

## Chapter 398A

### Options on Standard and Poor's 500 Stock Price Month-End Index Futures

#### **398A00. SCOPE OF CHAPTER**

This chapter is limited in application to options on Standard and Poor's 500 Stock Price Month-End Index Futures ("S&P 500 Month-End Index futures" or "futures"). In addition to this chapter, options on futures shall be subject to the general rules and regulations of the Exchange as applicable.

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

##### **398A00.A. Primary Listing Exchange**

For the purposes of this chapter a Primary Listing Exchange shall be as defined in the "Plan to Address Extraordinary Market Volatility Submitted to the Securities and Exchange Commission Pursuant to Rule 608 of Regulation NMS Under the Securities Exchange Act of 1934" approved 31 May 2012 by the U.S. Securities and Exchange Commission ("SEC"), as amended from time to time (SEC, SRO Rulemaking, National Market System Plans, File 4-631).

##### **398A00.B. Regulatory Halt**

For the purposes of this chapter a Regulatory Halt shall be as defined in the "Plan to Address Extraordinary Market Volatility Submitted to the Securities and Exchange Commission Pursuant to Rule 608 of Regulation NMS Under the Securities Exchange Act of 1934" approved 31 May 2012 by the SEC, as amended from time to time (SEC, SRO Rulemaking, National Market System Plans, File 4- 631) and as implemented under New York Stock Exchange Rule 7.12 for Trading Halts Due to Extraordinary Volatility or under Nasdaq Stock Market Rule 4121 for Trading Halts Due to Extraordinary Volatility.

#### **398A01. OPTIONS CHARACTERISTICS**

##### **398A01.A. Contract Months, Trading Hours, and Trading Halts**

Options shall be listed for expiration on such dates and shall be scheduled for trading during such hours as may be determined by the Exchange, *provided that* there shall be no trading in options when trading is halted in the Primary Futures Contract Month for S&P 500 Month-End Index futures pursuant to Rule 39802.I.

In accordance with Rule 39802.I. the Exchange shall determine, in its sole discretion, the futures delivery month that represents such Primary Futures Contract.

##### **398A01.B. Trading Unit**

The trading unit shall be an option to buy in the case of a call, or to sell in the case of a put, one S&P 500 Month-End Index futures contract (Chapter 398).

##### **398A01.C. Minimum Fluctuations**

Option prices shall be quoted in Index points. Each Index point shall represent \$100.00 per option contract.

Subject to Rule 398A01.C.1., the minimum price fluctuation shall be 0.25 Index points (equal to \$25.00 per option contract), for trades executed on CME Globex electronic trading platform, *provided that* trades at price levels equal to or less than 10.00 Index points may occur at price levels that are integer multiples of 0.05 Index points (equal to \$5.00 per option contract), and provided that trade may occur at a price level of 0.05 Index points irrespective of whether such trade results in the liquidation of positions for both parties to such trade. For transactions submitted for clearing via CME ClearPort, the minimum price increment shall be 0.05 Index points, regardless of the price level.

##### **1. Option Spreads and Combinations**

Any option contract that trades as a component of a spread or combination shall be traded at a price that conforms to the applicable CME Globex minimum price fluctuation as set forth in this Rule, *provided that* for any option spread or combination that trades at a net premium of 10.00 Index points or less, each option contract comprised within such spread or combination may trade

in price increments of 0.05 Index points. For spread and combination transactions submitted for clearing via CME ClearPort, the minimum price increment shall be 0.05 Index points, regardless of the price level.

**398A01.D. Underlying Futures Contract****1. American Style Options**

For any American style option, the Underlying Futures Contract shall be for delivery in such option's expiration month.

**398A01.E. Exercise Prices**

Transactions and exercise of options shall be conducted for options contracts as set forth in the [Strike Price Listing and Exercise Procedures Table](#).

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

**398A01.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.

**398A01.G. Nature of Options**

Upon exercise of a put option by the buyer of such option, the seller of such option shall incur the obligation to assume a long position in one Underlying Futures Contract (Rule 398A01.D.) at such option's exercise price (Rule 398A01.E.). Upon exercise of a call option by the buyer of such option, the seller of such option shall incur the obligation to assume a short position in one Underlying Futures Contract at such option's exercise price.

**1. American Style Options**

The buyer of an American Style option (Rule 398A01.D.1.) may exercise such option at or before any time prior to its expiration.

**398A01.H. [Reserved]****398A01.I. Termination of Trading****1. American Style Options**

Trading in any American Style option shall terminate on the same date and at the same time as the determination of the Final Settlement Price of such option's Underlying Futures Contract (Rule 398A01.D.1.).

**2. Unscheduled Market Holiday**

Notwithstanding the aforementioned, if the Primary Listing Exchange (Rule 398A00.A.) is closed in observance of an unscheduled market holiday on a day previously scheduled as a Business Day, then trading in option contracts that had been scheduled to expire on such day shall terminate, and such option contracts shall expire, on the Business Day immediately preceding such unscheduled market holiday.

**398A01.J. [Reserved]****398A02. EXERCISE AND ASSIGNMENT**

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

**398A02.A. Exercise****American Style Options**

Any American Style (Rule 398A01.D.1.) option may be exercised by the buyer on any Business Day on which such option may be traded. To exercise such option, the clearing member representing the option buyer shall present an exercise notice to the Clearing House by 5:30

p.m., or by such other time as the Exchange may designate, on the day of exercise.

Any option that is in the money, and that has not been liquidated or exercised prior to its termination of trading, shall be exercised automatically upon expiration, in the absence of contrary instructions. Such contrary instructions must be delivered to the Clearing House, by the clearing member representing the buyer of such option, no later than 5:30 p.m., or at such other time as may be designated by the Exchange, on the last day of trading in such option. Any unexercised option shall expire at 5:30 p.m. on the last day of trading in such option (Rule 398A01.I.).

An expiring call option shall be in the money if the Final Settlement Price of such option's Underlying Futures Contract (Rule 398A01.D.) on such option's Expiration Date is strictly above such option's exercise price and shall be out of the money if such settlement price is at or below such option's exercise price.

An expiring put option shall be in the money if the Final Settlement Price of such option's Underlying Futures Contract on such option's Expiration Date is strictly below such option's exercise price and shall be out of the money if such Final Settlement Price is at or above such option's exercise price.

#### **398A02.B. Assignment**

For a given option contract, an exercise notice accepted by the Clearing House in accordance with Rules 398A02.A. shall be assigned by the Clearing House through a process of random selection to clearing members carrying open short positions in such option contract. A clearing member to whom such exercise notice has been assigned shall be notified thereof as soon as practicable following such assignment.

The clearing member to whom such exercise notice has been assigned shall be assigned a short position in such option's Underlying Futures Contract (Rules 398A01.D.) if such option is a call, or a long position in such option's Underlying Futures Contract if such option is a put. The clearing member representing the option buyer making exercise shall be assigned a long position in such option's Underlying Futures Contract if such option is a call, or a short position in such option's Underlying Futures Contract if such option is a put.

All such futures positions shall be assigned at a price equal to the exercise price of such option contract, and shall be marked to market (in accordance with Rule 814) on the Business Day on which the Clearing House accepts such exercise notice.

**398A03. [RESERVED]**

**398A04. [RESERVED]**

**398A05.-29. [RESERVED]**

(End Chapter 398A)

#### **INTERPRETATIONS AND SPECIAL NOTICES RELATING TO CHAPTER 398A**

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