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408. Cancellation of Transactions.

(a) In order to ensure orderly and fair market conditions, the Exchange, in its discretion, may cancel a transaction *ex officio* if, in the judgment of the Exchange, the price of the transaction effected on the Trading System deviates significantly from its Fair Market Price; provided, however, that the Exchange shall not cancel any transaction under this Paragraph (a) where the transaction price falls within the applicable range specified in Paragraph (b)(ii) of this Rule;

(b) The Exchange shall cancel a transaction executed on the Trading System which results from the erroneous entry of an order or a quote ("mistrade") in order to ensure orderly and fair market conditions if:

(i) The Member which entered the erroneous order or quote into the Trading System informs the Exchange by telephone within 15 minutes of the execution of the transaction by the Trading System that the transaction was the result of an order or quote that was mistakenly entered into the Trading System; and

(ii) The price of the transaction effected by the erroneous entry of the order or quote is outside the following range as applicable:

Contract	Ticks Away From the Fair Market Price
2 Year~~.~~ U.S. Treasury Note Futures (FTNS)	12
Jumbo 2 Year U.S. Treasury Note Futures (FTN2)	12
3 Year U.S. Treasury Note Futures (FTN3)	20
5 Year U.S. Treasury Note Futures (FTNM)	20
10 Year U.S. Treasury Note Futures (FTNL)	20
30 Year U.S. Treasury Bond Futures (FTBX)	40
Russell 1000 Futures	30
Russell 2000 Futures	30
Option on~~-~~Jumbo 2 Year U.S. Treasury Note Futures (OTN2~~S~~)	Fair value/Range 0 - 6 3 ticks 7 – 19 4 ticks 20 – 38 6 ticks
Option on 3 Year U.S. Treasury Note Futures (OTN3)	
Option on 5 Year Treasury U.S. Treasury Note Futures (OTNM)	
Option on 10 Year U.S. Treasury Note Futures (OTNL)	

Contract	Ticks Away From the Fair Market Price
Option on 30 Year U.S. Treasury Bond Futures (OTBX)	39 – 63 8 ticks > 63 10 ticks

(c) If a transaction is cancelled subject to paragraphs (a) or (b) of this Rule, the Exchange shall also cancel any and all trades that were executed outside the applicable range enumerated in paragraph (b)(ii) of this Rule resulting from contingent orders having been selected for execution because of the cancelled transaction.

(d) (i) If the mistrade forms part of a spread transaction, the Exchange shall determine whether one leg is, or both legs are, outside of the applicable range in paragraph (b)(ii) by determining the price of each leg of the spread separately, and shall cancel only the leg of the spread that is outside of the applicable range in paragraph (b)(ii).

(ii) If the Member entering the initial spread order would suffer a loss from cancellation of one of the transaction's legs, the Exchange shall make the Member entering the erroneous order or quote a party to the leg of the spread transaction that was not cancelled.

(iii) Notwithstanding subparagraphs (d)(i) and (ii) of this rule, if the mistrade was for a spread transaction executed through an Option Combination Quote Book, then the legs of the transaction shall not be separately priced, the Fair Market Price shall be determined under the procedure of paragraph (j)(ii) of this rule and, if the price of the spread is outside of the applicable range enumerated in paragraph (b)(ii) of this rule, all legs forming the transaction or strategy shall be cancelled.

(e) The Exchange may charge the Member who caused the erroneous entry a handling fee reflecting expenses incurred by the Exchange. Provided, however, the fee charged shall be not less than $500 nor more than $1500 for futures and not less than $150 nor more than $450 for options per occurrence. The Exchange shall refund exchange fees for the initial and canceling transaction.

(f) Cancellation of a transaction by the Exchange pursuant to this rule shall be effected promptly by means of entering a counter-transaction into the Trading System at the price at which the cancelled transaction was effected.

(g) The Exchange shall promptly notify all Members of any Member's initial notification of a mistrade and any subsequent action taken by the Exchange and shall publish all necessary price corrections in a manner to be determined by the Exchange. The Exchange shall notify the concerned parties that it has cancelled the relevant transaction(s) within ten minutes of first receiving notice of the mistrade unless impractical to do so within that period.

415. Block Trade Facility.

Block Trades between a Member's customers, between a Member (acting for itself or its Customers) and another Member, or between a Member and any Customer or between different profit centers of a Member having separate account numbers may be effected only through the electronic Block Trading Facility or by telephonic means as provided by the Exchange, rather than on the Trading System, in accordance with the provisions of this Rule.

(a) A Member may conduct Block Trades only if the Member is an ECP.

(b) A Member may not enter into a Block Trade with or on behalf of any Customer unless such Customer is:

(i) An ECP; or

(ii) Advised in connection with such Block Trade by a Person with total assets under management exceeding $25 million and who is either:

(A) Registered as an investment adviser with the Securities and Exchange Commission, registered as a commodity trading advisor with the Commission, or exempt from such registration; on the condition that any block trade executed upon the advice of such exempt adviser is suitable for the advisee-Customer; or

(B) A foreign Person performing a similar role or function and subject as such to foreign regulation.

(c) A Member may effect a Block Trade on behalf of a Customer only if the Member has received an order to do so from the Customer. Such order must be recorded and time-stamped with the time the order is placed and the time the order is executed.

(d) A Member may not take the opposite side of a Block Trade with a Customer without such Customer's prior consent, which may be in the form of a blanket consent to all transactions effected after such consent is given.

(e) Block Trades may be transacted only in Contracts authorized for that purpose by the Exchange. The minimum number of contracts to qualify as a block trade under this rule are as follows:

Contract	Minimum Number (7:20 am – 2:00 pm)	Minimum Number
2 Year U.S. Treasury Note Future (FTNS)	1000*	250
Jumbo 2 Year U.S. Treasury Note Future (FTN2)	200*	50
3 Year U.S. Treasury Note Future (FTN3)	1000*	250
5 Year U.S. Treasury Note Future (FTNM)	1000*	250
10 Year U.S. Treasury Note Future (FTNL)	1000*	250
30 Year U.S. Treasury Bond Future (FTBX)	500*	250
Option on Jumbo 2 Year U.S. Treasury Note Future (OTN~~S~~2)	1~~5~~00	1~~5~~00
Option on 3 year U.S. Treasury Note Future (OTN3)	500	500
Option on 5 Year U.S. Treasury Note Future (OTNM)	500	500
Option on 10 Year U.S. Treasury Note Future (OTNL)	500	500
Option on 30 Year U.S. Treasury Bond Future (OTBX)	500	500
Russell 1000 Futures	250	250
Russell 2000 Futures	250	250

* See Rule 415(i) which requires a minimum of 2500 contracts if reported within 30 minutes.

(f) A Member may:

i. Not aggregate separate customer orders to meet the contract minimums set forth in subsection (e) except that a member with total assets under management exceeding $25 million and who is an investment adviser with the Securities and Exchange Commission, registered as a commodity trading advisor with the Commission, or exempt from any such registration on the condition that any aggregated block trade order executed by such exempt member is suitable for all Customers involved in such block trade or a foreign Person performing a similar role or function and subject as such to foreign regulation may aggregate multiple orders to meet the contract minimums for a Block Trade.

ii. Not aggregate different legs of a futures contract spread to meet the contract minimums set forth in subsection (e).

iii. Aggregate different legs of an options contract spread to meet the contract minimums set forth in subsection (e), as long as each leg is at least 200 contracts. For a two-leg options trade, the aggregate amount may be less than the contract minimum if each leg is at least 200 contracts.

(g) Each time a Member quotes a Block Trade price, the Member must make clear to the potential counter-party(ies), whether a Member or Customer, that the price being quoted is a Block Trade price and not the traded price prevailing on the Trading System.

(h) The transaction may be consummated at a price mutually agreed upon by the parties to the transaction; provided that,

i. the price for the Futures Contract does not exceed the range of the day's overall high and low by more than the following values (The range of the day's high and low is determined by a validation matrix);

Contract	Range
2 Year Treasury Note Futures (FTNS)	0.05 percent (approximately 5 ticks)
Jumbo 2 Year U.S. Treasury Note Futures (FTN2)	0.05 percent (approximately 5 ticks)
3 Year U.S. Treasury Note Futures (FTN3)	0.05 percent (approximately 5 ticks)
5 Year U.S. Treasury Note Futures (FTNM)	0.1 percent (approximately 5 ticks)
10 Year U.S. Treasury Note Futures (FTNL)	0.1 percent (approximately 5 ticks)
30 Year U.S. Treasury Bond Futures (FTBX)	0.1 percent (approximately 5 ticks)
Russell 1000	0.2 percent.
Russell 2000	0.2 percent

ii. or, in the case of an option, the price is no more than one-half the maximum applicable quote spread outside a price derived from a generally accepted theoretical model, which is based on the range of the day's underlying futures high and low (as determined by a validation matrix).

(i) Immediately upon agreeing to enter into the Block Trade transaction, or upon the market's opening (or re-opening) if the transaction is agreed to be entered into by the parties at a time when the market is closed, the Member who is the Block Trade buyer (or whose Customer is the Block Trade buyer) shall report the details of the Block Trade on the screen or by telephonic means as provided by the Exchange. With the exception of Block Trades that consist of at least 2500 U.S. Treasury futures contracts, within 15 minutes of reporting the details of the Block Trade, the Member who is the Block Trade seller (or whose Customer is the Block Trade seller) shall confirm such Block Trade on the screen or by telephonic means as provided by the Exchange. For Block Trades that consist of at least 2500 U.S. Treasury futures contracts, the Member who is the Block Trade seller (or whose Customer is the Block Trade seller) shall confirm such Block Trade within 30 minutes. The Exchange shall immediately notify the parties to the transaction of the details of the Block Trade upon confirmation, and immediately update the Online Time and Sales Report to reflect the transaction.

(j) Upon request by any employee of the Market Supervision or Compliance Departments, Members must produce satisfactory evidence , including the name of the Customer if the transaction is in the name of an omnibus account or foreign broker, that the Block Trade was arranged in accordance with the Rules.

416. Exchange of Futures for Physicals Facility (EFPs).

Basis Trades or EFPs may be arranged and executed by a Member only through the electronic Basis Trading Facility or by telephonic means as provided by the Exchange, rather than on the Trading System, in accordance with the provisions of this Rule.

(a) As used in this Rule a "Basis Trade" or "EFP" means a transaction consummated between two parties wherein one of the parties is the buyer of a Commodity and the seller of a Futures Contract, and the other party is the seller of the Commodity and the buyer of the Futures Contract.

(b) (i) For U.S. Dollar-denominated futures the Commodity being exchanged must have a high degree of price correlation to the Underlying Commodity, so that the Futures Contract would serve as an appropriate hedge for that Commodity.

(ii) For Euro-denominated futures, the Commodity being exchanged must consist of Euro-denominated government debt securities issued by a member state of the European Monetary Union with a minimum size of EUR 2 billion and having a maximum remaining maturity as follows:

[RESERVED]

(c) The quantity of the Commodity being exchanged must correspond with the quantity of the Underlying Commodity of the Futures Contract being exchanged, taking into account any differences in the attributes of the Commodity being exchanged (such as interest rates and maturity dates) and those of the Underlying Commodity and applying hedge ratios as and to the extent appropriate.

(d) The purchase and sale of the Futures Contract shall be simultaneous with the sale and purchase of the corresponding Commodity.

(e) The transaction may be consummated at a price mutually agreed upon by the parties to the transaction; provided, that the price of the futures leg does not exceed the range of the day's overall high and low by more than the following values (The range of the day's high and low is determined by a validation matrix):

Contract	Range
2 Year U.S. Treasury Note Futures (FTNS)	0.05 percent (approximately 5 ticks)
Jumbo 2 Year U.S. Treasury Note Futures (FTN2)	0.05 percent (approximately 5 ticks)
3 Year U.S. Treasury Note Futures (FTN3)	0.05 percent (approximately 5 ticks)
5 Year U.S. Treasury Note Futures (FTNM)	0.1 percent (approximately 5 ticks)
10 Year U.S. Treasury Note Futures (FTNL)	0.1 percent (approximately 5 ticks)
30 Year U.S. Treasury Bond Futures (FTBX)	0.1 percent (approximately 5 ticks)

(f) Basis trades may be transacted only with respect to the following Futures Contracts:

Contract
2 Year.U.S. Treasury Note Futures (FTNS)
Jumbo 2 Year U.S. Treasury Note Futures (FTN2)
3 Year U.S. Treasury Note Futures (FTN3)
5 Year U.S. Treasury Note Futures (FTNM)
10 Year U.S. Treasury Note Futures (FTNL)
30 Year U.S. Treasury Bond Futures (FTBX)

(g) Contracts:

[RESERVED]

(i) For Russell 1000, Russell 2000, and Euro-denominated products, Basis Trades may be transacted with respect to a Delivery Month for a Futures Contract on any Business Day up to and including the Business Day preceding the last Trading Day in that futures.

(ii) For U.S. Dollar-denominated Treasury futures ~~products~~, Basis Trades may be transacted with respect to a Delivery Month for a Futures Contract on any Business Day up to and including the fifth Business Day immediately preceding the last business Day of that Delivery Month.

(h) Immediately upon agreeing to enter into a Basis Trade, or upon the market's opening (or re-opening) if the transaction is agreed to be entered into by the parties at a time when the market is closed, the Member who is the buyer of the Basis Trade (or whose Customer is the Basis Trade buyer) shall report the details of the Basis Trade on the screen or by telephonic means as provided by the Exchange. Within 60 minutes of reporting the details of the Basis Trade, the Member who is the seller of the Basis Trade (or whose Customer is the Basis Trade seller) shall confirm the Basis Trade on the screen or by telephonic means as provided by the Exchange. The Exchange shall immediately notify the parties to the transaction the details of the Basis Trade upon confirmation, and immediately update the Online Time and Sales Report to reflect the transaction.

(i) Upon request by any employee of the Market Supervision or Compliance Departments, Members must produce satisfactory evidence, (including, but not limited to, full documentation relating to the cash leg of the trade and, if the transaction is in the name of an omnibus account or foreign broker, the name of the Customer), that the Basis Trade was arranged in accordance with the Rules.

(j) Where a third party was responsible for executing the cash leg of a Basis Trade, any employee of the Market Supervision or Compliance Departments may require the Member to obtain and confirm the details of the cash leg of the trade and provide copies to the Exchange.

417. Exchange of Futures for Swaps (EFSs) Facility.

Exchange of Futures for Swaps, or EFSs may be arranged and executed by a Member only through the electronic EFS Facility or by telephonic means as provided by the Exchange, rather than on the Trading System, in accordance with the provisions of this Rule.

(a) As used in this Rule, an "EFS" means a transaction consummated between two parties wherein one of the parties is the buyer of a Futures Contract and assumes the opposite market risk under a swap agreement, and the other party is the seller of the Futures Contract and assumes the opposite market risk under the swap agreement, and the parties exchange such Futures Contract for the swap agreement.

(b) The swap must be a transaction that is excluded or exempt from regulation under the Act or Commission Regulations.

(c) The fluctuations in the value of the swap must have a high degree of correlation to fluctuations in the price of the Underlying Commodity for the Futures Contract being exchanged, so that the Futures Contract would serve as an appropriate hedge for that swap.

(d) The notional amount of the swap being exchanged must correspond approximately with the quantity of the Underlying Commodity of the Futures Contract(s) being exchanged, taking into account any differences in the attributes of the swap being exchanged and those of the Underlying Commodity.

(e) The purchase and sale of the Futures Contract shall be simultaneous with the transfer of the corresponding swap.

(f) EFS trades may be transacted only with respect to the following Futures Contracts:

Contract
2 Year U.S. Treasury Note Futures (FTNS)
Jumbo 2 Year U.S. Treasury Note Futures (FTN2)
3 Year U.S. Treasury Note Futures (FTN3)
5 Year U.S. Treasury Note Futures (FTNM)
10 Year U.S. Treasury Note Futures (FTNL)
30 Year U.S. Treasury Bond Futures (FTBX)

(g) The transaction may be consummated at a price mutually agreed upon by the parties to the transaction; provided, that the price of the futures leg does not exceed the range of the day's overall high and low by more than the following values (The range of the day's high and low is determined by a validation matrix):

Contract	Range
2 Year U.S. Treasury Note Futures (FTNS)	0.05 percent (approximately 5 ticks)
Jumbo 2 Year U.S. Treasury Note Futures (FTN2)	0.05 percent (approximately 5 ticks)
3 Year U.S. Treasury Note Futures (FTN3)	0.05 percent (approximately 5 ticks)
5 Year U.S. Treasury Note Futures (FTNM)	0.1 percent (approximately 5 ticks)
10 Year U.S. Treasury Note Futures (FTNL)	0.1 percent (approximately 5 ticks)
30 Year U.S. Treasury Bond Futures (FTBX)	0.1 percent (approximately 5 ticks)

(h) An EFS may be transacted with respect to a Delivery Month for a Futures Contract until the last Business Day permitted for such a transaction by the Exchange.

(i) Immediately upon agreeing to enter into an EFS, or upon the market's opening (or re-opening) if the parties agree to enter into the transaction at a time when the market is closed, the Member who is the buyer of the EFS (or whose Customer is the EFS buyer) shall report the details of the EFS on the screen or by telephonic means as provided by the Exchange. Within 60 minutes of reporting the details of the EFS, the Member who is the seller of the EFS (or whose Customer is the EFS seller) shall confirm the EFS on the screen or by telephonic means as provided by the Exchange. The Exchange shall immediately notify the parties to the transaction of the details of the EFS upon confirmation, and immediately update the Online Time and Sales Report to reflect the transaction.

(j) Upon request by any employee of the Market Supervision or Compliance Departments, Members must produce satisfactory evidence, (including, but not limited to, master swap agreements and any supplements thereto and, if the transaction is in the name of an omnibus account or foreign broker, the name of the Customer) that the EFS was arranged in accordance with the Rules.

418. Volatility (Vola) Trading Facility – Exchange of Futures for Options.

Volatility Trades may be effected only through the electronic Vola Trading Facility or by telephonic means as provided by the Exchange, rather than on the Trading System, in accordance with the provisions of this Rule.

(a) **Vola trade defined**. A vola trade is the entry by Members or by Customers into the Trading System of an option or options (either exchange-traded or OTC) and the contract on the underlying futures or commodity in either a simultaneous or sequential transaction.

(b) **Vola trading facility**. Vola trades can only be entered into on the Vola Trading Facility under the following conditions:

1. Vola trades may be transacted only with respect to the following Option Contracts and their underlying Futures Contract:

Contract
Option on Jumbo 2 Year U.S. Treasury Note Futures (OTN~~S~~2)
Option on 3 Year U.S. Treasury Note Futures (OTN3)

Contract
Option on 5 Year U.S. Treasury Note Futures (OTNM)
Option on 10 Year U.S. Treasury Note Futures (OTNL)
Option on 30 Year U.S. Treasury Bond Futures (OTBX)

ii. The number of Futures Contracts included in the futures leg of the transaction may not vary by more than 10 percent from the number necessary to be delta neutral;

iii. The price for the futures leg does not exceed the range of the day's overall high and low by more than the following values (The range of the day's high and low is determined by a validation matrix):

Contract	Range
2 Year U.S. Treasury Note Futures (FTNS)	0.05 percent (approximately 5 ticks)
Jumbo 2 Year U.S. Treasury Note Futures (FTN2)	0.05 percent (approximately 5 ticks)
3 Year U.S. Treasury Note Futures (FTN3)	0.05 percent (approximately 5 ticks)
5 Year U.S. Treasury Note Futures (FTNM)	0.1 percent (approximately 5 ticks)
10 Year U.S. Treasury Note Futures (FTNL)	0.1 percent (approximately 5 ticks)
30 Year U.S. Treasury Bond Futures (FTBX)	0.1 percent (approximately 5 ticks)

iv. The parties enter the transaction into the Vola Trading Facility as specified.

(c) Upon request by any employee of the Market Supervision or Compliance Departments, Members must produce satisfactory evidence, including the name of the Customer if the transaction is in the name of an omnibus account or foreign broker, that the Vola Transaction was arranged in accordance with the Rules.

Part 9. Products.

901.A. Specifications for Futures Contracts on $1,000,000 Short-Term ("Jumbo 2 Year") U.S. Treasury Notes. [Rule 901A will replace Rule 901 after trading ceases in Futures Contracts on 2 Year U.S. Treasury Notes].

Each futures contract on short-term U.S. Treasury notes under this Rule 901.A. shall be a contract whereby the seller agrees to sell and deliver, and the buyer agrees to buy, one short-term U.S. Treasury note of deliverable grade having a principal amount of $1,000,000 for delivery in a specified month. Futures contracts in short-term U.S. Treasury Notes shall be traded and performed in accordance with the following specifications:

(a) Trading Sessions: Trading shall take place at such hours as may be specified from time to time by the Exchange; provided that trading in any futures contract for any delivery month shall terminate at 12:01 p.m. Chicago time on the last trading day for such delivery month.

(b) Delivery Months: Five consecutive delivery months following the current month (including the current month if it is a delivery month that is still listed for trading) are listed; provided, however, that the Exchange may determine to list futures contracts for additional delivery months or not to list any delivery month. Delivery months are March, June, September and December. Effective the first trading day following the last trading day of a futures contract for any delivery month, the next eligible delivery month shall automatically be listed for trading.

(c) Last Trading Day: The last trading day in futures contracts for delivery in any delivery month (the "last trading day") shall be the last business day of the month.

(d) Minimum Price Ticks: Minimum price ticks shall be one-quarter of one thirty-second of a point (or $78.125).

(e) Permissible Delivery Days, Deliverable Grades, Performance: Delivery of short-term U.S. Treasury notes may be made by the short upon any permissible delivery day of the delivery month the short may select. The delivery month extends to and includes the third business day following the last trading day in the current month. Delivery of short-term U.S. Treasury notes must be made no later than the last business day of that month; except that by mutual agreement settlement may be made after the last trading day but no later than the second business day immediately preceding the last business day of the delivery month by exchanging any open Short-Term U.S. Treasury Note Futures contract for $1,000,000 Short-term U.S. Treasury notes or comparable instruments or for a swap in accordance with Rule 417. Notwithstanding the requirements of Rules

416 and 417 that EFPs and EFSs be entered directly into the Trading System, EFPs and EFSs involving the expiring futures delivery month may be transacted after trading has ceased in that delivery month pursuant to procedures that the Exchange may from time to time promulgate. A permissible delivery day is any business day on which the Federal Reserve Wire is open.

(i) In order to be deliverable, short-term U.S. Treasury notes must have an original maturity of not more than three years and a remaining maturity on the first day of the delivery month of not less than one year, six months and not more than two years, three months as of the last day of the delivery month, and must carry semi-annual interest payments. In determining maturity, the time to maturity of a given issue is calculated in complete one-month increments (e.g. 1 year, 10 months, 17 days is taken to be 1 year, 10 months) from the first day of the delivery month. All notes delivered against a contract must be of the same issue. To be delivered in the current month, the note must have been issued by the Treasury before the last day of trading in the current month. Conversion factors to be applied to deliverable issues shall be agreed with the Clearing Organization and published on the Exchange's website. The conversion factor is the price ($1 par value) at which a deliverable note with such note's coupon and remaining time to maturity would yield 6% as calculated by a standard yield-to-maturity formula.

(ii) New issues of U.S. Treasury notes which satisfy the standards in this regulation shall be added to the deliverable grades as they are issued. If during the auction of a note which will meet the standards of this chapter the Treasury re-opens an existing issue, thus rendering the existing issue indistinguishable from the newly auctioned one, the older issue is deemed to meet the standards of this chapter and would be deliverable. The exchange shall have the right to exclude any new issue from deliverable status or to further limit outstanding issues from deliverable status.

(iii) The purchaser shall pay the tender price. The tender price shall be $1,000,000, multiplied by the price of the contract at the close of trading in the contract, multiplied by the conversion factor for the tendered note, plus interest accrued in accordance with department of the Treasury Circular 300, Subpart P.

(f) Delivery and Payment Procedures: Delivery of and payment for notes pursuant to this rule shall be made in accordance with the rules of the Clearing Organization.

(g) Reportable Positions: A Person shall report any position that such Person owns or controls in Short-Term U.S. Treasury Note Futures of 200 contracts or more in any one delivery month.

(h) Position Accountability:

(i) A Person who owns or controls an aggregate position in Short-Term U.S. Treasury Note Futures of more than 1,500 futures contracts and/or futures-equivalent contracts, or 4,000 option contracts for all months and all strike prices combined in each option category shall thereby be subject to the requirements of this Rule as set forth herein.

(ii) The term "futures equivalent position" means, in the case that a person's position includes option contracts, that each option contract in such position has been adjusted by the prior day's risk factor, or delta coefficient, for that option which has been calculated by the Clearing Organization and that the adjusted number of contracts are totaled. Long futures contracts in the position shall have a delta factor of +1, and short futures contracts shall have a delta factor of -1. Long call options and short put options shall have positive delta factors. Short call options and long put options shall have negative delta factors.

(iii) The "option categories" are long calls, short calls, long puts, and short puts.

(i) Settlement Prices: The Exchange will base its settlement price recommendations on trading conditions at 2:00 p.m. except that:

(i) On the last day of trading in a delivery month the settlement price recommendation for that delivery month will be based on conditions in that contract at the close of trading; or

(ii) If the Exchange alters its Trading Session, the Exchange may change the time for determining the settlement price.

905. Specifications for Options on $1,000,000 Short-Term U.S. Treasury Note Futures.

Option contracts on $1,000,000 Short-Term U.S. Treasury Note Futures shall be traded and performed in accordance with the following specifications:

(a) Trading Sessions: Trading shall take place at such hours as may be specified from time to time by the Exchange except that on the last day of trading in an expiring option, the closing time for such option shall be 2:00 p.m.

(b) Put Options

(i) Each $1,000,000 Short-Term U.S. Treasury Note Futures put option is exercisable into one $1,000,000 Short-Term U.S. Treasury Note Futures contract of the specified delivery month at the option's exercise price.

(ii) The purchaser of a $1,000,000 Short-Term U.S. Treasury Note Futures put option may exercise the option at any time prior to expiration, subject to paragraphs (f) and (g) of this rule, to assume a short-position in one $1,000,000 Short-Term U.S. Treasury Note Futures contract.

(iii) The seller of one $1,000,000 Short-Term U.S. Treasury Note Futures put option incurs the obligation of assuming a long position in one $1,000,000 Short-Term U.S. Treasury Note Futures contract upon exercise.

(c) Call Options

(i) Each $1,000,000 Short-Term U.S. Treasury Note Futures call option is exercisable into one Short-Term U.S. Treasury Note Futures contract of the specified delivery month at the option's exercise price.

(ii) The purchaser of one $1,000,000 Short-Term U.S. Treasury Note Futures call option may exercise the option at any time prior to expiration subject to paragraphs (f) and (g) of this rule.

(iii) The seller of a $1,000,000 Short-Term U.S. Treasury Note Futures call option incurs the obligation of assuming a short position in one $1,000,000 Short-Term U.S. Treasury Note Futures contract upon exercise.

(d) Exercise Prices:

(i) Trading shall be conducted for options with exercise prices in integral multiples of one-quarter point ($2,500) per $1,000,000 Short-Term U.S. Treasury Note Futures contract.

(ii) Upon the initial listing of a contract month on a Short-Term U.S. Treasury Note Futures contract delivery month, at least thirteen exercise prices shall be listed for each expiration month for each call and put, such that six exercise prices are in-the-money, one is at-the-money and six are out-of-the-money.

(A) A call is in-the-money if its exercise price is below the price of its underlying futures contract; a put is in-the-money if its exercise price is above the price of its underlying futures contract.

(B) A call is out-of-the-money if its exercise price is above the price of its underlying futures contract; a put is out-of-the-money if its exercise price is below the price of its underlying futures contract.

(C) The option with the strike price closest or equal to the price of its underlying futures contract is deemed to be at-the money for purposes of this rule.

(iii) Options with new exercise prices shall be introduced for an existing expiration month no later than the beginning of the Pre-Trading Period on the next business day in the event that the settlement price in the underlying $1,000,000 Short-Term U.S. Treasury Note Futures contract exceeded, fell below or equaled the sixth-highest or the sixth-lowest existing exercise price so that after the introduction there are at least six exercise prices in-the-money, at least six exercise prices out-of-the-money and one exercise at-the-money. When a new exercise price is added for an option contract month, the same exercise price may be added to all option contract months for which that exercise price is not already listed.

(iv) The Exchange may introduce exercise prices as it deems appropriate in order to respond to market conditions.

(e) Payment of Option Premium:

(i) The option premium must be paid in full by each Clearing Member to the Clearing Organization.

(ii) The premium for $1,000,000 Short-Term U.S. Treasury Note Futures options shall be traded in multiples of one half of one-sixty-fourth of one point ($~~15.625.625~~78.125) of a $1,000,000 Short-Term U.S. Treasury Note Futures contract which shall equal $10~~2~~,000 per full point.

(f) Exercise of Option: The buyer of a $1,000,000 Short-Term U.S. Treasury Note Futures option may exercise the option on any business day prior to expiration by giving notice of exercise to the Clearing Organization by 6:00 p.m. or by such other time designated by the Exchange. Notwithstanding the foregoing, the buyer may exercise the option prior to 10:00 a.m. on the expiration date:

(i) to correct errors or mistakes made in good faith;

(ii) in exceptional cases involving a customer's inability to communicate to the member firm exercise instructions or the member firm's inability to receive such instructions prior to 6:00 p.m. on the last day of trading.

(g) Automatic Exercise: Notwithstanding the provisions of paragraph (f) of this rule, after the close of trading on the last day of trading, all in-the-money options shall be automatically exercised, unless notice to cancel automatic exercise is given to the Clearing Organization. Notice to cancel automatic exercise shall be given to the Clearing Organization by 6:00 p.m. on the last day of trading in an option:

(i) to correct errors or mistakes made in good faith;

(ii) in exceptional cases involving a customer's inability to communicate to the member firm exercise instructions or the member firm's inability to receive such instructions prior to 6:00 p.m. on the last day of trading.

(h) Term, Close of Trading, Expiration Day:

(i) Option contracts on $1,000,000 Short-Term U.S. Treasury Note Futures shall be listed with expirations extending to the month prior to the farthest dated delivery month currently listed in $1,000,000 Short-Term U.S. Treasury Note Futures contracts; provided, however, that the Exchange may determine not to list a contract month. Both serial and quarterly options exercisable into either front-month or deferred futures as determined by the Exchange may be listed.

(ii) Last Day of Trading

(A) The last day on which trading shall be conducted in quarterly expiring options shall be the last Friday which precedes by at least two business days, the last business day of the month preceding the underlying futures delivery month. If such Friday is not a business day or there is a Friday which is not a business day which precedes by one business day the last business day of the month preceding the option month, the last day of trading shall be the first business day prior to such Friday.

(B) The last day on which trading shall be conducted in serially expiring options shall be the last Friday which precedes by at least two business days, the last business day of the options contract month. If such Friday is not a business day or there is a Friday which is not a business day which precedes by one business day the last business day of the month preceding the option month, the last day of trading shall be the first business day prior to such Friday.

(iii) Unexercised $1,000,000 Short-Term U.S. Treasury Note Futures options shall expire after 6:30 p.m. on the last day of trading.

(i) Reportable Positions and Position Accountability: The level for reportable positions in options on $1,000,000 Short -Term U.S. Treasury Note Futures is ~~500~~ 200 in any one option month. Position Accountability for positions in $1,000,000 Short-Term U.S. Treasury Note Futures options shall be determined jointly with positions in the underlying futures in accordance with the Position Accountability provisions of the Short-Term U.S. Treasury Note Futures Rules.

(j) Settlement Prices: The Exchange will base its settlement price recommendations on trading conditions at 2:00 p.m. unless the Exchange alters its Trading Session, in which event the Exchange may change the time for determining the settlement price.

909. Specifications for Futures Contracts on Three-Year ("3 Year") U.S. Treasury Notes.

Each futures contract on three-year U.S. Treasury notes shall be a contract whereby the seller agrees to sell and deliver, and the buyer agrees to buy, one three-year U.S. Treasury note of deliverable grade having a principal amount of $200,000 for delivery in a specified month. Futures contracts in three-year U.S. Treasury Notes shall be traded and performed in accordance with the following specifications:

(a) Trading Sessions: Trading shall take place at such hours as may be specified from time to time by the Exchange; provided that trading in any futures contract for any delivery month shall terminate at 12:01 p.m. Chicago time on the last trading day for such delivery month.

(b) Delivery Months: Five consecutive delivery months following the current month (including the current month if it is a delivery month that is still listed for trading) are listed; provided, however, that the Exchange may determine to list futures contracts for additional delivery months or not to list any delivery month. Delivery months are March, June, September and December. Effective the first trading day following the last trading day of a futures contract for any delivery month, the next eligible delivery month shall automatically be listed for trading.

(c) Last Trading Day: The last day on which trading shall be permitted in futures contracts for delivery in any delivery month (the "last trading day") shall be the eighth business day prior to the end of such month.

(d) Minimum Price Ticks: Minimum price ticks shall be one-quarter of one thirty-second of a point (or $15.625).

(e) Permissible Delivery Days, Deliverable Grades, Performance: Delivery of three-year U.S. Treasury notes may be made by the short upon any permissible delivery day of the delivery month the short may select. Delivery of three-year U.S. Treasury notes must be made no later than the last business day of that month; except that by mutual agreement settlement may be made after the last trading day but no later than the second business day immediately preceding the last business day of the delivery month by exchanging any open three-year U.S. Treasury Note Futures contract for $200,000 three-year U.S. Treasury notes or comparable instruments or for a swap in accordance with Rule 417. Notwithstanding the requirements of Rules 416 and 417 that EFPs and EFSs be entered directly into the Trading System, EFPs and EFSs involving the expiring futures delivery month may be transacted after trading has ceased in that delivery month pursuant to procedures that the Exchange may from time to time promulgate. A permissible delivery day is any business day on which the Federal Reserve Wire is open.

(i) In order to be deliverable, three-year U.S. Treasury notes must have an must have an original maturity of not more than five years, three months and a remaining maturity on the first day of the delivery month of not less than two years, eight months and not more than three years, one month and must carry semi-annual interest payments. In determining maturity, the time to maturity of a given issue is calculated in complete one-month increments (e.g. 3 years, 1 month, 17 days is taken to be 3 years, 1 month) from the first day of the delivery month. All notes delivered against a contract must be of the same issue. To be delivered in the current month, the note must have been issued by the Treasury before the last day of trading in the current month. Conversion factors to be applied to deliverable issues shall be agreed with the Clearing Organization and published on the Exchange's -website. The conversion factor is the price ($1 par value) at which a deliverable note with such note's coupon and remaining time to maturity would yield 6% as calculated by a standard yield-to-maturity formula .

(ii) New issues of U.S. Treasury notes which satisfy the standards in this regulation shall be added to the deliverable grades as they are issued. If during the auction of a note which will meet the standards of this chapter the Treasury re-opens an existing issue, thus rendering the existing issue indistinguishable from the newly auctioned one, the older issue is deemed to meet the standards of this chapter and would be deliverable. The exchange shall have the right to exclude any new issue from deliverable status or to further limit outstanding issues from deliverable status.

(iii) The purchaser shall pay the tender price. The tender price shall be $200,000, multiplied by the price of the contract at the close of trading in the contract, multiplied by the conversion factor for the tendered note, plus interest accrued in accordance with department of the Treasury Circular 300, Subpart P.

(f) <u>Delivery and Payment Procedures</u>: Delivery of and payment for notes pursuant to this rule shall be made in accordance with the rules of the Clearing Organization.

(g) <u>Reportable Positions</u>: A Person shall report any position that such Person owns or controls in Three-Year U.S. Treasury Note Futures of 25 contracts or more in any one delivery month.

(h) <u>Position Accountability</u>:

(i) A Person who owns or controls an aggregate position in Three-Year U.S. Treasury Note Futures of more than 7,500 futures contracts and/or futures-equivalent contracts, or 20,000 option contracts for all months and all strike prices combined in each option category shall thereby be subject to the requirements of this Rule as set forth herein.

(ii) The term "futures equivalent position" means, in the case that a person's position includes option contracts, that each option contract in such position has been adjusted by the prior day's risk factor, or delta coefficient, for that option which has been calculated by the Clearing Organization and that the adjusted number of contracts are totaled. Long futures contracts in the position shall have a delta factor of +1, and short futures contracts shall have a delta factor of -1. Long call options and short put options shall have positive delta factors. Short call options and long put options shall have negative delta factors.

(iii) The "option categories" are long calls, short calls, long puts, and short puts.

(i) Settlement Prices: The Exchange will base its settlement price recommendations on trading conditions at 2:00 p.m. except that:

(i) On the last day of trading in a delivery month the settlement price recommendation for that delivery month will be based on conditions in that contract at the close of trading; or

(ii) If the Exchange alters its Trading Session, the Exchange may change the time for determining the settlement price.

910. Specifications for Options on Three-Year U.S. Treasury Note Futures.

Option contracts on Three-Year U.S. Treasury Note Futures shall be traded and performed in accordance with the following specifications:

(a) Trading Sessions: Trading shall take place at such hours as may be specified from time to time by the Exchange except that on the last day of trading in an expiring option, the closing time for such option shall be 2:00 p.m.

(b) Put Options

i. Each Three-Year U.S. Treasury Note Futures put option is exercisable into one Three-Year U.S. Treasury Note Futures contract of the specified delivery month at the option's exercise price.

ii. The purchaser of a Three-Year U.S. Treasury Note Futures put option may exercise the option at any time prior to expiration, subject to paragraphs (f) and (g) of this rule, to assume a short-position in one Three-Year U.S. Treasury Note Futures contract.

iii. The seller of one Three-Year U.S. Treasury Note Futures put option incurs the obligation of assuming a long position in one Three-Year U.S. Treasury Note Futures contract upon exercise.

(c) Call Options

i. Each Three-Year U.S. Treasury Note Futures call option is exercisable into one Three-Year U.S. Treasury Note Futures contract of the specified delivery month at the option's exercise price.

ii. The purchaser of one Three-Year U.S. Treasury Note Futures call option may exercise the option at any time prior to expiration subject to paragraphs (f) and (g) of this rule.

iii. The seller of a Three-Year U.S. Treasury Note Futures call option incurs the obligation of assuming a short position in one Three-Year U.S. Treasury Note Futures contract upon exercise.

(d) Exercise Prices:

i. Trading shall be conducted for options with exercise prices in integral multiples of one-quarter point per Three-Year U.S. Treasury Note Futures contract.

ii. Upon the initial listing of a contract month on a Three-Year U.S. Treasury Note Futures contract delivery month, at least thirteen exercise prices shall be listed for each expiration month for each call and put, such that six exercise prices are in-the-money, one is at-the-money and six are out-of-the-money.

(A) A call is in-the-money if its exercise price is below the price of its underlying futures contract; a put is in-the-money if its exercise price is above the price of its underlying futures contract.

(B) A call is out-of-the-money if its exercise price is above the price of its underlying futures contract; a put is out-of-the-money if its exercise price is below the price of its underling futures contract.

(C) The option with the strike price closest or equal to the price of its underlying futures contract is deemed to be at-the money for purposes of this rule.

iii. Options with new exercise prices shall be introduced for an existing expiration month no later than the beginning of the Pre-Trading Period on the next business day in the event that the settlement price in the underlying Three-Year U.S. Treasury Note Futures contract exceeded, fell below or equaled the sixth-highest or the sixth-lowest existing exercise price so that after the introduction there are at least six exercise prices in-the-money, at least six exercise prices out-of-the-money and one exercise at-the-money. When a new exercise price is added for an option contract month, the same exercise price may be added to all option contract months for which that exercise price is not already listed.

iv. The Exchange may introduce exercise prices as it deems appropriate in order to respond to market conditions.

(e) Payment of Option Premium:

i. The option premium must be paid in full by each Clearing Member to the Clearing Organization.

ii. The premium for Three-Year U.S. Treasury Note Futures options shall be traded in multiples of one half of one-sixty-fourth of one point ($15.625) of a Three-Year U.S. Treasury Note Futures contract which shall equal $2,000 per full point.

(f) <u>Exercise of Option</u>: The buyer of a Three-Year U.S. Treasury Note Futures option may exercise the option on any business day prior to expiration by giving notice of exercise to the Clearing Organization by 6:00 p.m. or by such other time designated by the Exchange. Notwithstanding the foregoing, the buyer may exercise the option prior to 10:00 a.m. on the expiration date:

i. to correct errors or mistakes made in good faith;

ii. in exceptional cases involving a customer's inability to communicate to the member firm exercise instructions or the member firm's inability to receive such instructions prior to 6:00 p.m. on the last day of trading.

(g) <u>Automatic Exercise</u>: Notwithstanding the provisions of paragraph (f) of this rule, after the close of trading on the last day of trading, all in-the-money options shall be automatically exercised, unless notice to cancel automatic exercise is given to the Clearing Organization. Notice to cancel automatic exercise shall be given to the Clearing Organization by 6:00 p.m. on the last day of trading in an option:

i. to correct errors or mistakes made in good faith;

ii. in exceptional cases involving a customer's inability to communicate to the member firm exercise instructions or the member firm's inability to receive such instructions prior to 6:00 p.m. on the last day of trading.

(h) Term, Close of Trading, Expiration Day:

i. Option contracts on Three-Year U.S. Treasury Note Futures shall be listed with expirations extending to the month prior to the farthest dated delivery month currently listed in Three-Year U.S. Treasury Note Futures contracts; provided, however, that the Exchange may determine not to list a contract month. Both serial and quarterly options exercisable into either front-month or deferred futures as determined by the Exchange may be listed.

ii. Last Day of Trading.

(A) The last day on which trading shall be conducted in quarterly expiring options shall be the last Friday which precedes by at least two business days, the last business day of the month preceding the underlying futures delivery month. If such Friday is not a business day or there is a Friday which is not a business day which precedes by one business day the last business day of the month preceding the option month, the last day of trading shall be the first business day prior to such Friday.

(B) The last day on which trading shall be conducted in serially expiring options shall be the last Friday which precedes by at least two business days, the last business day of the options contract month. If such Friday is not a business day or there is a Friday which is not a business day which precedes by one business day the last business day of the month preceding the option month, the last day of trading shall be the first business day prior to such Friday.

iii. Unexercised Three-Year U.S. Treasury Note Futures options shall expire after 6:30 p.m. on the last day of trading.

(i) Reportable Positions and Position Accountability: The level for reportable positions in options on Short -Term U.S. Treasury Note Futures is 250 in any one option month. Position Accountability for positions in Three-Year U.S. Treasury Note Futures options shall be determined jointly with positions in the underlying futures in accordance with the Position Accountability provisions of the Three-Year U.S. Treasury Note Futures Rules.

(j) Settlement Prices: The Exchange will base its settlement price recommendations on trading conditions at 2:00 p.m. unless the Exchange alters its Trading Session, in which event the Exchange may change the time for determining the settlement price.