

February 22, 2012

**VIA E-MAIL**

Ms. Melissa Jurgens  
Office of the Secretariat  
Commodity Futures Trading Commission  
3 Lafayette Center  
1155 21<sup>st</sup> Street NW  
Washington, DC 20581

**Re: Rule 40.6(a) Certification. Notification of Amendments to Options on Three-Month Eurodollar Futures  
CME Submission 13-062**

Dear Ms. Jurgens:

The Chicago Mercantile Exchange Inc. (“CME” or “Exchange”) hereby notifies the Commodity Futures Trading Commission (“CFTC”) that it is self-certifying amendments to CME Chapter 452A, Rule A01.D. (“Underlying Futures Contracts”), Rule A01.E. (“Exercise Prices), and Rule A01.J. (“Termination of Trading”) to authorize the listing and trading of additional Mid-Curve options, specifically, quarterly-month and serial-month expirations of 5-Year Eurodollar Mid-Curve Options. The effective date shall be trade date March 11, 2013.

In the following, Section 1 summarizes the amendments to contract terms and conditions. Section 2 addresses compliance with pertinent Core Principles for Designated Contract Markets (“Core Principles”) as set forth in the Commodity Exchange Act (“Act” or “CEA”). Appendix A contains the rule changes to pertinent sections of CME rule 452A, Options on Three-Month Eurodollar Futures.

***Section 1 — Proposed Rule Changes***

This filing includes rule amendments to CME Chapter 452A, Options on Three-Month Eurodollar Futures Rule to expand the number of Mid-Curve options available to trade. The rule amendment to CME 452A will enable the listing and trading of 5-Year (“purple”) Eurodollar Mid-Curve options. These new options will expand the number of Mid-Curve options available to trade from its current slate, including 1-Year, 2-Year, 3-Year, and 4-Year Mid-Curve options.

We will be following the listing schedule of four quarterly-month expirations and two serial-month expirations. At launch, the Exchange will initially list the following:

<b>Mid-Curve Option Expiration</b>	<b>Option Type</b>	<b>Exercise into Underlying Futures</b>
April 2013	Serial Mid-Curve	June 2018
May 2013	Serial Mid-Curve	June 2018
June 2013	Quarterly Mid-Curve	June 2018
September 2013	Quarterly Mid-Curve	September 2018
December 2013	Quarterly Mid-Curve	December 2018

The March 2014 contract will be listed for trade date March 18, 2013, maintaining the Mid-Curve quarterly listing cycle.

These new Eurodollar Mid-Curve options will be listed for trading on CME Globex (Sunday-Friday, 5:00 pm - 4:00 pm, CT) and in open outcry (Monday-Friday, 7:20 am - 2:00 pm, CT).

These products will be encompassed under "Eurodollar Options" in CME Chapter 5 for Position Limits, Position Accountability, and Reportable Levels. There will be no changes to CME Chapter 5, as the established limits and levels will apply to the new 5-Year Mid-Curve options as a component of "Eurodollar Options" listed in the table at the end of chapter 5.

Major end-users and several options brokers requested the CME Group list 5-Year Mid-Curve options to create options exposure to the 6-year portion of the Eurodollar futures curve. These new options would provide market participants with an option that exhibits high gamma with low premium, providing a meaningful benefit to the market.

Fees and Market Maker Program:

As these are extensions to the Eurodollar options products, they will have the same fees as currently listed Eurodollar Options products. These products will also be included in the Eurodollar Options electronic market making program.

## ***Section 2 – Compliance with Core Principles***

### ***Core Principle 2 – Compliance with Rules***

Trading in this contract will be subject to Chapter 4 of the Exchange rules which includes prohibitions against fraudulent, non-competitive, unfair and abusive practices. Additionally, trading in these contracts will be subject to the Exchange's trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the Rulebook. As with all products listed for trading on one of CME Group's designated contract markets, trading activity in 5-Year Eurodollar Mid-Curve options will be subject to extensive monitoring and surveillance by CME Group's Market Regulation Department. The Market Regulation Department may use its investigatory and enforcement power where potential rule violations are identified during its regular surveillance reviews.

### ***Core Principle 3 – Contracts Not Readily Subject to Manipulation***

5-Year ("purple") Eurodollar Mid-Curve options exercise into Eurodollar futures that expire five years from options' expiration (purple Eurodollar futures). CME Clearing facilitates options' exercise into the underlying Eurodollar futures contract. There is no physical limitation upon the available supply of the applicable "purple" Eurodollar futures exercised into by an expiring 5-Year Mid-Curve option.

Since there is no physical limitation upon the available supply of an expiring options contract's underlying futures contract, there is no basis on which a would-be wrongdoer would be able either to manipulate or squeeze or congest an option's expiration, or to attempt to do so.

### ***Core Principle 4 – Prevention of Market Disruption***

Trading in 5-Year Eurodollar Mid-Curve options shall be subject to CME Rulebook Chapter 4, which includes prohibitions on manipulation, price distortion, and disruption. As with any new product listed for trading on a CME Group designated contract market, trading activity in 5-Year Eurodollar Mid-Curve options will be subject to monitoring and surveillance by CME Group's Market Regulation Department.

This product is subject to the same Exchange procedures currently in place for trade practice and market surveillance for all products traded on one of the Exchange's competitive trading venues. This surveillance is performed by CME Group's Market Regulation Department which is dedicated to performing market surveillance, investigating potential market misconduct and enforcing the Exchange's rules.

***Core Principle 5 – Position Limits or Accountability***

Position accountability thresholds for Eurodollar 5-Year Mid-Curve options shall be encompassed under the current “Eurodollar Options” position accountability of 10,000 net futures equivalent contracts, as established in CME Rulebook Chapter 5. Net Futures Equivalent Positions are combined across Eurodollar, Eurodollar E-mini, and Mid-Curve futures and options to determine Position Accountability. The reportable level for 5-Year Eurodollar Mid-Curve options shall be encompassed under the current “Eurodollar Options” reportable level of 850 contracts, as established in CME Rulebook Chapter 5.

***Core Principle 7 – Availability of General Information***

The Exchange shall publish on its website information in regard to futures contract specifications, terms, and conditions, as well as daily trading volume, open interest, and price information.

***Core Principle 8 – Daily Publication of Trading Information***

CME will continue to comply with this Core Principle by making public daily information on settlement prices, volume, open interest, and opening and closing ranges for the additional 5-Year Eurodollar Mid-Curve options contracts. This will be accomplished by publishing this information on a daily basis on the Exchange’s website and via 3<sup>rd</sup> party quote vendors.

***Core Principle 9 – Execution of Transactions***

5-Year Eurodollar Mid-Curve options shall be listed for trading on the CME Globex electronic trading platform and in open outcry. Both trading venues provide for competitive and open execution of transactions. Globex affords, moreover, the benefits of reliability and global connectivity. The Globex non-reviewable trading ranges for these contracts will be encompassed within the established trading ranges for “STIR – Eurodollar and Euroyen TIBOR (CME)” as follows:

Bid/Ask Reasonability

The greater of the delta times the underlying futures non-reviewable range or 20% of the fair value premium up to the underlying futures non-reviewable range with a minimum reasonability of 1 basis point.

Non-Reviewable Range (NRR)

2 minimum ticks with a minimum of 1 tick.

New 5-Year Eurodollar Mid-Curve Options products are a subset of “Eurodollar Options”. As such, they are block eligible and will adhere to the block levels already established by the Exchange for Eurodollar Options, most recently in [MRAN RA1302-3](#), published on February 8, 2013 for effective date February 25, 2013. The existing block levels for Eurodollar options, which 5-Year Mid-Curve options will adhere to, are as follows: 10,000 contracts during Regular Trading Hours (7:00 a.m. – 4:00 p.m., CT), 5,000 contracts during European Trading Hours (12:00 a.m. – 7:00 a.m., CT), and 2,500 contracts during Asian Trading Hours (4:00 p.m. – 12:00 a.m., CT).

***Core Principle 10 – Trade Information***

All requisite trade information shall be included in the audit trail and will suffice for the Market Regulation Department to monitor for market abuse.

***Core Principle 11 – Financial Integrity of Transactions***

5-Year Eurodollar Mid-Curve options shall be cleared by the CME Clearing House, which is registered with the Commission as a derivatives clearing organization, and which is subject to all CFTC regulations related thereto.

***Core Principle 12 – Protection of Markets and Market Participants***

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CME Rulebook Chapters 4 and 5 set forth multiple prohibitions that preclude intermediaries from disadvantaging their customers. These rules apply to trading in all of the Exchange's competitive trading venues and will apply to transactions in 5-Year Eurodollar Mid-Curve options.

***Core Principle 13 – Disciplinary Procedures***

CME Rulebook Chapter 4 provides for the Exchange to discipline, suspend, or expel members or market participants who violate the rules of the Exchange. Trading in 5-Year Eurodollar Mid-Curve options shall be subject to these provisions. The Exchange's Market Regulation Department has the authority to exercise its powers of enforcement, in the event that rule violations in these products are identified.

***Core Principle 14 – Dispute Resolution***

Disputes with respect to 5-Year Eurodollar Mid-Curve options shall be subject to the arbitration provisions set forth in CME Rulebook Chapter 6, which allow all nonmembers to submit claims for financial losses resulting from transactions on the Exchange to arbitration. Pursuant to these provisions, any member named as a respondent in any such claim submitted by a nonmember is required to participate in arbitration proceedings. Additionally, the Exchange requires members to resolve via arbitration all disputes concerning transactions on the Exchange.

The Exchange certifies that the rule amendments comply with the Act and rules thereunder, with no substantive opposing views to this proposal.

The Exchange certifies that this submission has been concurrently posted on the Exchange's website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

Should you have any questions concerning the above, please contact the undersigned at (312) 930-3323 or at [Tim.Elliott@cmegroup.com](mailto:Tim.Elliott@cmegroup.com).

Sincerely,

/s/Timothy R. Elliott  
Executive Director and Assistant General Counsel

Appendix A – Rule Amendments

## APPENDIX A

### Rule Changes to Pertinent Sections of CME Rule 452A, Options on Three-Month Eurodollar Futures

(Black-line Format)

#### Chapter 452A Options on Three-Month Eurodollar Futures

##### **452A00. SCOPE OF CHAPTER**

This chapter is limited in application to options on Three-Month Eurodollar futures. In addition to this chapter, options on Three-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.

##### **452A01. OPTIONS CHARACTERISTICS**

###### **452A01.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.

###### **452A01.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 Three-Month Eurodollar futures contract as specified in Chapter 452.

###### **452A01.C. Minimum Fluctuations**

The price of an option shall be quoted in IMM Index points. Each 0.01 IMM Index point (1 basis point) shall represent \$25. For example, a quote of 0.35 represents an option price of \$875 (35 basis points x \$25).

1. Contract Month Whose Underlying Futures Contract is the Nearest Expiring Futures Contract Month

The minimum fluctuation shall be 0.0025 IMM Index point (also known as one-quarter tick).

2. All Other Contract Months

The minimum fluctuation shall be 0.005 IMM Index point (also known as one-half tick). Trades may also occur at a price of 0.0025 IMM Index point (\$6.25, also known as one-quarter tick), whether or not such trades result in the liquidation of positions for both parties to the trade.

Further, for options expiring in the nearest or second nearest March quarterly or the nearest or second nearest non-March quarterly contract months trading at a premium of no more than 0.05 IMM Index points, or spread and combination trades at a net premium of no more than 0.05 IMM Index points and consisting of options contracts involving the nearest and/or second nearest non-March quarterly months and/or the nearest and/or second nearest March quarterly months only, the options in the combination may trade in increments of 0.0025 IMM index points.

For the purpose of Rule 813.—Settlement Prices, the minimum fluctuation shall be 0.0025 IMM Index point (\$6.25, also known as one-quarter tick)

3. Mid-Curve Options

The minimum fluctuation shall be 0.005 IMM Index point (\$12.50, also known as one-half tick). Trades may also occur at a price of 0.0025 IMM Index point (\$6.25, also known as one-quarter tick), whether or not such trades result in the liquidation of positions for both parties to the trade.

For the purpose of Rule 813—Settlement Prices, the minimum fluctuation shall be 0.0025 IMM Index point (\$6.25, also known as one-quarter tick).

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

###### **452A01.D. Underlying Futures Contracts**

1. Options in the March Quarterly Cycle (“Quarterly Options”)

For options that expire in the March quarterly cycle (i.e., March, June, September, and December), except for those Mid-Curve options specified in Paragraphs 3, 4, 5, and 6, 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 (“Serial Options”)

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) except for those Mid-Curve options specified in Paragraphs 3, 4, 5, and 6, 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 the options that expire in January or February is the March futures contract.

3. One-Year Mid-Curve Options

One-Year Mid-Curve Options in the March Quarterly Cycle: (“Quarterly One-Year Mid-Curve Options”)

For One-Year Mid-Curve options that expire in the March quarterly cycle, (i.e. March, June, September, and December), the underlying futures contract is the futures contract that expires twelve calendar months after the month in which the option expires.

One-Year Mid-Curve Options Not in the March Quarterly Cycle: (“Serial One-Year Mid-Curve Options”)

For Serial One-Year Mid-Curve 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 futures contract that expires twelve calendar months from the next March quarterly month that is nearest to the expiration of the option. For example, the underlying futures contract for the One-Year Mid-Curve options that expire in January or February is the March futures contract in the next calendar year.

Weekly One-Year Mid-Curve Options

For Weekly One-Year Mid-Curve Options, the underlying futures contract is the futures contract that expires twelve calendar months from the next March quarterly month that is nearest to the expiration of the option.

4. Two-Year Mid-Curve Options

Two-Year Mid-Curve Options in the March Quarterly Cycle: (“Quarterly Two-Year Mid-Curve Options”)

For Two-Year Mid-Curve options that expire in the March quarterly cycle, (i.e. March, June, September, and December), the underlying futures contract is the futures contract that expires twenty-four calendar months after the month in which the option expires.

Two-Year Mid-Curve Options Not in the March Quarterly Cycle: (“Serial Two-Year Mid-Curve Options”)

For Serial Two-Year Mid-Curve 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 futures contract that expires twenty-four calendar months from the next March quarterly month that is nearest to the expiration of the option. For example, the underlying futures contract for the Two-Year Mid-Curve options that expire in January or February is the March futures contract that expires in two calendar years.

## 5. Three-Year Mid-Curve Options

### Three-Year Mid-Curve Options in the March Quarterly Cycle: ("Quarterly Three-Year Mid-Curve Options")

For Three-Year Mid-Curve options that expire in the March quarterly cycle, (i.e. March, June, September, and December), the underlying futures contract is the futures contract that expires thirty-six calendar months after the month in which the option expires.

### Three-Year Mid-Curve Options Not in the March Quarterly Cycle: ("Serial Three-Year Mid-Curve Options")

For Serial Three-Year Mid-Curve 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 futures contract that expires thirty-six calendar months from the next March quarterly month that is nearest to the expiration of the option. For example, the underlying futures contract for the Three-Year Mid-Curve options that expire in January or February is the March futures contract that expires in three calendar years.

## 6. Four-Year Mid-Curve Options

### Four-Year Mid-Curve Options in the March Quarterly Cycle: ("Quarterly Four-Year Mid-Curve Options")

For Four-Year Mid-Curve options that expire in the March quarterly cycle, (i.e. March, June, September, and December), the underlying futures contract is the futures contract that expires forty-eight calendar months after the month in which the option expires.

### Four-Year Mid-Curve Options Not in the March Quarterly Cycle: ("Serial Four-Year Mid-Curve Options")

For Serial Four-Year Mid-Curve 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 futures contract that expires forty-eight calendar months from the next March quarterly month that is nearest to the expiration of the option. For example, the underlying futures contract for the Four-Year Mid-Curve options that expire in January or February is the March futures contract that expires in four calendar years.

## 7. [Five-Year Mid-Curve Options](#)

### [Five-Year Mid-Curve Options in the March Quarterly Cycle: \("Quarterly Five-Year Mid-Curve Options"\)](#)

[For Five-Year Mid-Curve options that expire in the March quarterly cycle, \(i.e. March, June, September, and December\), the underlying futures contract is the futures contract that expires sixty calendar months after the month in which the option expires.](#)

### [Five-Year Mid-Curve Options Not in the March Quarterly Cycle: \("Serial Five-Year Mid-Curve Options"\)](#)

[For Serial Five-Year Mid-Curve 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 futures contract that expires sixty calendar months from the next March quarterly month that is nearest to the expiration of the option. For example, the underlying futures contract for the Five-Year Mid-Curve options that expire in January or February is the March futures contract that expires in five calendar years.](#)

## **452A01.E. Exercise Prices**

### 1. Twenty-Five Point Exercise Prices

Exercise prices shall be stated in terms of the IMM Index for the Eurodollar futures contract that is deliverable upon exercise of the option and shall be stated in intervals whose last two digits are 00, 25, 50, and 75 ("twenty-five point exercise prices") for all IMM Index levels, e.g., 88.00, 88.25, 88.50, 88.75, etc.

For Options in the March Quarterly Cycle, Options Not in the March Quarterly Cycle, and ~~all One-Year, Two-Year, Three-Year, and Four-Year~~ Mid-Curve Options

At the commencement of trading in a contract expiration, the Exchange shall list put and call options at the exercise price that is nearest the previous day's settlement price of the respective underlying futures contract. All eligible exercise prices in a range of 5.50 IMM Index points above and below the exercise price that is nearest the futures price shall be listed for trading. Thereafter, the Exchange shall add for trading all eligible exercise prices in a range of 5.50 IMM Index points above and 5.50 IMM Index points below the exercise price nearest the previous day's settlement price. New options may be listed for



trading up to and including the termination of trading.

## 2. Special Listings of 12.5 Point Exercise Prices

Additional exercise prices shall be stated in intervals whose last three digits are 12.5, 37.5, 62.5, and 87.5 ("twelve and a half point exercise prices") for all IMM Index levels, e.g., 93.125, 93.375, 93.625, 93.875, etc.

For Options in the March Quarterly Cycle, Options Not in the March Quarterly Cycle, and ~~all One-Year, Two-Year, Three-Year, and Four-Year~~ Mid-Curve Options, the Exchange shall list put and call options with a 12.5 point exercise price in a range of 1.50 IMM Index points above and 1.50 IMM Index points below the exercise price [nearest the previous day's settlement price of the underlying futures contract month.

The Exchange may modify the provisions governing the establishment of exercise prices as it deems appropriate.

### **452A01.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.

### **452A01.G.-I. [Reserved]**

### **452A01.J. Termination of Trading**

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

For options in the March quarterly cycle, except for those Mid-Curve options specified in Paragraph 3, options trading shall terminate at the same date and time as the underlying futures contract.

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

Options trading for contracts not in the March quarterly cycle, except for those Mid-Curve options specified in Paragraph 3, shall terminate at the close of trading on the Friday preceding the third Wednesday of the contract month. If the foregoing date for termination is a scheduled Exchange holiday, options trading shall terminate on the immediately preceding Business Day. In the event that the underlying futures market does not open on the scheduled expiration day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

#### 3. Mid-Curve Options

Except for the weekly One-Year Mid-Curve options, trading in ~~all other One-Year, Two-Year, Three-Year, and Four-Year Mid-Curve~~ options shall terminate at the close of trading on the Friday preceding the third Wednesday of the calendar month containing the Mid-Curve option expiration. If the foregoing date for termination is a scheduled Exchange holiday, options trading shall terminate on the immediately preceding Business Day. In the event that the underlying futures market does not open on the scheduled expiration day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

Trading in weekly One-Year Mid-Curve options shall terminate at the close of trading on those Fridays that are not also the termination of trading of a Quarterly or Serial One-Year Mid-Curve option. If the foregoing date for termination is a scheduled Exchange holiday, trading in weekly options shall terminate on the immediately preceding Business Day. In the event that the underlying futures market does not open on the scheduled expiration day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

### **452A01.K. [Reserved]**

## **452A02. EXERCISE AND ASSIGNMENT**

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

### **452A02.A. Exercise of Option by Buyer**

An option may be exercised by the buyer on any Business Day that the option is traded. To exercise an option, the clearing member representing the buyer shall present an exercise notice to the Clearing



House by 7:00 p.m. on the day of exercise.

An option 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 7:00 p.m. on the day of expiration by the clearing member representing the option buyer, be exercised automatically. An option is in the money if the settlement price of the underlying futures contract at the termination of trading 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 7:00 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.

#### **452A02.B. Assignment**

Exercise notices accepted by the Clearing House shall be assigned through a process of random selection to clearing members with open short positions in the same series. A clearing member to which an exercise notice is assigned shall be notified thereof as soon as practicable after such notice is assigned by the Clearing House, but not later than 45 minutes before the opening of Regular Trading Hours in the underlying futures contract on the following Business Day.

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

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

#### **452A03. [RESERVED]**

(End Chapter 452A)

### **INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER 452A**

#### **RULE 452A01.D. INTERPRETATION**

(Special Executive Report S-2075, January 30, 1989. Revised in S.E.R. S-2735, December 6, 1993)

452A01.D. can be interpreted as follows:

At the commencement of trading in a contract expiration, the Exchange will list put and call options at the eligible exercise price that is nearest the previous day's settlement price of the underlying futures contract. An exercise price is "eligible" if it is in increments of .25 IMM Index points from even number IMM Index levels, such as 91.00 and falls within the appropriate range of IMM Index points of the eligible exercise price nearest the previous day's settlement as determined by time to expiration for the option contract expiration. An eligible exercise price is "nearest" when it is 12 basis points or closer to the adjacent eligible exercise price.

The listing procedure of exercise prices above and below the exercise price nearest to the previous day's settlement price of the underlying futures contract month is affected by the time to expiration of the individual option contract expiration. If the Exchange listing cycle specifies that eight March quarterly contract months (except Mid-Curve options) will be listed normally and that the newly listed deferred quarterly contract month will be listed on the Business Day following the expiration of the nearby quarterly contract month, then normally, new quarterly contract month listings will be added that have more than 15 complete calendar months to termination. Therefore, on Day 1, according to Rule 452A01.D., exercise prices will be added in a range of 2.25 IMM Index points above and below the exercise price nearest to the previous day's settlement price of the underlying futures contract expiration. (See Example 1(a).) Thereafter, the addition of exercise prices will be affected by the movement of the underlying futures settlement price and the relative time to expiration of the option contract expiration. (See Example 1(b).) The following examples illustrate the listing procedure for the September '91 Eurodollar (ED) options contract month that expires on September 16, 1991.

Example 1 - September '91 ED futures settles at 92.13 on Monday, September 18, 1989. On Tuesday, September 19, 1989, with time to expiration of the option contract expiration falling in the range of more than 15

complete calendar months away, exercise prices in a range of 2.25 IMM Index points above and below the exercise price nearest the previous day's settlement price of the underlying futures contract are added.

(a) Exercise Prices Listed on Day 1:

94.50	92.75	91.25
94.25	92.50	91.00
94.00	92.25	90.75
93.75	92.00	90.50
93.50	91.75	90.25
93.25	91.50	90.00
93.00		

(b) Thereafter, the addition of exercise prices is affected by the time to expiration of the option, the underlying futures settlement price, and the option contract expiration exercise prices already listed.

(1) Time to expiration is more than 15 complete calendar months away--For example, from September 19, 1989 through May 31, 1990, for the September '91 quarterly contract month expiring on September 16, 1991, all eligible exercise prices in a range of 2.25 IMM Index points above and below the exercise price nearest the previous day's settlement price are added.

(i) If highest listed exercise price is 94.50, then the next new higher exercise price of 94.75 would be added when the underlying futures settled at or above 92.38.

(ii) If lowest listed exercise price is 90.00, then the next new lower exercise price of 89.75 would be added when the underlying futures settled at or below 92.12.

(2) Time to expiration is more than 12 up to and including 15 complete calendar months away--For example, from June 1, 1990 through August 31, 1990, for the September '91 quarterly contract month expiring on September 16, 1991, all eligible exercise prices in a range of 1.75 IMM Index points above and below the exercise price nearest the previous day's settlement price are added.

(i) If highest listed exercise price is 94.50, then the next new higher exercise price of 94.75 would be added when the underlying futures settled at or above 92.88.

(ii) If lowest listed exercise price is 90.00, then the next new lower exercise price of 89.75 would be added when the underlying futures settled at or below 91.62.

(3) Time to expiration is up to and including 12 complete calendar months away--For example, from September 1, 1990 through September 6, 1991, for the September '91 quarterly contract month expiring on September 16, 1991, all eligible exercise prices in a range of 1.50 IMM Index points above and below the exercise price nearest the previous day's settlement price are added.

(i) If highest listed exercise price is 94.50, then the next new higher exercise price of 94.75 would be added when the underlying futures settled at or above 93.13.

(ii) If lowest listed exercise price is 90.00, then the next new lower exercise price of 89.75 would be added when the underlying futures settled at or below 91.37.

Example 2 - September '91 ED futures settles at 92.25 on Monday, September 18, 1989. On Tuesday, September 19, 1989, with time to expiration of the quarterly option contract month falling in the range of more than 15 complete calendar months away, exercise prices in a range of 2.25 IMM Index points above and below the exercise price nearest the settlement price of the underlying futures contract on the previous day are added.

(a) Exercise prices listed on Day 1:

94.50	92.75	91.25
94.25	92.50	91.00
94.00	92.25	90.75
93.75	92.00	90.50
93.50	91.75	90.25
93.25	91.50	90.00
93.00		

(b) Thereafter, the same procedures would apply as for Example 1(b) (1-3).

The corresponding strike listing procedures also apply to Mid-Curve options. In each case, the Mid-Curve option strike listings depend on the given Mid-Curve option's underlying futures contract, the option's time to expiration, and the strikes already listed for that Mid-Curve option contract.