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OFFICE OF THE  
SECRETARIAT

May 19, 2011

Mr. David Stawick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, NW  
Washington, DC 20581

**RE: Section 5c(1), Part 40.6 - Rule Certification  
Options on E-mini Standard and Poor's 500 Stock Price Index Futures and  
options on Standard and Poor's 500 Stock Index Futures Exercise  
Language Revised  
CME Submission No. 11-202**

Dear Mr. Stawick:

Chicago Mercantile Exchange Inc. ("CME" or "Exchange") hereby notifies the Commodity Futures Trading Commission of revisions to the language setting forth the exercise rights on Options on E-mini Standard and Poor's 500 Stock Price Index Futures and Options on Standard and Poor's 500 Stock Index Futures.

The change does not substantively impact the Options on E-mini Standard and Poor's 500 Stock Price Index Futures and Options on Standard and Poor's 500 Stock Index Futures. The purpose of the change is to harmonize the exercise language used for all options on equity index futures traded on the CME.

CME certifies that this action complies with the Commodity Exchange Act and regulations thereunder. There were no substantive opposing views to this proposal. The amendments will become effective for trade date Monday, May 23, 2011.

If you require any additional information regarding this action, please do not hesitate to contact Mr. John Nyhoff, Director-Research & Product Development, at 312-930-2310 or via e-mail at [john.nyhoff@cmegroup.com](mailto:john.nyhoff@cmegroup.com), or Lucy Wang at 312-648-5478 or via e-mail at [lucy.wang@cmegroup.com](mailto:lucy.wang@cmegroup.com). Alternatively, you may contact me at 312-930-8167. Please reference CME Submission No. 11-202 in any related correspondence.

Sincerely,

/s/ Sean Downey  
Associate Director and Assistant General Counsel

cc: Mr. Thomas M. Leahy and Mr. Philip Colling  
CFTC Division of Market Oversight, Product Review & Analysis Section

## Text of Rule Amendments

*(Additions are underlined, deletions are bracketed and overstruck)*

### Chapter 358A Options on E-mini® Standard and Poor's 500 Stock Price Index Futures

#### 358A02. EXERCISE

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of E-Mini S&P 500 options.

##### 358A02.A. Exercise of Option by Buyer<sup>1</sup>

##### 358A02.A.1 Options Not in the European style "End-of-Month" Series and European style Weekly Series

An option may be exercised by the buyer on any business day that the option is traded. Exercise of an option is accomplished by the clearing member representing the buyer presenting an exercise notice to the Clearing House by 7:00 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 7:00 p.m. on the business day following the termination of trading 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 termination of trading shall, in the absence of contrary instructions delivered to the Clearing House by 7:00 p.m. on the day of the expiration by the clearing member representing the option buyer, be exercised automatically.

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.

##### 358A02.A.2 Options in the European style "End-of-Month" Series and the European style Weekly Options Series

Following the termination of trading of an option, all in-the-money options shall be automatically exercised by the Clearing House on the day of expiration for the option. All out-of-the-money options shall be abandoned by the Clearing House on the day of expiration for the option. Whether an option is in or out of the money shall be determined based on the fixing price of the CME E-mini S&P 500 stock index futures on the day of expiration as follows:

- Tier1 Take the thirty (30) second average of sale prices of the underlying futures contract on Globex, weighted by volume, from 2:59:30 to 3:00:00 p.m. Chicago time.
- Tier2 If no sales occurred during the thirty-second interval noted above, take the midpoint of each bid and ask spread and average the resulting midpoints over the thirty-second interval. However, when looking at each bid / ask spread, if it is wider than 2 ticks (0.50 index points), the bid/ask pair shall be discarded in the calculation.
- Tier3 If the fixing price cannot be determined by both Tiers 1 and 2, or there is a trading interruption in the underlying futures market on Globex at any point from 2:58:00 to 3:00:00 p.m. Chicago time due to system outage or trading stoppages, including stoppages pursuant to Rule 580.3, take the thirty (30) second average of sale prices of the S&P 500 futures contract of the same contract month as the underlying futures contract, from 2:59:30 to 3:00:00 p.m. Chicago time.

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<sup>1</sup> Revised August 2004.

Tier 4 If the fixing price cannot be determined pursuant to Tiers 1, 2 and 3, Exchange Staff shall take into consideration any other information it deems appropriate to determine the fixing price. This information may include, but is not limited to, the following, and procedures to determine the information may be performed in any order by Exchange Staff: (1) derive the fixing price based on basis relationship against the underlying cash index level; (2) repeat Tier 1, 2, or 3 at ever increasing 30 second increment intervals until data is obtained.

The calculation of the fixing price shall be rounded to the nearest 0.01 index points.

In the event of an option expiring on a shortened trading day, the fixing calculation shall be performed based on the market activities during the thirty-second period immediately preceding the close of the underlying stock market.

An option is deemed in the money if the fixing price of the underlying futures contract lies strictly above the exercise price in the case of a call, or lies strictly below the exercise price in the case of a put. For example, if the fixing price were 1250.01 or higher, then 1250 Calls shall be exercised. If the fixing price were 1250.00 or lower, then 1250 Calls shall be abandoned. Similarly, if the CME currency fixing price were 1249.99 or lower, then 1250 Puts shall be exercised. If the fixing price were 1250.00 or higher, then 1250 Puts shall be abandoned.

Options in the European style "End-of-Month" options series and European style Weekly options series may not be exercised prior to the expiration of the options. At the expiration, in-the-money options may not be abandoned and out-of-the-money options may not be exercised.

## Chapter 351A

### Options on Standard and Poor's 500 Stock Price Index™ Futures

#### 351A02. EXERCISE

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

##### 351A02.A. Exercise of Option by Buyer <sup>2</sup>

##### 351A02.A.1 Options Not in the European Style "End-of-Month" Series and European Style Weekly Series

An option may be exercised by the buyer on any business day that the option is traded. Exercise of an option is accomplished by the clearing member representing the buyer presenting an exercise notice to the Clearing House by 7:00 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 7:00 p.m. on the business day following the termination of trading by the clearing member representing the option buyer, be exercised automatically. <sup>3</sup>

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 termination of trading shall, in the absence of contrary instructions delivered to the Clearing House by 7:00 p.m. on the day of the expiration by the clearing member representing the option buyer, be exercised automatically. <sup>4</sup>

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. <sup>5</sup>

<sup>2</sup> Revised June 1987; July 1988; December 1991; August 2004.

<sup>3</sup> An option in the March quarterly cycle 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.

<sup>4</sup> An option that expires in a month other than those in the March quarterly cycle 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.

<sup>5</sup> Adopted August 1995.

**351A02.A.2 Options in the European Style "End-of-Month" Series and the European style Weekly Options Series**

Following the termination of trading of an option, all in-the-money options shall be automatically exercised by the Clearing House. All out-of-the-money options shall be abandoned by the Clearing House on the day of expiration for the option. Whether an option is in or out of the money shall be determined based on the fixing price of the CME E-mini S&P 500 stock index futures on the day of expiration, determined pursuant to Rule 358.A02.A.2.

An option is deemed in the money if the fixing price of the underlying futures contract lies strictly above the exercise price in the case of a call, or lies strictly below the exercise price in the case of a put. For example, if the fixing price were 1250.01 or higher, then 1250 Calls shall be exercised. If the fixing price were 1250.00 or lower, then 1250 Calls shall be abandoned. Similarly, if the fixing price were 1249.99 or lower, then 1250 Puts shall be exercised. If the fixing price were 1250.00 or higher, then 1250 Puts shall be abandoned.

Options in the European style "End-of-Month" options series and European style Weekly options series may not be exercised prior to the expiration of the options. At the expiration, in-the-money options may not be abandoned and out-of-the-money options may not be exercised.

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**Chapter 358A  
Options on E-mini® Standard and Poor's 500  
Stock Price Index Futures**

**358A02. EXERCISE**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of E-Mini S&P 500 options.

**358A02.A. Exercise of Option by Buyer<sup>6</sup>**

**358A02.A.1 Options Not in the European style "End-of-Month" Series and European style Weekly Series**

An option may be exercised by the buyer on any business day that the option is traded. Exercise of an option is accomplished by the clearing member representing the buyer presenting an exercise notice to the Clearing House by 7:00 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 7:00 p.m. on the business day following the termination of trading 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 termination of trading shall, in the absence of contrary instructions delivered to the Clearing House by 7:00 p.m. on the day of the expiration by the clearing member representing the option buyer, be exercised automatically.

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.

**358A02.A.2 Options in the European style "End-of-Month" Series and the European style Weekly Options Series**

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<sup>6</sup> Revised August 2004.

Following the termination of trading of an option, all in-the-money options shall be automatically exercised by the Clearing House on the day of expiration for the option. All out-of-the-money options shall be abandoned by the Clearing House on the day of expiration for the option. Whether an option is in or out of the money shall be determined based on the fixing price of the CME E-mini S&P 500 stock index futures on the day of expiration as follows:

- Tier1 Take the thirty (30) second average of sale prices of the underlying futures contract on Globex, weighted by volume, from 2:59:30 to 3:00:00 p.m. Chicago time.
- Tier2 If no sales occurred during the thirty-second interval noted above, take the midpoint of each bid and ask spread and average the resulting midpoints over the thirty-second interval. However, when looking at each bid / ask spread, if it is wider than 2 ticks (0.50 index points), the bid/ask pair shall be discarded in the calculation.
- Tier3 If the fixing price cannot be determined by both Tiers 1 and 2, or there is a trading interruption in the underlying futures market on Globex at any point from 2:58:00 to 3:00:00 p.m. Chicago time due to system outage or trading stoppages, including stoppages pursuant to Rule 580.3, take the thirty (30) second average of sale prices of the S&P 500 futures contract of the same contract month as the underlying futures contract, from 2:59:30 to 3:00:00 p.m. Chicago time.
- Tier 4 If the fixing price cannot be determined pursuant to Tiers 1, 2 and 3, Exchange Staff shall take into consideration any other information it deems appropriate to determine the fixing price. This information may include, but is not limited to, the following, and procedures to determine the information may be performed in any order by Exchange Staff: (1) derive the fixing price based on basis relationship against the underlying cash index level; (2) repeat Tier 1, 2, or 3 at ever increasing 30 second increment intervals until data is obtained.

The calculation of the fixing price shall be rounded to the nearest 0.01 index points.

In the event of an option expiring on a shortened trading day, the fixing calculation shall be performed based on the market activities during the thirty-second period immediately preceding the close of the underlying stock market.

An option is deemed in the money if the fixing price of the underlying futures contract lies strictly above the exercise price in the case of a call, or lies strictly below the exercise price in the case of a put. For example, if the fixing price were 1250.01 or higher, then 1250 Calls shall be exercised. If the fixing price were 1250.00 or lower, then 1250 Calls shall be abandoned. Similarly, if the CME currency fixing price were 1249.99 or lower, then 1250 Puts shall be exercised. If the fixing price were 1250.00 or higher, then 1250 Puts shall be abandoned.

Options in the European style "End-of-Month" options series and European style Weekly options series may not be exercised prior to the expiration of the options. At the expiration, in-the-money options may not be abandoned and out-of-the-money options may not be exercised.

## **Chapter 351A**

### **Options on Standard and Poor's 500 Stock Price Index™ Futures**

#### **351A02. EXERCISE**

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

##### **351A02.A. Exercise of Option by Buyer <sup>7</sup>**

###### **351A02.A.1 Options Not in the European Style "End-of-Month" Series and European Style Weekly Series**

An option may be exercised by the buyer on any business day that the option is traded. Exercise of an option is accomplished by the clearing member representing the buyer presenting an exercise notice to the Clearing House by 7:00 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

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<sup>7</sup> Revised June 1987; July 1988; December 1991; August 2004.

House by 7:00 p.m. on the business day following the termination of trading by the clearing member representing the option buyer, be exercised automatically.<sup>8</sup>

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 termination of trading shall, in the absence of contrary instructions delivered to the Clearing House by 7:00 p.m. on the day of the expiration by the clearing member representing the option buyer, be exercised automatically.<sup>9</sup>

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.<sup>10</sup>

#### **351A02.A.2 Options in the European Style "End-of-Month" Series and the European style Weekly Options Series**

Following the termination of trading of an option, all in-the-money options shall be automatically exercised by the Clearing House. All out-of-the-money options shall be abandoned by the Clearing House on the day of expiration for the option. Whether an option is in or out of the money shall be determined based on the fixing price of the CME E-mini S&P 500 stock index futures on the day of expiration, determined pursuant to Rule 358.A02.A.2.

An option is deemed in the money if the fixing price of the underlying futures contract lies strictly above the exercise price in the case of a call, or lies strictly below the exercise price in the case of a put. For example, if the fixing price were 1250.01 or higher, then 1250 Calls shall be exercised. If the fixing price were 1250.00 or lower, then 1250 Calls shall be abandoned. Similarly, if the fixing price were 1249.99 or lower, then 1250 Puts shall be exercised. If the fixing price were 1250.00 or higher, then 1250 Puts shall be abandoned.

Options in the European style "End-of-Month" options series and European style Weekly options series may not be exercised prior to the expiration of the options. At the expiration, in-the-money options may not be abandoned and out-of-the-money options may not be exercised.

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<sup>8</sup> An option in the March quarterly cycle 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.

<sup>9</sup> An option that expires in a month other than those in the March quarterly cycle 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.

<sup>10</sup> Adopted August 1995.