctuations

(Refer to Rule 352A01.C. – Minimum Fluctuations)

#### 352A31.D. Underlying Futures Contracts

The underlying futures contract for a flexible option shall be any Nikkei Stock Average futures contract that is currently available for trading, as specified in Chapter 352.

#### 352A31.E. Exercise Prices

Exercise prices shall be stated in terms of the Nikkei Stock Average futures contract that is deliverable upon exercise of the option and may be at intervals of 5 points for all Nikkei Stock Average levels from 5 through 99995, e.g., 20000, 20005, 20010, etc. However, for a Request for Quote (RFQ), strike prices may be stated in 5 Nikkei Stock Average points (futures ticks) relative to the underlying futures contract.

#### 352A31.F. Position Limits

(Refer to Rule 352A01.F. – Position Limits, Exemptions, Position Accountability and Reportable Levels)

#### 352A31.G. [Reserved]

#### 352A31.H. [Reserved]

#### 352A31.I. Termination of Trading

Flexible option Expiration Dates may be specified for any scheduled Exchange Business Day up to and including the day of determination of the Final Settlement Price of the underlying futures contract. If a flexible option expiration occurs on the same day as the day of determination of the Final Settlement Price of its underlying futures contract, flexible options trading shall terminate at the same time as the underlying futures on the Business Day immediately preceding the day of determination of the Final Settlement Price of the underlying futures contract. Otherwise, flexible options trading shall terminate at the close of trading on the Expiration Date specified for the flexible option. 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.

A new flexible option series may be opened on its last day of trading and may be traded on its last day of trading.

#### 352A31.J. [Reserved]

### 352A32. FLEXIBLE OPTIONS EXERCISE

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of flexible options on Nikkei Stock Average futures.

#### 352A32.A. Exercise of Flexible Option by Buyer

Flexible options may be specified to have either American Style or European Style exercise. A flexible option with American style exercise may be exercised by the buyer on any Business Day that the option is traded and also on its Expiration Date. To exercise the option, the clearing member representing the buyer shall present an exercise notice to the Clearing House by 5:30 p.m. on the day of exercise.

A flexible option with European Style exercise may be exercised by the buyer only on the day that the option expires. To exercise the option, the clearing member representing the buyer shall present an exercise notice to the Clearing House by 5:30 p.m. on the day of exercise.

Any flexible option that is in the money and has not been liquidated or exercised prior to its Expiration Date shall, in the

~~absence of contrary instructions delivered to the Clearing House by 5:30 p.m. on the Expiration Date by the clearing member representing the option buyer, be exercised automatically.~~

~~352A32.B. Assignment~~

~~(Refer to Rule 352A02.B.—Assignment)~~

~~352A33. [RESERVED]~~

~~352A34. INITIATING A FLEXIBLE OPTION CONTRACT SERIES~~

~~For each trading session, the opening of trading in any flexible option series shall occur through a Request For Quote (RFQ). No RFQs will be accepted within 15 minutes of the daily scheduled closing time of the underlying futures or within 15 minutes prior to the termination of trading of the underlying futures.~~

~~352A35. RESPONSE TIME INTERVAL~~

~~Trades against the first RFQ submitted for a flexible option series on any Trading Day may occur immediately upon acceptance of an RFQ by the designated flexible option pit official.~~

~~352A36. RFQ TRADING INTERVAL~~

~~A flexible option series shall immediately open for trading following the first RFQ submitted for such flexible option series. Priority for RFQs is determined by order of submission to the RFQ official, except that all RFQs submitted before the open shall be treated equally.~~

~~352A37. EXPIRATION OF AN RFQ~~

~~Trading in a given flexible option series following an RFQ shall remain open for the remainder of the trading session.~~

~~352A38. REPORTING OF FLEXIBLE OPTION TRADES~~

~~It shall be the responsibility of the participants in a flexible option trade to report the quantities and prices to the designated flexible options pit official in a timely manner, including any later trades in open flexible contract term series.~~

~~(End Chapter 352A)~~

**Exhibit B**  
**CBOT Rulebook**  
(Deletions are ~~struck through~~.)

**Chapter 18B**  
**Flexible Options on U.S. Treasury Bond Futures**

**18B00. SCOPE OF CHAPTER**

This chapter is limited in application to Flexible put and call options on the U.S. Treasury Bond futures contract. In addition to the rules of this chapter, transactions in options on U.S. Treasury Bond futures shall be subject to the general rules of the Exchange insofar as applicable.

**18B01. OPTIONS CHARACTERISTICS**

**18B01.A. Contract Months**

Trading may be conducted in flexible options in any month up through the most distant underlying futures contract listed for trading.

The underlying futures contract for a flexible option shall be the same as the underlying futures contract month of the nearest quarterly cycle standard futures option expiring on or after the expiration of the flexible option.

**18B01.B. Trading Unit**

The minimum size for requesting a quote and/or trading in a flexible option series is 50 contracts, where each contract represents one of the underlying futures contracts at the Exchange. Parties may request a quote for, and/or trade, less than 50 contracts in order to entirely close out a position in a flexible series.

For a flexible options series, respondents to a request for quote must be willing to trade at least 50 contracts, with the exception that a respondent may trade less than 50 contracts if the respondent is entirely closing out a position in the series.

**18B01.C. Minimum Fluctuations**

The premium for U.S. Treasury Bond Flexible futures options shall be in multiples of one sixty-fourth ( $1/64$ ) of one percent (1%) of a \$100,000 U.S. Treasury Bond futures contract which shall equal \$15.625 per  $1/64$  and \$1,000 per full point.

However, a position may be initiated or liquidated in U.S. Treasury Bond Flexible futures options at any price level ranging from \$1.00 to \$15.00 per option contract, in \$1.00 increments, unless otherwise specified in the current CBOT Market Regulation Advisory Notice entitled Cabinet Transactions in Options Products.

If options are quoted in volatility terms, the minimum fluctuation shall be 0.10 percent (i.e. -10.0%, 10.1%, 10.2%, etc.).

**18B01.D. Trading Hours**

The hours of trading for flexible options on U.S. Treasury Bond futures contracts shall be determined by the Exchange.

On the last day of trading in an expiring option, the expiring option shall cease trading at the time of the close of the open outcry trading session for the underlying U.S. Treasury Bond futures contract.

**18B01.E. Exercise Prices**

Strike prices for flexible options must be specified in points and 32nds of points per U.S. Treasury Bond futures contract. However, strike prices may be specified in  $1/32$ nd point increments relative to the underlying futures contract. Strike prices cannot be outside the range of the currently listed strike prices for standard options.

**18B01.F. Expiration Date**

Flexible option expiration may be specified for any Monday through Friday that is not an Exchange holiday except that expiration may not occur following the last Friday that precedes by at least two business days the last business day of the calendar month preceding the underlying futures contract month. Flexible options expire at 5:30 p.m. on the last trading day.

However, options which meet the criteria given in the second paragraph of Flexible Option Rule 18B01.G. will follow the expiration and exercise procedures as specified in the standard option rules.

**18B01.G. — Nature of Flexible Options on U.S. Treasury Bond Futures**

~~Flexible options on U.S. Treasury Bond futures shall be permitted in puts and calls which do not have the same underlying futures contract, same strike price, same exercise style, and same last day of trading as standard options.~~

~~However, Flexible Options on U.S. Treasury Bond futures shall also be permitted in puts and calls which have the same underlying futures contract, same strike price, same exercise style, and same last day of trading as standard options that are not at the time listed for trading in the standard options pit or on the Exchange's electronic trading system. All Flexible Option rules except as specified in Rules 18B01.F., 18B01.I., and 18B02.A. will apply to the options described in this paragraph. Once and if these options are listed for trading as standard options, they will be traded subject to standard options trading requirements. Upon such listing, all existing open positions established under flexible options trading procedures shall be fully fungible with transactions in the respective standard option series for all purposes under these rules.~~

~~Trading shall be permitted in any recognized option/option or option/futures spread involving puts, calls or futures.~~

**18B01.H. — Exercise Style**

~~Flexible options may be American or European exercise style.~~

**18B01.I. — Termination of Trading**

~~The last day of trading in a flexible option shall be the expiration day.~~

~~However, options which meet the criteria given in the second paragraph of Flexible Option Rule 18B01.G will follow the expiration and exercise procedures as specified in the standard option rules.~~

**18B01.J. — 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 the rules and all open and new options contracts shall be subject to such government orders.~~

**18B01.K. — Position Limits, Exemptions, Position Accountability and Reportable Levels**

~~The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.~~

~~A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.~~

~~Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.~~

**18B01.L. — Special Price Fluctuation Limits**

~~At the commencement of each trading day, the contract shall be subject to special price fluctuation limits as set forth in Rule 589 and in the Special Price Fluctuation Limits Table in the Interpretations & Special Notices Section of Chapter 5.~~

**18B02. — EXERCISE AND ASSIGNMENT**

~~In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise and assignment of Flexible U.S. Treasury Bond options.~~

**18B02.A. — Exercise of Option**

~~Notification of the intent to exercise a flexible option must be received by the Clearing House by 5:30 p.m. Chicago time, or by such other time designated by the Exchange. No exceptions to the 5:30 p.m. exercise deadline, or such other deadline designated by the Exchange, shall be permitted.~~

~~After the close on the last day of trading, all in the money flexible options will be automatically exercised unless notice to cancel automatic exercise is given to the Clearing House by 5:30 p.m., or by such other time designated by the Exchange, on that day.~~

~~Options which meet the criteria given in the second paragraph of Flexible Option Rule 18B01.G. will follow expiration and exercise procedures as specified in the standard option rules.~~

**18B02.B. — Assignment**

~~Exercise notices accepted by the Clearing House shall be assigned through a process of random~~

~~selection to clearing members' 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.~~

~~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.~~

**18B03. [RESERVED]**

**18B04. [RESERVED]**

**18B05. INITIATING A FLEXIBLE OPTION CONTRACT SERIES**

~~The opening of trading in any flexible option series shall occur through the submission of an RFQ or at such time that a trade takes place in the particular flexible option series.~~

~~If so desired, participants can submit additional RFQs for any open series. However, in this situation no priority period (Rule 18B06.) will exist.~~

**18B06. RFQ TRADING INTERVAL**

~~If the submitter of the first RFQ of the day in a flexible series requests either a bid or an offer, but not both, then he shall have up to a one minute priority period during which he shall have the sole right to either buy or sell as specified in his RFQ. The length of the priority period shall be determined by the Exchange.~~

~~If more than one RFQ is the first RFQ of the day in a flexible series, all the RFQs individually ask for either a bid or an offer, but not both, and all the RFQs collectively are for the same side of the market (all bids or all offers) then the submitters shall jointly share priority during the period.~~

~~Priority for RFQs is determined by submission to the RFQ official, except that all RFQs submitted before the open shall be treated equally.~~

**18B07. EXPIRATION OF AN RFQ**

~~Trading in a given flexible option series following an RFQ shall remain open for the remainder of the trading session. Trading in a given flexible option series following a transaction in that series shall remain open through the remainder of the trading session in which the transaction was executed and through each subsequent session in which there is open interest in the flexible option series.~~

**18B08. REPORTING OF FLEXIBLE OPTIONS TRADES**

~~It shall be the responsibility of the participants in a flexible option trade to promptly report the quantities and prices to the flexible option pit reporter.~~

## **Chapter 19B**

### **Flexible Options on Long-Term U.S. Treasury Note Futures**

**19B00. SCOPE OF CHAPTER**

~~This chapter is limited in application to Flexible put and call options on the Long-Term U.S. Treasury Note futures contract. In addition to the rules of this chapter, transactions in options on Long-Term U.S. Treasury Note futures shall be subject to the general rules of the Exchange insofar as applicable.~~

**19B01. OPTIONS CHARACTERISTICS**

**19B01.A. Contract Months**

~~Trading may be conducted in flexible options in any month up through the most distant underlying futures contract listed for trading.~~

~~The underlying futures contract for a flexible option shall be the same as the underlying futures contract month of the nearest quarterly cycle standard futures option expiring on or after the expiration of the~~

flexible option.

**19B01.B. — Trading Unit**

The minimum size for requesting a quote and/or trading in a flexible option series is 50 contracts, where each contract represents one of the underlying futures contracts at the Exchange. Parties may request a quote for, and/or trade, less than 50 contracts in order to entirely close out a position in a flexible series. For a flexible options series, respondents to a request for quote must be willing to trade at least 50 contracts, with the exception that a respondent may trade less than 50 contracts if the respondent is entirely closing out a position in the series.

**19B01.C. — Minimum Fluctuations**

The premium for Long-Term U.S. Treasury Note Flexible futures options shall be in multiples of one sixty-fourth (1/64) of one percent (1%) of a \$100,000 Long-Term U.S. Treasury Note futures contract which shall equal \$15.625 per 1/64 and \$1,000 per full point.

However, a position may be initiated or liquidated in Long-Term U.S. Treasury Note Flexible futures options at any price level ranging from \$1.00 to \$15.00 per option contract, in \$1.00 increments, unless otherwise specified in the current CBOT Market Regulation Advisory Notice entitled Cabinet Transactions in Options Products.

If options are quoted in volatility terms, the minimum fluctuation shall be 0.10 percent (i.e. 10.0%, 10.1%, 10.2%, etc.).

**19B01.D. — Trading Hours**

The hours of trading for flexible options on Long-Term U.S. Treasury Note futures contracts shall be determined by the Exchange.

On the last day of trading in an expiring option, the expiring option shall cease trading at the time of the close of the open outcry trading session for the underlying Long-Term U.S. Treasury Note futures contract.

**19B01.E. — Exercise Prices**

Strike prices for flexible options must be specified in points and 32nds of points per Long-Term U.S. Treasury Note futures contract. However, strike prices may be specified in 1/32nd point increments relative to the underlying futures contract. Strike prices cannot be outside the range of the currently listed strike prices for standard options.

**19B01.F. — Expiration Date**

Flexible option expiration may be specified for any Monday through Friday that is not an Exchange holiday except that expiration may not occur following the last Friday that precedes by at least two business days the last business day of the calendar month preceding the underlying futures contract month. Flexible options expire at 5:30 p.m. on the last trading day.

However, options which meet the criteria given in the second paragraph of Flexible Option Rule 19B01.G. will follow expiration and exercise procedures as specified in the standard option rules.

**19B01.G. — Nature of Flexible Options on Long-Term U.S. Treasury Note Futures**

Flexible options on Long-Term U.S. Treasury Note futures shall be permitted in puts and calls which do not have the same underlying futures contract, same strike price, same exercise style, and same last day of trading as standard options.

However, Flexible Options on Long-Term U.S. Treasury Note futures shall also be permitted in puts and calls which have the same underlying futures contract, same strike price, same exercise style, and same last day of trading as standard options that are not at the time listed for trading in the standard options pit or on the Exchange's electronic trading system. All Flexible Option rules except as specified in Rules 19B01.F., 19B01.I., and 19B02.A. will apply to the options described in this paragraph. Once and if these options are listed for trading as standard options, they will be traded subject to standard options trading requirements. Upon such listing, all existing open positions established under flexible options trading procedures shall be fully fungible with transactions in the respective standard option series for all purposes under these rules.

Trading shall be permitted in any recognized option/option or option/futures spread involving puts, calls or futures.

**19B01.H. — Exercise Style**

Flexible options may be American or European exercise style.

**19B01.I. — Termination of Trading**

The last day of trading in a flexible option shall be the expiration day.

However, options which meet the criteria given in the second paragraph of Flexible Option Rule 19B01.G will follow the expiration and exercise procedures as specified in the standard option rules.

**19B01.J. — 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 the rules and all open and new options contracts shall be subject to such government orders.

**19B01.K. — Position Limits, Exemptions, Position Accountability and Reportable Levels**

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

**19B01.L. — Special Price Fluctuation Limits**

At the commencement of each trading day, the contract shall be subject to special price fluctuation limits as set forth in Rule 589 and in the Special Price Fluctuation Limits Table in the Interpretations & Special Notices Section of Chapter 5.

**19B02. — EXERCISE AND ASSIGNMENT**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise and assignment of Flexible Long-Term U.S. Treasury Note options.

**19B02.A. — Exercise of Option**

After the close on the last day of trading, all in-the-money flexible options will be automatically exercised unless notice to cancel automatic exercise is given to the Clearing House by 5:30 p.m., or by such other time designated by the Exchange, on that day.

Notification of the intent to exercise a flexible option must be received by the Clearing House by 5:30 p.m. Chicago time, or by such other time designated by the Exchange. No exceptions to the 5:30 p.m. exercise deadline, or such other deadline designated by the Exchange, shall be permitted.

However, options which meet the criteria given in the second paragraph of Flexible Option Rule 19B01.G. will follow expiration and exercise procedures as specified in the standard option rules.

**19B02.B. — Assignment**

Exercise notices accepted by the Clearing House shall be assigned through a process of random selection to clearing members' 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.

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.

**19B03. — [RESERVED]**

**19B04. — [RESERVED]**

**19B05. — INITIATING A FLEXIBLE OPTION CONTRACT SERIES**

The opening of trading in any flexible option series shall occur through the submission of an RFQ or at such time that a trade takes place in the particular flexible option series. If so desired, participants can submit additional RFQs for any open series. However, in this situation no priority period (Rule 19B06.) will exist.



**19B06. RFQ TRADING INTERVAL**

If the submitter of the first RFQ of the day in a flexible series requests either a bid or an offer, but not both, then he shall have up to a one minute priority period during which he shall have the sole right to either buy or sell as specified in his RFQ. The length of the priority period shall be determined by the Exchange.

If more than one RFQ is the first RFQ of the day in a flexible series, all the RFQs individually ask for either a bid or an offer, but not both, and all the RFQs collectively are for the same side of the market (all bids or all offers) then the submitters shall jointly share priority during the period.

Priority for RFQs is determined by submission to the RFQ official, except that all RFQs submitted before the open shall be treated equally.

**19B07. EXPIRATION OF AN RFQ**

Trading in a given flexible option series following an RFQ shall remain open for the remainder of the trading session. Trading in a given flexible option series following a transaction in that series shall remain open through the remainder of the trading session in which the transaction was executed and through each subsequent session in which there is open interest in the flexible option series.

**19B08. REPORTING OF FLEXIBLE OPTIONS TRADES**

It shall be the responsibility of the participants in a flexible option trade to promptly report the quantities and prices to the flexible option pit reporter.

## **Chapter 20B**

### **Flexible Options on Medium-Term U.S. Treasury Note Futures**

#### **20B00. SCOPE OF CHAPTER**

This chapter is limited in application to Flexible put and call options on the Medium-Term U.S. Treasury Note futures contract. In addition to the rules of this chapter, transactions in options on Medium-Term U.S. Treasury Note futures shall be subject to the general rules of the Exchange insofar as applicable.

#### **20B01. OPTIONS CHARACTERISTICS**

##### **20B01.A. Contract Months**

Trading may be conducted in flexible options in any month up through the most distant underlying futures contract listed for trading.

The underlying futures contract for a flexible option shall be the same as the underlying futures contract month of the nearest quarterly cycle standard futures option expiring on or after the expiration of the flexible option.

##### **20B01.B. Trading Unit**

The minimum size for requesting a quote and/or trading in a flexible option series is 50 contracts, where each contract represents one of the underlying futures contracts at the Exchange. Parties may request a quote and/or trade for less than 50 contracts in order to entirely close out a position in a flexible series.

For a flexible options series, respondents to a request for quote must be willing to trade at least 50 contracts, with the exception that a respondent may trade less than 50 contracts if the respondent is entirely closing out a position in the series.

##### **20B01.C. Minimum Fluctuations**

The premium for Medium-Term U.S. Treasury Note Flexible futures options shall be in multiples of one-half of one sixty-fourth of one percent (1%) of a \$100,000 Medium-Term U.S. Treasury Note futures contract which shall equal \$7.8125 per one-half of one sixty-fourth and \$1,000 per full point.

However, a position may be initiated or liquidated in Medium-Term U.S. Treasury Note Flexible futures at any cabinet price level ranging from \$1.00 to \$7.00 per option contract, in \$1.00 increments, unless otherwise specified in the current CBOT Market Regulation Advisory Notice entitled Cabinet Transactions in Options Products.

If options are quoted in volatility terms, the minimum fluctuation shall be 0.10 percent (i.e. 10.0%, 10.1%, 10.2%, etc.)

##### **20B01.D. Trading Hours**

The hours of trading for flexible options on Medium-Term U.S. Treasury Note futures contracts shall be determined by the Exchange.

On the last day of trading in an expiring option, the expiring option shall cease trading at the time of the close of the open outcry trading session for the underlying Medium-Term U.S. Treasury Note futures contract.

##### **20B01.E. Exercise Prices**

Strike prices for flexible options must be specified in points and 64th's of points per Medium-Term U.S. Treasury Note futures contract. However, strike prices may be specified in 1/64th point increments relative to the underlying futures contract. Strike prices cannot be outside the range of the currently listed strike prices for standard options.

##### **20B01.F. Expiration Date**

Flexible option expiration may be specified for any Monday through Friday that is not an Exchange holiday except that expiration may not occur following the last Friday that precedes by at least two business days the last business day of the calendar month preceding the underlying futures contract month. Flexible options expire at 5:30 p.m. on the last trading day.

However, options which meet the criteria given in the second paragraph of Flexible Option Rule 20B01.G will follow expiration and exercise procedures as specified in the standard option rules.

##### **20B01.G. Nature of Flexible Options on Medium-Term U.S. Treasury Note Futures**

Flexible options on Medium-Term U.S. Treasury Note futures shall be permitted in puts and calls which

do not have the same underlying futures contract, same strike price, same exercise style, and same last day of trading as standard options.

However, Flexible Options on Medium-Term U.S. Treasury Note futures shall also be permitted in puts and calls which have the same underlying futures contract, same strike price, same exercise style, and same last day of trading as standard options that are not at the time listed for trading in the standard options pit or on e-cbot. All Flexible Option rules except those covered in Rules 20B01F, 20B01I, and 20B02.A., will pertain for these options. Once and if these options are listed for trading as standard options, they will be traded subject to standard options trading requirements. Upon such listing, all existing open positions established under flexible options trading procedures shall be fully fungible with transactions in the respective standard option series for all purposes under these rules.

Trading shall be permitted in any recognized option/option or option/futures spread involving puts, calls or futures.

**20B01.H. Exercise Style**

Flexible options may be American or European exercise style.

**20B01.I. Termination of Trading**

The last day of trading in a flexible option shall be the expiration day.

However, options which meet the criteria given in the second paragraph of Flexible Option Rule 20B01.G will follow the expiration and exercise procedures as specified in the standard option rules.

**20B01.J. 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 the rules and all open and new options contracts shall be subject to such government orders.

**20B01.K. Position Limits, Exemptions, Position Accountability and Reportable Levels**

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

**20B01.L. Special Price Fluctuation Limits**

At the commencement of each trading day, the contract shall be subject to special price fluctuation limits as set forth in Rule 589 and in the Special Price Fluctuation Limits Table in the Interpretations & Special Notices Section of Chapter 5.

**20B02. EXERCISE AND ASSIGNMENT**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise and assignment of Flexible Medium-Term U.S. Treasury Note Options.

**20B02.A. Exercise of Option**

After the close on the last day of trading, all in-the-money flexible options will be automatically exercised unless notice to cancel automatic exercise is given to the Clearing House by 5:30 p.m., or by such other time designated by the Exchange, on that day.

Notification of the intent to exercise a flexible option must be received by the Clearing House by 5:30 p.m. Chicago time, or by such other time designated by the Exchange. No exceptions to the 5:30 p.m. exercise deadline, or such other deadline designated by the Exchange, shall be permitted.

However, options which meet the criteria given in the second paragraph of Flexible Option Rule 20B01.G will follow expiration and exercise procedures as specified in the standard option rules.

**20B02.B. Assignment**

Exercise notices accepted by the Clearing House shall be assigned through a process of random selection to clearing members' 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.

~~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.~~

**~~20B03. [RESERVED]~~**

**~~20B04. [RESERVED]~~**

**~~20B05. INITIATING A FLEXIBLE OPTION CONTRACT SERIES~~**

~~The opening of trading in any flexible option series shall occur through the submission of an RFQ or at such time that a trade takes place in the particular flexible option series. If so desired, participants can submit additional RFQ's for any open series. However, in this situation no priority period (Rule 20B06.) will exist.~~

**~~20B06. RFQ TRADING INTERVAL~~**

~~If the submitter of the first RFQ of the day in a flexible series requests either a bid or an offer, but not both, then he shall have up to a one minute priority period during which he shall have the sole right to either buy or sell as specified in his RFQ. The length of the priority period shall be determined by the Exchange.~~

~~If more than one RFQ is the first RFQ of the day in a flexible series, all the RFQ's individually ask for either a bid or an offer, but not both, and all the RFQ's collectively are for the same side of the market (all bids or all offers) then the submitters shall jointly share priority during the period.~~

~~Priority for RFQ's is determined by submission to the RFQ official, except that all RFQ's submitted before the open shall be treated equally.~~

**~~20B07. EXPIRATION OF AN RFQ~~**

~~Trading in a given flexible option series following an RFQ shall remain open for the remainder of the trading session. Trading in a given flexible option series following a transaction in that series shall remain open through the remainder of the trading session in which the transaction was executed and through each subsequent session in which there is open interest in the flexible option series.~~

**~~20B08. REPORTING OF FLEXIBLE OPTIONS TRADES~~**

~~It shall be the responsibility of the participants in a flexible option trade to promptly report the quantities and prices to the flexible pit reporter.~~

## **Chapter 21B**

### **Flexible Options on Short-Term U.S. Treasury Note Futures**

#### **21B00. SCOPE OF CHAPTER**

This chapter is limited in application to Flexible put and call options on the Short-Term U.S. Treasury Note futures contract. In addition to the rules of this chapter, transactions in options on Short-Term U.S. Treasury Note futures shall be subject to the general rules of the Exchange insofar as applicable.

#### **21B01. OPTIONS CHARACTERISTICS**

##### **21B01.A. Contract Months**

Trading may be conducted in flexible options in any month up through the most distant underlying futures contract listed for trading.

The underlying futures contract for a flexible option shall be the same as the underlying futures contract month of the nearest quarterly cycle standard futures option expiring on or after the expiration of the flexible option.

##### **21B01.B. Trading Unit**

The minimum size for requesting a quote and/or trading in a flexible option series is 50 contracts, where each contract represents one of the underlying futures contracts at the Exchange. Parties may request a quote for, and/or trade, less than 50 contracts in order to entirely close out a position in a flexible series. For a flexible options series, respondents to a request for quote must be willing to trade at least 50 contracts, with the exception that a respondent may trade less than 50 contracts if the respondent is entirely closing out a position in the series.

##### **21B01.C. Minimum Fluctuations**

The premium for Short-Term U.S. Treasury Note Flexible futures options shall be in multiples of one-half of one sixty-fourth of one percent (1%) of a \$200,000 Short-Term U.S. Treasury Note futures contract which shall equal \$15.625 per one-half of one sixty-fourth and \$2,000 per full point.

However, a position may be initiated or liquidated in Short-Term U.S. Treasury Note Flexible futures options at any price level ranging from \$1.00 to \$15.00 per option contract, in \$1.00 increments, unless otherwise specified in the current CBOT Market Regulation Advisory Notice entitled Cabinet Transactions in Options Products.

If options are quoted in volatility terms, the minimum fluctuation shall be 0.10 percent (i.e. 10.0%, 10.1%, 10.2%, etc.).

##### **21B01.D. Trading Hours**

The hours of trading for flexible options on Short-Term U.S. Treasury Note futures contracts shall be determined by the Exchange.

On the last day of trading in an expiring option, the expiring option shall cease trading at the time of the close of the open outcry trading session for the underlying Short-Term U.S. Treasury Note futures contract.

##### **21B01.E. Exercise Prices**

Strike prices for flexible options must be specified in points and 64ths of points per Short-Term U.S. Treasury Note futures contract. However, strike prices may be specified in 1/64th point increments relative to the underlying futures contract. Strike prices cannot be outside the range of the currently listed strike prices for standard options.

##### **21B01.F. Expiration Date**

Flexible option expiration may be specified for any Monday through Friday that is not an Exchange holiday except that expiration may not occur following the last Friday that precedes by at least two business days the last business day of the calendar month preceding the underlying futures contract month. Flexible options expire at 5:30 p.m. on the last trading day.

However, options which meet the criteria given in the second paragraph of Flexible Option Rule 21B01.G. will follow expiration and exercise procedures as specified in the standard option rules.

##### **21B01.G. Nature of Flexible Options on Short-Term U.S. Treasury Note Futures**

Flexible options on Short-Term U.S. Treasury Note futures shall be permitted in puts and calls which do

not have the same underlying futures contract, same strike price, same exercise style, and same last day of trading as standard options.

However, Flexible Options on Short-Term U.S. Treasury Note futures shall also be permitted in puts and calls which have the same underlying futures contract, same strike price, same exercise style, and same last day of trading as standard options that are not at the time listed for trading in the standard options pit or on the Exchange's electronic trading system. All Flexible Option rules except as specified in Rules 21B01.F., 21B01.I., and 21B02.A. will apply to the options described in this paragraph. Once and if these options are listed for trading as standard options, they will be traded subject to standard options trading requirements. Upon such listing, all existing open positions established under flexible options trading procedures shall be fully fungible with transactions in the respective standard option series for all purposes under these rules.

Trading shall be permitted in any recognized option/option or option/futures spread involving puts, calls or futures.

**21B01.H. — Exercise Style**

Flexible options may be American or European exercise style.

**21B01.I. Termination of Trading**

The last day of trading in a flexible option shall be the expiration day.

However, options which meet the criteria given in the second paragraph of Flexible Option Rule 21B01.G. will follow the expiration and exercise procedures as specified in the standard option rules.

**21B01.J. — 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 the rules and all open and new options contracts shall be subject to such government orders.

**21B01.K. — Position Limits, Exemptions, Position Accountability and Reportable Levels**

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

**21B01.L. — Special Price Fluctuation Limits**

At the commencement of each trading day, the contract shall be subject to special price fluctuation limits as set forth in Rule 589 and in the Special Price Fluctuation Limits Table in the Interpretations & Special Notices Section of Chapter 5.

**21B02. — EXERCISE AND ASSIGNMENT**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise and assignment of Flexible Short-Term U.S. Treasury Note options.

**21B02.A. — Exercise of Option**

After the close on the last day of trading, all in-the-money flexible options will be automatically exercised unless notice to cancel automatic exercise is given to the Clearing House by 5:30 p.m., or by such other time designated by the Exchange, on that day.

Notification of the intent to exercise a flexible option must be received by the Clearing House by 5:30 p.m. Chicago time, or by such other time designated by the Exchange. No exceptions to the 5:30 p.m. exercise deadline, or such other deadline designated by the Exchange, shall be permitted.

However, options which meet the criteria given in the second paragraph of Flexible Option Rule 21B01.G. will follow expiration and exercise procedures as specified in the standard option rules.

**21B02.B. — Assignment**

Exercise notices accepted by the Clearing House shall be assigned through a process of random selection to clearing members' 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.

~~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.~~

~~21B03. [RESERVED]~~

~~21B04. [RESERVED]~~

~~21B05. INITIATING A FLEXIBLE OPTION CONTRACT SERIES~~

~~The opening of trading in any flexible option series shall occur through the submission of an RFQ or at such time that a trade takes place in the particular flexible option series. If so desired, participants can submit additional RFQs for any open series. However, in this situation no priority period (Rule 21B06.) will exist.~~

~~21B06. RFQ TRADING INTERVAL~~

~~If the submitter of the first RFQ of the day in a flexible series requests either a bid or an offer, but not both, then he shall have up to a one minute priority period during which he shall have the sole right to either buy or sell as specified in his RFQ. The length of the priority period shall be determined by the Exchange.~~

~~If more than one RFQ is the first RFQ of the day in a flexible series, all the RFQs individually ask for either a bid or an offer, but not both, and all the RFQs collectively are for the same side of the market (all bids or all offers) then the submitters shall jointly share priority during the period.~~

~~Priority for RFQs is determined by submission to the RFQ official, except that all RFQs submitted before the open shall be treated equally.~~

~~21B07. EXPIRATION OF AN RFQ~~

~~Trading in a given flexible option series following an RFQ shall remain open for the remainder of the trading session. Trading in a given flexible option series following a transaction in that series shall remain open through the remainder of the trading session in which the transaction was executed and through each subsequent session in which there is open interest in the flexible option series.~~

~~21B08. REPORTING OF FLEXIBLE OPTIONS TRADES~~

~~It shall be the responsibility of the participants in a flexible option trade to promptly report the quantities and prices to the flexible option pit reporter.~~

## Chapter 26B

### Flexible Options on 10-Year U.S. Treasury Note Futures

#### **26B00. SCOPE OF CHAPTER**

This chapter is limited in application to Flexible put and call options on the 10-Year U.S. Treasury Note futures contract. In addition to the rules of this chapter, transactions in options on 10-Year U.S. Treasury Note futures shall be subject to the general rules of the Exchange insofar as applicable.

#### **26B01. OPTIONS CHARACTERISTICS**

##### **26B01.A. Contract Months**

Trading may be conducted in flexible options in any month up through the most distant underlying futures contract listed for trading.

The underlying futures contract for a flexible option shall be the same as the underlying futures contract month of the nearest quarterly cycle standard futures option expiring on or after the expiration of the flexible option.

##### **26B01.B. Trading Unit**

The minimum size for requesting a quote and/or trading in a flexible option series is 50 contracts, where each contract represents one of the underlying futures contracts at the Exchange. Parties may request a quote for, and/or trade, less than 50 contracts in order to entirely close out a position in a flexible series.

For a flexible options series, respondents to a request for quote must be willing to trade at least 50 contracts, with the exception that a respondent may trade less than 50 contracts if the respondent is entirely closing out a position in the series.

##### **26B01.C. Minimum Fluctuations**

The premium for flexible options on 10-Year U.S. Treasury Note futures shall be in multiples of one sixty-fourth ( $1/64$ ) of one percent (1%) of a \$100,000 10-Year U.S. Treasury Note futures contract which shall equal \$15.625 per  $1/64$  and \$1,000 per full point.

However, a position may be initiated or liquidated in 10-Year U.S. Treasury Note Flexible futures options at any price level ranging from \$1.00 to \$15.00 per option contract, in \$1.00 increments, unless otherwise specified in the current CBOE Market Regulation Advisory Notice entitled Cabinet Transactions in Options Products.

If options are quoted in volatility terms, the minimum fluctuation shall be 0.10 percent (i.e., 10.0%, 10.1%, 10.2%, etc.).

##### **26B01.D. Trading Hours**

The hours of trading for flexible options on 10-Year U.S. Treasury Note futures contracts shall be determined by the Exchange.

On the last day of trading in an expiring option, the expiring option shall cease trading at the time of the close of the open outcry trading session for the underlying 10-Year U.S. Treasury Note futures contract.

##### **26B01.E. Exercise Prices**

Strike prices for flexible options must be specified in points and 32nds of points per 10-Year U.S. Treasury Note futures contract. However, strike prices may be specified in  $1/32$ nd point increments relative to the underlying futures contract. Strike prices cannot be outside the range of the currently listed strike prices for standard options.

##### **26B01.F. Expiration Date**

Flexible option expiration may be specified for any Monday through Friday that is not an Exchange holiday except that expiration may not occur following the last Friday that precedes by at least two business days the last business day of the calendar month preceding the underlying futures contract month. Flexible options expire at 5:30 p.m. on the last trading day.

However, options which meet the criteria given in the second paragraph of Flexible Option Rule 26B01.G. will follow expiration and exercise procedures as specified in the standard option rules.

##### **26B01.G. Nature of Flexible Options on 10-Year U.S. Treasury Note Futures**

Flexible options on 10-Year U.S. Treasury Note futures shall be permitted in puts and calls which do not



have the same underlying futures contract, same strike price, same exercise style, and same last day of trading as standard options.

However, Flexible Options on 10-Year U.S. Treasury Note futures shall also be permitted in puts and calls which have the same underlying futures contract, same strike price, same exercise style, and same last day of trading as standard options that are not at the time listed for trading in the standard options pit or on the Exchange's electronic trading system. All Flexible Option rules except as specified in Rules 26B01.F., 26B01.I., and 26B02.A. will apply to the options described in this paragraph. Once and if these options are listed for trading as standard options, they will be traded subject to standard options trading requirements. Upon such listing, all existing open positions established under flexible options trading procedures shall be fully fungible with transactions in the respective standard option series for all purposes under these rules.

Trading shall be permitted in any recognized option/option or option/futures spread involving puts, calls or futures.

**26B01.H. — Exercise Style**

Flexible options may be American or European exercise style.

**26B01.I. — Termination of Trading**

The last day of trading in a flexible option shall be the expiration day.

However, options which meet the criteria given in the second paragraph of Flexible Option on 10-Year U.S. Treasury Note Futures Rule 26B01.G will follow the expiration and exercise procedures as specified in the standard option rules.

**26B01.J. — 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 the rules and all open and new options contracts shall be subject to such government orders.

**26B01.K. — Position Limits, Exemptions, Position Accountability and Reportable Levels**

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

**26B01.L. — Special Price Fluctuation Limits**

At the commencement of each trading day, the contract shall be subject to special price fluctuation limits as set forth in Rule 589 and in the Special Price Fluctuation Limits Table in the Interpretations & Special Notices Section of Chapter 5.

**26B02. — EXERCISE AND ASSIGNMENT**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise and assignment of Flexible 10-Year U.S. Treasury Note options.

**26B02.A. — Exercise of Option**

After the close on the last day of trading, all in-the-money flexible options will be automatically exercised unless notice to cancel automatic exercise is given to the Clearing House by 5:30 p.m., or by such other time designated by the Exchange, on that day.

Notification of the intent to exercise a flexible option must be received by the Clearing House by 5:30 p.m., or by such other time designated by the Exchange. No exceptions to the 5:30 p.m. exercise deadline, or such other deadline designated by the Exchange, shall be permitted.

However, options which meet the criteria given in the second paragraph of Flexible Option Rule 26B01.G. will follow expiration and exercise procedures as specified in the standard option rules.

**26B02.B. — Assignment**

Exercise notices accepted by the Clearing House shall be assigned through a process of random selection to Clearing Members' 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.

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.

**26B03. [RESERVED]**

**26B04. [RESERVED]**

**26B05. INITIATING A FLEXIBLE OPTION CONTRACT SERIES**

The opening of trading in any flexible option series shall occur through the submission of an RFQ or at such time that a trade takes place in the particular flexible option series. If so desired, participants can submit additional RFQs for any open series. However, in this situation no priority period (Rule 26B06.) will exist.

**26B06. RFQ TRADING INTERVAL**

If the submitter of the first RFQ of the day in a flexible series requests either a bid or an offer, but not both, then he shall have up to a one minute priority period during which he shall have the sole right to either buy or sell as specified in his RFQ. The length of the priority period shall be determined by the Exchange. If more than one RFQ is the first RFQ of the day in a flexible series, all the RFQs individually ask for either a bid or an offer, but not both, and all the RFQs collectively are for the same side of the market (all bids or all offers) then the submitters shall jointly share priority during the period.

Priority for RFQs is determined by submission to the RFQ official, except that all RFQs submitted before the open shall be treated equally.

**26B07. EXPIRATION OF AN RFQ**

Trading in a given flexible option series following an RFQ shall remain open for the remainder of the trading session. Trading in a given flexible option series following a transaction in that series shall remain open through the remainder of the trading session in which the transaction was executed and through each subsequent session in which there is open interest in the flexible option series.

**26B08. REPORTING OF FLEXIBLE OPTIONS TRADES**

It shall be the responsibility of the participants in a flexible option trade to promptly report the quantities and prices to the flexible option pit reporter.

## Chapter 40B

### Flexible Options on Long-Term U.S. Treasury Bond Futures

#### **40B00. SCOPE OF CHAPTER**

This chapter is limited in application to Flexible put and call options on the Long-Term U.S. Treasury Bond futures contract. In addition to the rules of this chapter, transactions in options on Long-Term U.S. Treasury Bond futures shall be subject to the general rules of the Exchange insofar as applicable.

#### **40B01. OPTIONS CHARACTERISTICS**

##### **40B01.A. Contract Months**

Trading may be conducted in flexible options in any month up through the most distant underlying futures contract listed for trading.

The underlying futures contract for a flexible option shall be the same as the underlying futures contract month of the nearest quarterly cycle standard futures option expiring on or after the expiration of the flexible option.

##### **40B01.B. Trading Unit**

The minimum size for requesting a quote and/or trading in a flexible option series is 50 contracts, where each contract represents one of the underlying futures contracts at the Exchange. Parties may request a quote for, and/or trade, less than 50 contracts in order to entirely close out a position in a flexible series.

For a flexible options series, respondents to a request for quote must be willing to trade at least 50 contracts, with the exception that a respondent may trade less than 50 contracts if the respondent is entirely closing out a position in the series.

##### **40B01.C. Minimum Fluctuations**

Option premium shall be quoted in terms of Long-Term U.S. Treasury Bond futures price points (Rule 40102.C.). One point equals \$1,000.00. Option premium shall be quoted in increments of one sixty-fourth (1/64) of one point (\$15.625 per contract).

However, a position may be initiated or liquidated in Long-Term U.S. Treasury Bond Flexible futures options at any price level ranging from \$1.00 to \$15.00 per option contract, in \$1.00 increments, unless otherwise specified in the current CBOT Market Regulation Advisory Notice entitled Cabinet Transactions in Options Products.

If options are quoted in volatility terms, the minimum fluctuation shall be 0.10 percent (i.e., 10.0%, 10.1%, 10.2%, etc.).

##### **40B01.D. Trading Hours**

The hours of trading for flexible options on Long-Term U.S. Treasury Bond futures contracts shall be determined by the Exchange.

On the last day of trading in an expiring option, the expiring option shall cease trading at the time of the close of the open outcry trading session for the underlying Long-Term U.S. Treasury Bond futures contract.

##### **40B01.E. Exercise Prices**

Strike prices for flexible options must be specified in points and 32nds of points per Long-Term U.S. Treasury Bond futures contract. However, strike prices may be specified in 1/32nd point increments relative to the underlying futures contract. Strike prices cannot be outside the range of the currently listed strike prices for standard options.

##### **40B01.F. Expiration Date**

Flexible option expiration may be specified for any Monday through Friday that is not an Exchange holiday except that expiration may not occur following the last Friday that precedes by at least two business days the last business day of the calendar month preceding the underlying futures contract month. Flexible options expire at 5:30 p.m. on the last trading day.

However, options which meet the criteria given in the second paragraph of Flexible Option Rule 40B01.G. will follow the expiration and exercise procedures as specified in the standard option rules.

##### **40B01.G. Nature of Flexible Options on Long-Term U.S. Treasury Bond Futures**

~~Flexible options on Long-Term U.S. Treasury Bond futures shall be permitted in puts and calls which do not have the same underlying futures contract, same strike price, same exercise style, and same last day of trading as standard options.~~

~~However, Flexible Options on Long-Term U.S. Treasury Bond futures shall also be permitted in puts and calls which have the same underlying futures contract, same strike price, same exercise style, and same last day of trading as standard options that are not at the time listed for trading in the standard options pit or on the Exchange's electronic trading system. All Flexible Option rules except as specified in Rules 40B01.F., 40B01.I., and 40B02.A. will apply to the options described in this paragraph. Once and if these options are listed for trading as standard options, they will be traded subject to standard options trading requirements. Upon such listing, all existing open positions established under flexible options trading procedures shall be fully fungible with transactions in the respective standard option series for all purposes under these rules.~~

~~Trading shall be permitted in any recognized option/option or option/futures spread involving puts, calls or futures.~~

~~**40B01.H. Exercise Style**~~

~~Flexible options may be American or European exercise style.~~

~~**40B01.I. Termination of Trading**~~

~~The last day of trading in a flexible option shall be the expiration day.~~

~~However, options which meet the criteria given in the second paragraph of Flexible Option Rule 40B01.G will follow the expiration and exercise procedures as specified in the standard option rules.~~

~~**40B01.J. 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 the rules and all open and new options contracts shall be subject to such government orders.~~

~~**40B01.K. Position Limits, Exemptions, Position Accountability and Reportable Levels**~~

~~**40B01.L. Special Price Fluctuation Limits**~~

~~At the commencement of each trading day, the contract shall be subject to special price fluctuation limits as set forth in Rule 589 and in the Special Price Fluctuation Limits Table in the Interpretations & Special Notices Section of Chapter 5.~~

**40B02. EXERCISE AND ASSIGNMENT**

~~In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise and assignment of Flexible Long-Term U.S. Treasury Bond options.~~

~~**40B02.A. Exercise of Option**~~

~~After the close on the last day of trading, all in-the-money flexible options will be automatically exercised unless notice to cancel automatic exercise is given to the Clearing House by 5:30 p.m., or by such other time designated by the Exchange, on that day.~~

~~Notification of the intent to exercise a flexible option must be received by the Clearing House by 5:30 p.m. Chicago time, or by such other time designated by the Exchange. No exceptions to the 5:30 p.m. exercise deadline, or such other deadline designated by the Exchange, shall be permitted.~~

~~Options which meet the criteria given in the second paragraph of Flexible Option Rule 40B01.G. will follow expiration and exercise procedures as specified in the standard option rules.~~

~~**40B02.B. Assignment**~~

~~Exercise notices accepted by the Clearing House shall be assigned through a process of random selection to clearing members' 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.~~

~~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.~~

~~40B03. [RESERVED]~~

~~40B04. [RESERVED]~~

~~40B05. INITIATING A FLEXIBLE OPTION CONTRACT SERIES~~

~~The opening of trading in any flexible option series shall occur through the submission of an RFQ or at such time that a trade takes place in the particular flexible option series.~~

~~If so desired, participants can submit additional RFQs for any open series. However, in this situation no priority period (Rule 18B06.) will exist.~~

~~40B06. RFQ TRADING INTERVAL~~

~~If the submitter of the first RFQ of the day in a flexible series requests either a bid or an offer, but not both, then he shall have up to a one minute priority period during which he shall have the sole right to either buy or sell as specified in his RFQ. The length of the priority period shall be determined by the Exchange.~~

~~If more than one RFQ is the first RFQ of the day in a flexible series, all the RFQs individually ask for either a bid or an offer, but not both, and all the RFQs collectively are for the same side of the market (all bids or all offers) then the submitters shall jointly share priority during the period.~~

~~Priority for RFQs is determined by submission to the RFQ official, except that all RFQs submitted before the open shall be treated equally.~~

~~40B07. EXPIRATION OF AN RFQ~~

~~Trading in a given flexible option series following an RFQ shall remain open for the remainder of the trading session. Trading in a given flexible option series following a transaction in that series shall remain open through the remainder of the trading session in which the transaction was executed and through each subsequent session in which there is open interest in the flexible option series.~~

~~40B08. REPORTING OF FLEXIBLE OPTIONS TRADES~~

~~It shall be the responsibility of the participants in a flexible option trade to promptly report the quantities and prices to the flexible option pit reporter.~~

**Exhibit C**  
**CME and CBOT Rulebooks**  
**Chapter 5**  
**(“Trading Qualifications and Practices”)**

**Position Limits, Position Accountability and Reportable Level Table**  
(attached under separate cover)