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OFFICE OF THE SECRETARIAT

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May 29, 2009

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

**RE:   CBOT Chapters 23A, 24A, 25A and 38A –  
      Options on Interest Rate Swap Futures  
      CBOT Submission No 09-0102**

Dear Mr. Stawick:

The Board of Trade of the City of Chicago, Inc. ("CBOT" or "Exchange") hereby certifies, pursuant to Commission Regulation 40.2 and Section 5c(c)(1) of the Commodity Exchange Act, Exchange rules governing trading in call options and put options on Interest Rate Swap Futures.

In brief, each such call option shall entitle its owner to exercise the option, at expiry only, into a long position of one corresponding Interest Rate Swap futures contract of a given delivery month at the option strike price. Similarly, each such put option shall entitle its owner to exercise the option, at expiry only, into a short position of one corresponding Interest Rate Swap futures contract of a given delivery month at the option strike price.

Option premium shall be quoted and traded in terms of Interest Rate Swap futures price points, where each such price point is equal to \$1,000. The minimum trading increment for option premium shall be  $1/64^{\text{th}}$  of one price point, equal to \$15.625 per contract.

Initially, option contract listings shall comprise six option expiry months: four March-quarterly expiries, corresponding to each of the nearest four futures delivery months, plus two monthly serial expiries. For any option on a 5-Year Interest Rate Swap futures contract of a given delivery month, the strike price range shall span 31 price levels: one at-the-money strike, plus 15 higher and 15 lower strike price levels, in increments of  $1/2$  of one price point. For any option on a 7-Year, 10-Year, or 30-Year Interest Rate Swap futures contract of a given delivery month, the strike price range shall span 51 price levels: one at-the-money strike, plus 25 higher and 25 lower strike price levels, in increments of one price point.

The contract terms and conditions declared in the CBOT Rulebook chapters that pertain to options on Interest Rate Swap futures – 23A, 24A, 25A, and 38A -- shall take effect no sooner than two business days following certification.

CBOT certifies that these terms and conditions comply with the Commodity Exchange Act and regulations thereunder.

The following seven appendices show pertinent details:

Appendix 1 summarizes option contract specifications.

Appendices 2-5 present contract terms and conditions:

Appendix 2 -- options on 5-Year Swap futures (Chapter 24A).

Appendix 3 -- options on 7-Year Swap futures (Chapter 38A).

Appendix 4 -- options on 10-Year Swap futures (Chapter 23A).

Appendix 5 -- options on 30-Year Swap futures (Chapter 25A).

Appendix 6 shows corresponding emendations to Rule 588.K. No Bust Ranges.

Appendix 7 shows modifications to Position Limits and Position Accountability Levels.

If you require additional information in support this letter, please contact Frederick Sturm at (312) 930-1282 or via e-mail at [frederick.sturm@cmegroup.com](mailto:frederick.sturm@cmegroup.com), or me at (312) 648-5422. Please reference CBOT Submission No. 09-102 in any related correspondence.

Sincerely,

/s/ Stephen M. Szarmack  
Director and Associate General Counsel

Attachment

## Appendix 1 -- Options on Interest Rate Swap Futures: Contract Features

<b>Contract Reference Unit</b>		
One 5-Year, 7-Year, 10-Year, or 30-Year Interest Rate Swap futures contract of a specified delivery month		
<b>Minimum Fluctuation</b>		
Option premium shall trade in Interest Rate Swap futures price points (\$1,000 per contract), with a minimum increment of 1/64 <sup>th</sup> of one point (\$15.625 per contract), rounded up to the nearest cent per contract. For cabinet transactions only, the minimum increment shall be \$1, from a minimum of \$1 to a maximum of \$15 per option contract.		
<b>Strike Prices</b>		
<i>Options on 5-Year Interest Rate Swap futures:</i> The minimum strike price range shall be 31 price levels in increments of ½ of one price point, comprising the at-the-money strike price (ie, closest to the latest futures daily settlement price), plus the next 15 consecutively higher price levels and the next 15 consecutively lower price levels.		
<i>Options on 7-Year, 10-Year, or 30-Year Interest Rate Swap futures:</i> The minimum strike price range shall be 51 price levels in increments of one price point, comprising the at-the-money strike price (ie, closest to the latest futures daily settlement price), plus the next 25 consecutively higher price levels and the next 25 consecutively lower price levels.		
<b>Contract Months</b>		
Four quarterly expiries corresponding to the first four futures delivery months in the Mar-Jun-Sep-Dec quarterly cycle, plus two monthly serial expiries		
<b>Last Trading Day</b>		
<i>Mar-Jun-Sep-Dec quarterly expiries:</i> Trading shall terminate at same hour and on same day as the corresponding Interest Rate Swap futures contract.		
<i>Monthly Serial Expiries:</i> 2:00 pm Chicago time on Friday before third Wednesday of option expiration month.		
<b>Exercise</b>		
European style, ie, at expiry only. Any option expiring in the money shall be automatically exercised, unless specific instructions to the contrary are given to CME Clearing House by 6:00 pm Chicago time on its last day of trading.		
<b>Delivery Method</b>		
Unexercised options shall expire at 7:00 pm Chicago time on their last day of trading.		
<b>Trading Hours</b>		
Open Outcry: 7:20 am - 2:00 pm Chicago time, Monday – Friday CME Globex Electronic Markets: 5:00 pm - 4:00 pm, Chicago time, Sunday – Friday		
<b>Ticker Symbols</b>		
5-Year	Globex: OSA	Open auction: NGC, NGP
7-Year	Globex: O7I (oh-7-eye)	Open auction: 7IO (7-eye-oh)
10-Year	Globex: OSR	Open auction: NIC, NIP
30-Year	Globex: OI3 (oh-eye-3)	Open auction: ONZ
<b>Daily Price Limit</b>		
None		
<b>Block Trade Minimum / All-or-None Transaction Minimum</b>		
500 contracts / 1,000 contracts		
<b>Position Limits / Position Accountability / Reportable Position Levels</b>		
None / 15,000 contracts / 5-Year and 10-Year: 500 contracts. 7-Year and 30-Year: 25 contracts		

## **Appendix 2 –**

### **Chapter 24A: Options on 5-Year Interest Rate Swap Futures**

#### **24A00.SCOPE OF CHAPTER**

This chapter is limited in application to put and call options on 5-Year Interest Rate Swap futures. In addition to the rules of this chapter, transactions in options on 5-Year Interest Rate Swap futures shall be subject to the general rules of the Exchange insofar as applicable.

#### **24A00.A. Definitions**

Hereafter in this chapter, the following definitions shall apply.

1. **March Quarterly Cycle**

“March Quarterly Cycle” shall refer to the months of March, June, September, or December.

2. **Months not in the March Quarterly Cycle**

“Months not in the March Quarterly Cycle” shall refer to January, February, April, May, July, August, October, or November.

#### **24A01.OPTION CHARACTERISTICS**

#### **24A01.A. Expiration Months**

Trading may be scheduled in such option expiration months (Rule 24A01.I) as the Exchange shall determine.

#### **24A01.B. Trading Unit**

One 5-Year Interest Rate Swap futures contract of a specified delivery month (Rule 24102.).

1. **Options in the March Quarterly Cycle**

For any option that expires in any month within the March Quarterly Cycle (Rule 24A00.A.1.), the delivery month of the corresponding futures contract shall be identical to the option contract expiration month.

2. **Options Not in the March Quarterly Cycle**

For any option that expires in any month not within the March Quarterly Cycle (Rule 24A00.A.2.), the delivery month of the corresponding futures contract shall be the next following month in the March Quarterly Cycle after the option contract expiration month.

#### **24A01.C. Option Premium Increments**

Option premium shall be quoted in terms of 5-Year Interest Rate Swap futures price points (Rule 24102.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, an option position may be initiated or liquidated at a premium ranging from \$1.00 to \$15.00, in \$1.00 increments per option contract.

**24A01.D. Trading Hours**

Trading hours shall be determined by the Exchange. Options shall be opened and closed for all expiration months and strike prices simultaneously, or in such other manner as determined by the Exchange.

On its last day of trading (Rule 24A01.I.) an expiring option shall cease trading at the time of the close of the open outcry trading session for the corresponding 5-Year Interest Rate Swap futures contract (Rule 24102.A.).

**24A01.E. Exercise Prices**

Trading shall be conducted for put and call options with strike prices in multiples of one half (1/2) of one 5-Year Interest Rate Swap futures price point (Rule 24A01.C.).

At the commencement of trading in such option contracts for any given expiration month and for exercise into any given 5-Year Interest Rate Swap futures contract (Rule 24A01.G.), the following strike prices shall be listed:

the strike price closest to the previous day's futures contract settlement price (hereafter in this chapter, the "at-the-money strike price"), and

the next fifteen (15) consecutive higher strike prices closest to the previous day's futures settlement price, and

the next fifteen (15) consecutive lower strike prices closest to the previous day's futures settlement price.

If the previous day's futures settlement price is at the midpoint between two option strike prices, then the at-the-money strike price shall be set equal to the higher of the two option strike prices.

Over time, new strike prices shall be added to ensure that at least fifteen (15) strike prices are listed for trading both above and below the previous day's settlement price for the corresponding futures contract. All new strike prices shall be added prior to the opening of trading on the following business day.

The Exchange may modify the procedure for the introduction of option strike prices as it deems appropriate to market conditions.

**24A01.F. Reserved**

**24A01.G. Nature of Options on 5-Year Interest Rate Swap Futures**

The buyer of a put option may exercise it, at expiration only, subject to Rule 24A02.A., to assume a short position of one 5-Year Interest Rate Swap futures contract of a specified delivery month, at a specified strike price, as specified at the time the buyer purchased such put option.

Upon exercise by a put option buyer, the seller of such put option incurs the obligation of assuming a long position of one 5-Year Interest Rate Swap futures

contract of a specified delivery month, at a specified strike price, as specified at the time the seller sold such put option.

The buyer of a call option may exercise it, at expiration only, subject to Rule 24A02.A., to assume a long position of one 5-Year Interest Rate Swap futures contract of a specified delivery month, at a specified strike price, as specified at the time the buyer purchased such call option.

Upon exercise by a call option buyer, the seller of such call option incurs the obligation of assuming a short position of one 5-Year Interest Rate Swap futures contract of a specified delivery month, at a specified strike price, as specified at the time the seller sold such call option.

**24A01.H. Reserved**

**24A01.I. Termination of Trading**

**1. Options in the March Quarterly Cycle**

For any option that expires in any month within the March Quarterly Cycle (Rule 24A00.A.1.), trading in such expiring option shall terminate on the same date and at the same time as the corresponding 5-Year Interest Rate Swap futures (Rules 24102.A. and 24102.F.).

**2. Options Not in the March Quarterly Cycle**

For any option that expires in any month not within the March Quarterly Cycle (Rule 24A00.A.2.), trading in such expiring option shall terminate on the Friday preceding the third Wednesday of the option's named month of expiration, at the time of the close of the open outcry trading session for the corresponding 5-Year Interest Rate Swap futures contract (Rule 24A01.D.). If such Friday is a scheduled Exchange holiday, trading in such expiring option shall terminate on the last preceding Exchange business day. In the event that the market in the corresponding 5-Year Interest Rate Swap futures does not open on the scheduled option expiration day, option expiration shall occur on the next following Exchange business day on which such futures market is open for trading.

**24A01.J. Contract Modification**

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

**24A02.EXERCISE AND ASSIGNMENT**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise and assignment of options on 5-Year Interest Rate Swap futures.

**24A02.A. Option Exercise**

Options shall expire at 7:00 p.m. Chicago time on their last day of trading.

The buyer of an option may exercise it only at its expiration. For any option contract that expires in-the-money, positions in such option contract that remain open after the termination of trading shall be automatically exercised, unless instruction to cancel automatic exercise is given to the Clearing House. Such instruction must be given to the Clearing House by 6:00 p.m. Chicago time on the option contract's last day of trading (Rule 24A01.I.), or by such other time designated by the Exchange.

An option is in-the-money if the settlement price of the corresponding 5-Year Interest Rate Swap futures contract is less in the case of a put, or greater in the case of a call, than the strike price of the option.

**24A02.B. Assignment**

For any expiring option contract, the Clearing House shall assign exercise notices, through a process of random selection, to clearing members with open short positions in such option contract. A clearing member to which an exercise notice is assigned shall be notified thereof as soon as practicable after the Clearing House has assigned such notice (Rule 24A02.A.).

The clearing member to whom an exercise notice is assigned shall be assigned a long position in the corresponding futures contract if a put option is exercised, or a short position in the corresponding futures contract if a call option is exercised.

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

All such futures positions shall be assigned at a price equal to the strike price of the option and shall be marked to market in accordance with Rule 814 on the last day of

trading in such option.

**24A03.ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

(Refer to Rule 701.).

**24A04.CORRECTIONS TO OPTION EXERCISE**

Corrections to option exercises, including automatic exercises, may be accepted by the Clearing House after the 6:00 p.m. Chicago time deadline and up to the beginning of final option expiration processing, provided that any such correction is necessary due to: (1) a bona fide clerical error, (2) an un-reconciled Exchange option transaction(s), or (3) an extraordinary circumstance wherein the clearing firm and customer are unable to communicate final option exercise instructions prior to the deadline. The decision as to whether a correction is acceptable will be made by the President of the Clearing House, or the President's designee, and such decision shall be final.

**24A05.PAYMENT OF OPTION PREMIUM**

Option premium must be paid in full by each clearing member to the Clearing House,

and by each option customer to such customer's futures commission merchant, at the time that the option is purchased, or within a reasonable time after the option is purchased.



## Appendix 3 –

### Chapter 38A: Options on 7-Year Interest Rate Swap Futures

#### 38A00.SCOPE OF CHAPTER

This chapter is limited in application to put and call options on 7-Year Interest Rate Swap futures. In addition to the rules of this chapter, transactions in options on 7-Year Interest Rate Swap futures shall be subject to the general rules of the Exchange insofar as applicable.

#### 38A00.A. Definitions

Hereafter in this chapter, the following definitions shall apply.

1. March Quarterly Cycle

“March Quarterly Cycle” shall refer to the months of March, June, September, or December.

2. Month(s) not in the March Quarterly Cycle

“Month(s) not in the March Quarterly Cycle” shall refer to January, February, April, May, July, August, October, or November.

#### 38A01.OPTION CHARACTERISTICS

#### 38A01.A. Expiration Months

Trading may be scheduled in such option expiration months (Rule 38A01.I) as the Exchange shall determine.

#### 38A01.B. Trading Unit

One 7-Year Interest Rate Swap futures contract of a specified delivery month (Rule 38102.).

1. Options in the March Quarterly Cycle

For any option that expires in any month within the March Quarterly Cycle (Rule 38A00.A.1.), the delivery month of the corresponding futures contract shall be identical to the option contract expiration month.

2. Options Not in the March Quarterly Cycle

For any option that expires in any month not within the March Quarterly Cycle (Rule 38A00.A.2.), the delivery month of the corresponding futures contract shall be the next following month in the March Quarterly Cycle after the option contract expiration month.

#### 38A01.C. Option Premium Increments

Option premium shall be quoted in terms of 7-Year Interest Rate Swap futures price points (Rule 38102.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, an option position may be initiated or liquidated at a premium ranging from

\$1.00 to \$15.00, in \$1.00 increments per option contract.

**38A01.D. Trading Hours**

Trading hours shall be determined by the Exchange. Options shall be opened and closed for all expiration months and strike prices simultaneously, or in such other manner as determined by the Exchange.

**1. Options in the March Quarterly Cycle**

On the last day of trading (Rule 38A01.I.) in any option that expires in any month within the March Quarterly Cycle (Rule 38A00.A.1.), trading in such expiring option shall cease at the same time as the corresponding 7-Year Interest Rate Swap futures (Rules 38102.A. and 38102.F.).

**2. Options Not in the March Quarterly Cycle**

On the last day of trading (Rule 38A01.I.) in any option that expires in any month not within the March Quarterly Cycle (Rule 38A00.A.2.), trading in such expiring option shall cease at 2:00 p.m. Chicago time.

**38A01.E. Exercise Prices**

Trading shall be conducted for put and call options with strike prices in multiples of one 7-Year Interest Rate Swap futures price point (Rule 38A01.C.).

At the commencement of trading in such option contracts for any given expiration month and for exercise into any given 7-Year Interest Rate Swap futures contract (Rule 38A01.G.), the following strike prices shall be listed:

- the strike price closest to the previous day's futures contract settlement price (hereafter in this chapter, the "at-the-money strike price"), and
- the next twenty-five (25) consecutive higher strike prices closest to the previous day's futures settlement price, and
- the next (25) consecutive lower strike prices closest to the previous day's futures settlement price.

If the previous day's futures settlement price is at the midpoint between two option strike prices, then the at-the-money strike price shall be set equal to the higher of the two option strike prices.

Over time, new strike prices shall be added to ensure that at least twenty-five (25) strike prices are listed for trading both above and below the previous day's

settlement price for the corresponding futures contract. All new strike prices shall be added prior to the opening of trading on the following business day. The Exchange may modify the procedure for the introduction of option strike prices as it deems appropriate to market conditions.

**38A01.F. Reserved**

**38A01.G. Nature of Options on 7-Year Interest Rate Swap Futures**

The buyer of a put option may exercise it, at expiration only, subject to Rule 38A02.A., to assume a short position of one 7-Year Interest Rate Swap futures

contract of a specified delivery month, at a specified strike price, as specified at the time the buyer purchased such put option.

Upon exercise by a put option buyer, the seller of such put option incurs the obligation of assuming a long position of one 7-Year Interest Rate Swap futures contract of a specified delivery month, at a specified strike price, as specified at the time the seller sold such put option.

The buyer of a call option may exercise it; at expiration only, subject to Rule 38A02.A., to assume a long position of one 7-Year Interest Rate Swap futures contract of a specified delivery month, at a specified strike price, as specified at the time the buyer purchased such call option.

Upon exercise by a call option buyer, the seller of such call option incurs the obligation of assuming a short position of one 7-Year Interest Rate Swap futures contract of a specified delivery month, at a specified strike price, as specified at the time the seller sold such call option.

**38A01.H. Reserved**

**38A01.I. Termination of Trading**

**1. Options in the March Quarterly Cycle**

For any option that expires in any month within the March Quarterly Cycle (Rule 38A00.A.1.), trading in such expiring option shall terminate on the same date and at the same time as the corresponding 7-Year Interest Rate Swap futures (Rules 38102.A. and 38102.F.).

**2. Options Not in the March Quarterly Cycle**

For any option that expires in any month not within the March Quarterly Cycle (Rule 38A00.A.2.), trading in such expiring option shall terminate at 2:00 p.m. Chicago time (Rule 38A01.D.2.) on the Friday preceding the third Wednesday of the option's named month of expiration. If such Friday is a scheduled Exchange holiday, trading in such expiring option shall terminate on the last preceding Exchange business day. In the event that the market in the corresponding 7-Year Interest Rate Swap futures does not open on the scheduled option expiration day, option expiration shall occur

on the next following Exchange business day on which such futures market is open for trading.

**38A01.J. Contract Modification**

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

### **38A02.EXERCISE AND ASSIGNMENT**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise and assignment of options on 7-Year Interest Rate Swap futures.

#### **38A02.A. Option Exercise**

Options shall expire at 7:00 p.m. Chicago time on their last day of trading.

The buyer of an option may exercise it only at its expiration. For any option contract that expires in-the-money, positions in such option contract that remain open after the termination of trading shall be automatically exercised, unless instruction to cancel automatic exercise is given to the Clearing House. Such instruction must be given to the Clearing House by 6:00 p.m. Chicago time on the option contract's last day of trading (Rule 38A01.I.), or by such other time designated by the Exchange.

An option is in-the-money if the settlement price of the corresponding 7-Year Interest Rate Swap futures contract is less in the case of a put, or greater in the case of a call, than the strike price of the option.

#### **38A02.B. Assignment**

For any expiring option contract, the Clearing House shall assign exercise notices, through a process of random selection, to clearing members with open short positions in such option contract. A clearing member to which an exercise notice is assigned shall be notified thereof as soon as practicable after the Clearing House has assigned such notice (Rule 38A02.A.).

The clearing member to whom an exercise notice is assigned shall be assigned a long position in the corresponding futures contract if a put option is exercised, or a short position in the corresponding futures contract if a call option is exercised.

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

All such futures positions shall be assigned at a price equal to the strike price of the option and shall be marked to market in accordance with Rule 814 on the last day of trading in such option.

### **38A03.ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

(Refer to Rule 701.).

### **38A04.CORRECTIONS TO OPTION EXERCISE**

Corrections to option exercises, including automatic exercises, may be accepted by the Clearing House after the 6:00 p.m. Chicago time deadline and up to the beginning of final option expiration processing, provided that any such correction is necessary due to: (1) a bona fide clerical error, (2) an un-reconciled Exchange option transaction(s), or (3) an extraordinary circumstance wherein the clearing firm and customer are unable to communicate final option exercise instructions prior to the deadline. The decision as to whether a correction is acceptable will be made by

the President of the Clearing House, or the President's designee, and such decision shall be final.

**38A05.PAYMENT OF OPTION PREMIUM**

Option premium must be paid in full by each clearing member to the Clearing House, and by each option customer to such customer's futures commission merchant, at the time that the option is purchased, or within a reasonable time after the option is purchased:

**Appendix 4 –  
Chapter 23A: Options on 10-Year Interest Rate Swap Futures**

**23A00.SCOPE OF CHAPTER**

This chapter is limited in application to put and call options on 10-Year Interest Rate Swap futures. In addition to the rules of this chapter, transactions in options on 10-Year Interest Rate Swap futures shall be subject to the general rules of the Exchange insofar as applicable.

**23A00.A. Definitions**

Hereafter in this chapter, the following definitions shall apply.

1. March Quarterly Cycle

“March Quarterly Cycle” shall refer to the months of March, June, September, or December.

2. Months not in the March Quarterly Cycle

“Months not in the March Quarterly Cycle” shall refer to January, February, April, May, July, August, October, or November.

**23A01.OPTION CHARACTERISTICS**

**23A01.A. Expiration Months**

Trading may be scheduled in such option expiration months (Rule 23A01.I) as the Exchange shall determine.

**23A01.B. Trading Unit**

One 10-Year Interest Rate Swap futures contract of a specified delivery month (Rule 23102.).

1. Options in the March Quarterly Cycle

For any option that expires in any month within the March Quarterly Cycle (Rule 23A00.A.1.), the delivery month of the corresponding futures contract shall be identical to the option contract expiration month.

2. Options Not in the March Quarterly Cycle

For any option that expires in any month not within the March Quarterly Cycle (Rule 23A00.A.2.), the delivery month of the corresponding futures contract shall be the next following month in the March Quarterly Cycle after the option contract expiration month.

**23A01.C. Option Premium Increments**

Option premium shall be quoted in terms of 10-Year Interest Rate Swap futures price points (Rule 23102.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, an option position may be initiated or liquidated at a premium ranging from \$1.00 to \$15.00, in \$1.00 increments per option contract.

**23A01.D. Trading Hours**

Trading hours shall be determined by the Exchange. Options shall be opened and closed for all expiration months and strike prices simultaneously, or in such other manner as determined by the Exchange.

On its last day of trading (Rule 23A01.I.) an expiring option shall cease trading at the time of the close of the open outcry trading session for the corresponding 10-Year Interest Rate Swap futures contract (Rule 23102.A.).

**23A01.E. Exercise Prices**

Trading shall be conducted for put and call options with strike prices in multiples of one 10-Year Interest Rate Swap futures price point (Rule 23A01.C.).

At the commencement of trading in such option contracts for any given expiration month and for exercise into any given 10-Year Interest Rate Swap futures contract (Rule 23A01.G.), the following strike prices shall be listed:

- the strike price closest to the previous day's futures contract settlement price (hereafter in this chapter, the "at-the-money strike price"), and

- the next twenty-five (25) consecutive higher strike prices closest to the previous day's futures settlement price, and

- the next twenty-five (25) consecutive lower strike prices closest to the previous day's futures settlement price.

If the previous day's futures settlement price is at the midpoint between two option strike prices, then the at-the-money strike price shall be set equal to the higher of the two option strike prices.

Over time, new strike prices shall be added to ensure that at least twenty-five (25) strike prices are listed for trading both above and below the previous day's settlement price for the corresponding futures contract. All new strike prices shall be added prior to the opening of trading on the following business day.

The Exchange may modify the procedure for the introduction of option strike prices as it deems appropriate to market conditions.

**23A01.F. Reserved**

**23A01.G. Nature of Options on 10-Year Interest Rate Swap Futures**

The buyer of a put option may exercise it, at expiration only, subject to Rule 23A02.A., to assume a short position of one 10-Year Interest Rate Swap futures contract of a specified delivery month, at a specified strike price, as specified at the time the buyer purchased such put option.

Upon exercise by a put option buyer, the seller of such put option incurs the obligation of assuming a long position of one 10-Year Interest Rate Swap futures contract of a specified delivery month, at a specified strike price, as specified at the time the seller sold such put option.

The buyer of a call option may exercise it, at expiration only, subject to Rule 23A02.A., to assume a long position of one 10-Year Interest Rate Swap futures contract of a specified delivery month, at a specified strike price, as specified at the time the buyer purchased such call option.

Upon exercise by a call option buyer, the seller of such call option incurs the obligation of assuming a short position of one 10-Year Interest Rate Swap futures contract of a specified delivery month, at a specified strike price, as specified at the time the seller sold such call option.

**23A01.H. Reserved**

**23A01.I. Termination of Trading**

**1. Options in the March Quarterly Cycle**

For any option that expires in any month within the March Quarterly Cycle (Rule 23A00.A.1.), trading in such expiring option shall terminate on the same date and at the same time as the corresponding 10-Year Interest Rate Swap futures (Rules 23102.A. and 23102.F.).

**2. Options Not in the March Quarterly Cycle**

For any option that expires in any month not within the March Quarterly Cycle (Rule 23A00.A.2.), trading in such expiring option shall terminate on the Friday preceding the third Wednesday of the option's named month of expiration, at the time of the close of the open outcry trading session for the corresponding 10-Year Interest Rate Swap futures contract (Rule 23A01.D.). If such Friday is a scheduled Exchange holiday, trading in such expiring option shall terminate on the last preceding Exchange business day. In the event that the market in the corresponding 10-Year Interest Rate Swap futures does not open on the scheduled option expiration day, option expiration shall occur on the next following Exchange business day on which such futures market is open for trading.



**23A01.J. Contract Modification**

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

**23A02.EXERCISE AND ASSIGNMENT**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise and assignment of options on 10-Year Interest Rate Swap futures.

**23A02.A. Option Exercise**

Options shall expire at 7:00 p.m. Chicago time on their last day of trading.

The buyer of an option may exercise it only at its expiration. For any option contract that expires in-the-money, positions in such option contract that remain open after the termination of trading shall be automatically exercised, unless instruction to cancel automatic exercise is given to the Clearing House. Such instruction must be given to the Clearing House by 6:00 p.m. Chicago time on the option contract's last day of trading (Rule 23A01.I.), or by such other time designated by the Exchange.

An option is in-the-money if the settlement price of the corresponding 10-Year Interest Rate Swap futures contract is less in the case of a put, or greater in the case of a call, than the strike price of the option.

**23A02.B. Assignment**

For any expiring option contract, the Clearing House shall assign exercise notices, through a process of random selection, to clearing members with open short positions in such option contract. A clearing member to which an exercise notice is assigned shall be notified thereof as soon as practicable after the Clearing House has assigned such notice (Rule 23A02.A.).

The clearing member to whom an exercise notice is assigned shall be assigned a long position in the corresponding futures contract if a put option is exercised, or a short position in the corresponding futures contract if a call option is exercised.

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

All such futures positions shall be assigned at a price equal to the strike price of the option and shall be marked to market in accordance with Rule 814 on the last day of

trading in such option.

**23A03. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

(Refer to Rule 701.).

**23A04. CORRECTIONS TO OPTION EXERCISE**

Corrections to option exercises, including automatic exercises, may be accepted by the Clearing House after the 6:00 p.m. Chicago time deadline and up to the beginning of final option expiration processing, provided that any such correction is necessary due to: (1) a bona fide clerical error, (2) an un-reconciled Exchange option transaction(s), or (3) an extraordinary circumstance wherein the clearing firm and customer are unable to communicate final option exercise instructions prior to the deadline. The decision as to whether a correction is acceptable will be made by the President of the Clearing House, or the President's designee, and such decision shall be final.

**23A05. PAYMENT OF OPTION PREMIUM**

Option premium must be paid in full by each clearing member to the Clearing House, and by each option customer to such customer's futures commission merchant, at the time that the option is purchased, or within a reasonable time after the option is purchased.

**Appendix 5 –  
Chapter 25A: Options on 30-Year Interest Rate Swap Futures**

**25A00.SCOPE OF CHAPTER**

This chapter is limited in application to put and call options on 30-Year Interest Rate Swap futures. In addition to the rules of this chapter, transactions in options on 30-Year Interest Rate Swap futures shall be subject to the general rules of the Exchange insofar as applicable.

**25A00.A. Definitions**

Hereafter in this chapter, the following definitions shall apply.

1. **March Quarterly Cycle**

“March Quarterly Cycle” shall refer to the months of March, June, September, or December.

2. **Months not in the March Quarterly Cycle**

“Months not in the March Quarterly Cycle” shall refer to January, February, April, May, July, August, October, or November.

**25A01.OPTION CHARACTERISTICS**

**25A01.A. Expiration Months**

Trading may be scheduled in such option expiration months (Rule 25A01.I) as the Exchange shall determine.

**25A01.B. Trading Unit**

One 30-Year Interest Rate Swap futures contract of a specified delivery month (Rule 25102.).

1. **Options in the March Quarterly Cycle**

For any option that expires in any month within the March Quarterly Cycle (Rule 25A00.A.1.), the delivery month of the corresponding futures contract shall be identical to the option contract expiration month.

2. **Options Not in the March Quarterly Cycle**

For any option that expires in any month not within the March Quarterly Cycle (Rule 25A00.A.2.), the delivery month of the corresponding futures contract shall be the next following month in the March Quarterly Cycle after the option contract expiration month.

**25A01.C. Option Premium Increments**

Option premium shall be quoted in terms of 30-Year Interest Rate Swap futures price

points (Rule 25102.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, an option position may be initiated or liquidated at a premium ranging from \$1.00 to \$15.00, in \$1.00 increments per option contract.

**25A01.D. Trading Hours**

Trading hours shall be determined by the Exchange. Options shall be opened and closed for all expiration months and strike prices simultaneously, or in such other manner as determined by the Exchange.

On its last day of trading (Rule 25A01.I.) an expiring option shall cease trading at the time of the close of the open outcry trading session for the corresponding 30-Year Interest Rate Swap futures contract (Rule 25102.A.).

**25A01.E. Exercise Prices**

Trading shall be conducted for put and call options with strike prices in multiples of one 30-Year Interest Rate Swap futures price point (Rule 25A01.C.).

At the commencement of trading in such option contracts for any given expiration month and for exercise into any given 30-Year Interest Rate Swap futures contract (Rule 25A01.G.), the following strike prices shall be listed:

- the strike price closest to the previous day's futures contract settlement price (hereafter in this chapter, the "at-the-money strike price"), and

- the next twenty-five (25) consecutive higher strike prices closest to the previous day's futures settlement price, and

- the next twenty-five (25) consecutive lower strike prices closest to the previous day's futures settlement price.

If the previous day's futures settlement price is at the midpoint between two option strike prices, then the at-the-money strike price shall be set equal to the higher of the two option strike prices.

Over time, new strike prices shall be added to ensure that at least twenty-five (25) strike prices are listed for trading both above and below the previous day's settlement price for the corresponding futures contract. All new strike prices shall be added prior to the opening of trading on the following business day.

The Exchange may modify the procedure for the introduction of option strike prices as it deems appropriate to market conditions.

**25A01.F. Reserved**

**25A01.G. Nature of Options on 30-Year Interest Rate Swap Futures**

The buyer of a put option may exercise it, at expiration only, subject to Rule 25A02.A., to assume a short position of one 30-Year Interest Rate Swap futures contract of a specified delivery month, at a specified strike price, as specified at the time the buyer purchased such put option.

Upon exercise by a put option buyer, the seller of such put option incurs

the obligation of assuming a long position of one 30-Year Interest Rate Swap futures contract of a specified delivery month, at a specified strike price, as specified at the time the seller sold such put option.

The buyer of a call option may exercise it, at expiration only, subject to Rule 25A02.A., to assume a long position of one 30-Year Interest Rate Swap futures contract of a specified delivery month, at a specified strike price, as specified at the time the buyer purchased such call option.

Upon exercise by a call option buyer, the seller of such call option incurs the obligation of assuming a short position of one 30-Year Interest Rate Swap futures contract of a specified delivery month, at a specified strike price, as specified at the time the seller sold such call option.

**25A01.H. Reserved**

**25A01.I. Termination of Trading**

**1. Options in the March Quarterly Cycle**

For any option that expires in any month within the March Quarterly Cycle (Rule 25A00.A.1.), trading in such expiring option shall terminate on the same date and at the same time as the corresponding 30-Year Interest Rate Swap futures (Rules 25102.A. and 25102.F.).

**2. Options Not in the March Quarterly Cycle**

For any option that expires in any month not within the March Quarterly Cycle (Rule 25A00.A.2.), trading in such expiring option shall terminate on the Friday preceding the third Wednesday of the option's named month of expiration, at the time of the close of the open outcry trading session for the corresponding 30-Year Interest Rate Swap futures contract (Rule 25A01.D.). If such Friday is a scheduled Exchange holiday, trading in such expiring option shall terminate on the last preceding Exchange business day. In the event that the market in the corresponding 30-Year Interest Rate Swap futures does not open on the scheduled option expiration day, option expiration shall occur on the next following Exchange business day on which such futures market is open for trading.

**25A01.J. Contract Modification**

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

**25A02.EXERCISE AND ASSIGNMENT**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise and assignment of options on 30-Year Interest Rate Swap

futures.

**25A02.A. Option Exercise**

Options shall expire at 7:00 p.m. Chicago time on their last day of trading.

The buyer of an option may exercise it only at its expiration. For any option contract that expires in-the-money, positions in such option contract that remain open after the termination of trading shall be automatically exercised, unless instruction to cancel automatic exercise is given to the Clearing House. Such instruction must be given to the Clearing House by 6:00 p.m. Chicago time on the option contract's last day of trading (Rule 25A01.1.), or by such other time designated by the Exchange.

An option is in-the-money if the settlement price of the corresponding 30-Year Interest Rate Swap futures contract is less in the case of a put, or greater in the case of a call, than the strike price of the option.

**25A02.B. Assignment**

For any expiring option contract, the Clearing House shall assign exercise notices, through a process of random selection, to clearing members with open short positions in such option contract. A clearing member to which an exercise notice is assigned shall be notified thereof as soon as practicable after the Clearing House has assigned such notice (Rule 25A02.A.).

The clearing member to whom an exercise notice is assigned shall be assigned a long position in the corresponding futures contract if a put option is exercised, or a short position in the corresponding futures contract if a call option is exercised.

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

All such futures positions shall be assigned at a price equal to the strike price of the option and shall be marked to market in accordance with Rule 814 on the last day of

trading in such option.

**25A03. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

(Refer to Rule 701.).

**25A04. CORRECTIONS TO OPTION EXERCISE**

Corrections to option exercises, including automatic exercises, may be accepted by the Clearing House after the 6:00 p.m. Chicago time deadline and up to the beginning of final option expiration processing, provided that any such correction is necessary due to: (1) a bona fide clerical error, (2) an un-reconciled Exchange option transaction(s), or (3) an extraordinary circumstance wherein the clearing firm and customer are unable to communicate final option exercise instructions prior to the deadline. The decision as to whether a correction is acceptable will be made by the President of the Clearing House, or the President's designee, and such decision shall be final.

**25A05. PAYMENT OF OPTION PREMIUM**

Option premium must be paid in full by each clearing member to the Clearing House, and by each option customer to such customer's futures commission merchant, at the time that the option is purchased, or within a reasonable time after the option is purchased.

## Appendix 6 –

### Rule 588.K. No Bust Ranges

Deletions are ~~bracketed and struck through~~. Additions are underlined.

<u>Option Contract</u>	<u>Bid/Ask Reasonability</u>	<u>No Bust Range</u>
Eurodollars, Euroyen	2 basis points	2 minimum ticks
U.S. Treasuries (2-, 5-, and 10-Year Note, and Bond)	4/64ths	20% of premium up to 2/64ths with minimum of 1 tick
30-Day Fed Funds	4 basis points	20% of premium up to 2 basis points with a minimum of 1 tick
<del>5Yr and 10Yr</del> <u>Interest Rate</u> Swaps (5-, 7-, 10-, and 30-Yr)	10/64ths	20% of premium up to 5/64ths with a minimum of 1 tick
3-Month Overnight Index Swaps <del>Options</del>	3 basis points	2 minimum ticks



**Appendix 7 –  
Chapter 5: Position Limits and Reportable Levels**

Deletions are ~~bracketed and struck through~~. Additions are underlined.

**Position Limits and Reportable Limits**

CONTRACT NAME	Opts	SCALE-DOWN SPOT MONTH	SPOT MONTH	SINGLE MONTH	ALL MONTHS COMBINED	POSITION ACCOUNTABILITY Futures/Options <sup>1</sup>	REPORTABLE FUTURES LEVEL	REPORTABLE OPTIONS LEVEL
<b>FINANCIALS</b>								
U.S. Treasury Bonds	Y					10,000 / 25,000	1,500	1,500
U.S. Treasury Notes (2 yr.)	Y	(see #13)				7,500 / 20,000	1,000	1,000
U.S. Treasury Notes (3 yr.)		(see #13)				7,500 / N/A	750	
U.S. Treasury Notes (5 yr.)	Y	(see #13)				7,500 / 20,000	2,000	2,000
U.S. Treasury Notes (6 ½ - 10 yr.)	Y	(see #13)				7,500 / 20,000	2,000	2,000
30 Day Fed Fund	Y					3,000 / N/A	600	600
30-Year Interest Rate Swap	<u>Y</u>					5,000 / <del>N/A</del> <u>15,000</u>	500	<u>25</u>
10-Year Interest Rate Swap	Y					5,000 / 15,000	500	500
7-Year Interest Rate Swap	<u>Y</u>					5,000 / <del>N/A</del> <u>15,000</u>	25	<u>25</u>
5-Year Interest Rate Swap	Y					5,000 / 15,000	500	500
Mini-sized Eurodollars			10,000	10,000	10,000		400	

<sup>1</sup> Net long or short effective at the close of trading two business days prior to the first trading day of the delivery month.

<sup>2</sup> Futures-equivalent position limit net long or net short in any one month other than the spot month. Net equivalent futures long or short in all months and strike prices combined.

<sup>3</sup> Futures-equivalent position limit net long or net short in all months and strike prices combined. Long futures contracts, long call options, and short put options are considered to be on the long side of the market, while short futures contracts, long put options, and short call options are considered to be on the short side of the market.

<sup>4</sup> As described in Rule 560. Futures levels refer to futures equivalent contracts. Options levels refer to option contracts for all months and all strike prices combined in each option category (long call, long put, short call and short put).