

**SUBMISSION COVER SHEET**

**IMPORTANT:** Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 16-127

Organization: Chicago Mercantile Exchange Inc. ("CME")

Filing as a:  DCM  SEF  DCO  SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): May 3, 2016 Filing Description: Amendments to Listings of Options on E-mini NASDAQ 100 Index® Futures Contracts

**SPECIFY FILING TYPE**

Please note only ONE choice allowed per Submission.

**Organization Rules and Rule Amendments**

- Certification § 40.6(a)
- Approval § 40.5(a)
- Notification § 40.6(d)
- Advance Notice of SIDCO Rule Change § 40.10(a)
- SIDCO Emergency Rule Change § 40.10(h)

**Rule Numbers:**

**New Product**

Please note only ONE product per Submission.

- Certification § 40.2(a)
- Certification Security Futures § 41.23(a)
- Certification Swap Class § 40.2(d)
- Approval § 40.3(a)
- Approval Security Futures § 41.23(b)
- Novel Derivative Product Notification § 40.12(a)
- Swap Submission § 39.5

**Product Terms and Conditions (product related Rules and Rule Amendments)**

- Certification § 40.6(a)
- Certification Made Available to Trade Determination § 40.6(a)
- Certification Security Futures § 41.24(a)
- Delisting (No Open Interest) § 40.6(a)
- Approval § 40.5(a)
- Approval Made Available to Trade Determination § 40.5(a)
- Approval Security Futures § 41.24(c)
- Approval Amendments to enumerated agricultural products § 40.4(a), § 40.5(a)
- "Non-Material Agricultural Rule Change" § 40.4(b)(5)
- Notification § 40.6(d)

Official Name(s) of Product(s) Affected: See filing.

Rule Numbers: See filing.

May 3, 2016

**VIA ELECTRONIC PORTAL**

Mr. Christopher J. Kirkpatrick  
Office of the Secretariat  
Commodity Futures Trading Commission  
3 Lafayette Center  
1155 21<sup>st</sup> Street NW  
Washington, DC 20581

**Re: CFTC Regulation 40.6(a) Certification. Notification Regarding Amendments to Listings of Options on E-mini NASDAQ 100 Index<sup>®</sup> Futures Contracts.  
CME Submission No. 16-127**

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange Inc. (“CME” or “Exchange”) hereby notifies the Commodity Futures Trading Commission (“CFTC” or “Commission”) that it is self-certifying amendments to terms and conditions of options on E-mini NASDAQ 100 Index<sup>®</sup> futures (ie, options exercisable into “NQ futures” or “options”), effective on Sunday, May 22, 2016 for trade date Monday, May 23, 2016. Such amendments to CME Rulebook Chapter 359A, which codifies option contract terms and conditions, and to CME Rulebook Chapter 5 (collective, the “Rule Amendments”) may be summarized as follows --

**Rule 359A01.D. for Underlying Futures Contract**

Pursuant to current Rule 359A01.D.2., the Exchange lists options with American style exercise for expiration on the third Fridays of specified months not in the March Quarterly cycle (i.e., January, February, April, May, July, August, October, or November) (“Serial options”). Any Serial option is exercisable into one NQ futures contract for delivery in the March Quarterly month (i.e., March, June, September, or December) next following such Serial option’s expiration.

Pursuant to the Rule amendments, the Exchange (i) shall cease listing such Serial options and (ii) shall supplant them with listings of new European style 3<sup>rd</sup> Weekly (“QN3”) options, which shall be scheduled to expire on the third Fridays of specified months not in the March Quarterly cycle.

**Rule 359A01.E. for Exercise Prices**

Pursuant to current Rule 359A01.E.3., for European style Weekly options exercisable into a given underlying NQ futures contract for a given delivery month, the procedures for determining and maintaining exercise price arrays differ from procedures applicable to other categories of options exercisable into such underlying futures contract.

Pursuant to the Rule Amendments, at any given time the same exercise price array shall apply to listings of all categories of options that are exercisable into a given underlying futures contract.

**Rule 359A01.G. for Nature of Options and Rule 359A01.I. for Termination of Trading**

The Rule Amendments reorganize Rules 359A01.G. and 359A01.I. to mirror amendments to Rule 359A01.D.

### Rules 359A02.A. for Exercise

The Rule Amendments reorganize Rules 359A02.A. to mirror amendments to Rules 359A01.D.

### Position Limits and Position Reportable Levels

The Position Limit, Position Accountability, and Reportable Level Table in the Interpretations & Special Notices Relating to Chapter 5 shall be amended to include QN3 options, for which the position reporting level shall be 25 contracts, and for which the all-month position limit shall be 50,000 net NQ futures equivalents (subject to an all-month aggregation ratio of one QN3 per one NQ). These standards are identical to corresponding standards applicable to extant options on NQ futures (ie, American style Quarterly and Serial (“NQ”) options, European style End-of-Month (“QNE”) options, European style 1<sup>st</sup> Weekly (“QN1”) options, European style 2<sup>nd</sup> Weekly (“QN2”) options, and European style 4<sup>th</sup> Weekly (“QN4”) options).

### Globex Non-Reviewable Trading Ranges

Any QN3 option traded on the CME Globex electronic trading platform (“Globex”) shall be subject to the same non-reviewable range (“NRR”) as applies to all European style Weekly options on NQ futures. Specifically, for any such option the NRR shall be the greater of (a) option delta x 12 NASDAQ 100 Index points or (b) 20% of option premium, subject to a minimum NRR of 0.25 NASDAQ 100 Index points and a maximum NRR of 3 NASDAQ 100 Index points.

*The Rule Amendments shall take effect -- excluding certain amendments to Rules 359A01.D., 359A01.G., 359A01.I., and 359A02.A., which shall take partial effect – on Sunday, May 22, 2016 for trade date Monday, May 23, 2016.*

Appendix A presents such amendments to Chapter 359A in blackline format. Chapter 359A, as amended, appears in Appendix B. Appendix C displays enabling amendments to the Position Limit, Position Accountability, and Reportable Level Table in the Interpretations & Special Notices Relating to Chapter 5.

*Following expiration of options scheduled to expire on Friday, July 15, 2016, the Exchange shall delete language from Chapter 359A regarding option contracts listed prior to May 22, 2016.*

In what follows, Section 1 discusses the context and implementation of the Rule Amendments. In respect of the new option product that will arise through Rule Amendments, Section 2 speaks to the administration, governance, and calculation of the NASDAQ 100 Index (“Index”) and addresses its susceptibility to manipulation. Section 3 addresses standards for block trades. Section 4 discusses compliance of the Rule Amendments with pertinent core principles for designated contract markets set forth in the Commodity Exchange Act.

## **Section 1 – Discussion**

The Rule Amendments fulfill two tasks. The first concerns the nature of options listed for trading. Pursuant to current Rules for options on NQ futures, the Exchange lists at any given time:

American style “Quarterly” options for expiration on the third Friday of each of the four nearest March Quarterly months. Each Quarterly option is exercisable into one NQ futures contract for delivery in the same month as the option expiry month.

American style “Serial” options for expiration on the third Friday of each of the two nearest non-March Quarterly months (January, February, April, May, July, August, October, or November). Each Serial option is exercisable into one NQ futures contract for delivery in the March Quarterly month next following the Serial option expiry month.

European style “Weekly” options for expiration on each of four nearest Fridays, with the proviso that no such option shall be scheduled to expire on the third Friday of any month. The listing

schedule thus ensures that no European style Weekly option shall expire on the same day as an American style Quarterly option or an American style Serial option.

European style “End of Month” options for expiration on the last business day of each of the four nearest month-ends.

Pursuant to the Rule Amendments, the last Serial options on NQ futures to be listed for trading will be those scheduled to expire on Friday, July 15, 2016.

*During a transition period spanning from close of business on Friday, May 20, 2016, through Friday, July 15, 2016 (the scheduled expiry dates for May 2016 Serial options and July 2016 Serial options, respectively) the Exchange shall introduce a new class of European style 3<sup>rd</sup> Weekly options for expiry on the third Fridays of non-March Quarterly months. Each QN3 option will be exercisable into one NQ futures contract for delivery in the March Quarterly month next following option expiration. As of the transition period’s conclusion, the Exchange shall ensure that at any given time such new QN3 options are listed for trading for expiry on the third Friday of each of the nearest two non-March Quarterly months.*

Exhibit 1 summarizes contract specifications for new QN3 options. Exhibit 2 depicts the intended changes in option listings during the transition period. Exhibit 3 details the planned transition schedule.

### Exhibit 1 -- Contract Specifications for European Style 3<sup>rd</sup> Weekly Options on CME NQ Futures

(Times of day referenced herein indicate Chicago time.)

<i>Underlying Futures</i>	One (1) NQ futures contract for delivery in the March Quarterly month next following option expiry
<i>Product Code</i>	QN3
<i>Listing Schedule</i>	Nearest two (2) consecutive months not in March Quarterly Cycle
<i>Strike Price Arrays</i>	The Exchange shall ensure that on any given Business Day options exercisable into a given Underlying Futures Contract shall be listed for trading at all exercise price levels at which corresponding Quarterly options exercisable into such Underlying Futures Contract are concurrently listed for trading.
<i>Contract Size</i>	\$20 x Index
<i>Price Basis</i>	Prices are made in terms of Index points.
<i>Minimum Price Increment</i>	<i>Outright:</i> 0.25 Index points = \$5/contract, if premium > 5 Index points. 0.05 Index points = \$1/contract, if premium ≤ 5 Index points <i>Cabinet:</i> 0.05 Index points = \$1/contract
<i>Termination of Trading</i>	3pm on 3 <sup>rd</sup> Friday of option expiration month
<i>Exercise Procedure</i>	European style: Options are exercisable only at expiration. An option in the money as of 3pm on last day of trading shall be automatically exercised, and an option out of the money as of 3pm on last day of trading shall be automatically abandoned, with no contrary instruction.
<i>Position Limits and Reportable Levels</i>	<i>Reportable Level:</i> 25 contracts <i>All-Month Position Limit:</i> 50,000 net futures contract equivalents
<i>Minimum Block Trade Size</i>	n/a
<i>CME Globex Matching Algorithm</i>	F -- First In, First Out (FIFO)  <i>Globex Non-Reviewable Range (NRR):</i> The greater of (a) option delta x 12 Index pts, or (b) 20% of option premium subject to minimum of 0.25 Index points and subject to maximum of 3 Index points.
<i>Trading Venue and Hours</i>	<i>CME Globex:</i> 5pm to 4pm, Sun-Fri <i>CME ClearPort:</i> 5pm to 4pm, Sun-Fri

## Exhibit 2 -- Summary of changes to listing schedules for options on CME NQ futures

Option Name – Product Code	Listings Until 22 May 2016	Listings After 15 July 2016
American – NQ	4 nearest Quarterly months <b>2 nearest Serial months</b>	4 nearest Quarterly months
European Weekly -- QN1 = Week 1 QN2 = Week 2 <b>QN3 = Week 3</b> QN4 = Week 4	QN1, QN2, QN4 – 4 nearest weeks	QN1, QN2, QN4 – 4 nearest weeks  <b>QN3 – 2 nearest Serial months</b>
European End of Month – QNE	4 nearest month-ends	4 nearest month-ends

## Exhibit 3 -- Transition schedule for listings of options on CME NQ futures, by option expiry date (scheduled Friday expiries only)

- Listings of Quarterly and End-of-Month options are unaffected by the Rule Amendments.
- Listings of Weekly New options are made pursuant to the Rule Amendments.
- Listings of Weekly Old options and Serial options (gray background) are subject to current Rules.

New Third Weekly options (such as Aug16 Week 3 (QN3Q6) for expiry on August 19, 2016, or Oct16 Week 3 (QN3V6) for expiry on October 21, 2016) pick up where outgoing Serial options (such as Jul16 (NQ6)) leave off.

Option Expiry Date*	Quarterly	End-of-Month	Weekly New	Weekly Old	Serial
6-May				QN1K6	NQK6
13-May				QN2K6	
20-May					
27-May			QN4K6		
3-Jun			QN1M6		
10-Jun			QN2M6		
17-Jun	NQM6				NQ6
24-Jun			QN4M6		
1-Jul			QN1N6		
8-Jul			QN2N6		
15-Jul					
22-Jul			QN4N6		
29-Jul		QNE6			
5-Aug			QN1Q6		
12-Aug			QN2Q6		
19-Aug			<b>QN3Q6</b>		
26-Aug			QN4Q6		
2-Sep			QN1U6		
9-Sep			QN2U6		
16-Sep	NQU6				
23-Sep			QN4U6		
30-Sep		QNEU6			
7-Oct			QN1V6		
14-Oct			QN2V6		
21-Oct			<b>QN3V6</b>		
28-Oct			QN4V6		

\* Exhibit displays only options scheduled for expiry on Fridays.

The second objective of the Rule Amendments concerns determination of exercise prices at which options are listed for trading. Pursuant to current Rules:

For Quarterly NQ options, the Exchange determines exercise price arrays on the basis of a “referencing price” made on the penultimate day of trading in expiring NQ futures every March, June, September, and December. Such referencing price is set equal to that day’s settlement price for expiring NQ futures. Thereafter, until a new referencing price value is established three months hence, the Exchange ensures that on any given business day options exercisable into a given NQ futures contract shall be listed for trading at all exercise price levels that are integer

multiples of 10 Index points within a range from 30 percent of the referencing price below, to 30 percent of the referencing price above, the preceding business day's settlement price for such NQ futures contract.

Exercise price arrays for Serial options and European style End of Month options exercisable into a given NQ futures contract are identical to the concurrent array for Quarterly options exercisable into such NQ futures contract.

By contrast, for European style Weekly options exercisable into a given NQ futures contract, the Exchange lists options at exercise price levels that are integer multiples of 10 Index points, within a range from 50 exercise price levels below, to 50 exercise price levels above, the previous business day's settlement price for such NQ futures contract.

*Pursuant to the Rule Amendments, effective Sunday, May 22, 2016, for trade date Monday, May 23, 2016, the Exchange shall ensure that on any given trading day all options exercisable into a given NQ futures contract shall be listed for trading at the same array of exercise prices as the concurrent listings of Quarterly options exercisable into the same NQ futures contract.*

## Section 2 – Index Definition, Administration, and Characteristics

The new option product to be introduced by way of the Rule Amendments shall be exercisable into a NQ futures contract that, in turn, expires by reference to the NASDAQ 100 index.

At first order of proximity, the exercise of a QN3 option will be subject to no limitation that would make it susceptible to attempted manipulation. The Exchange's option exercise process relies in no way upon the supply of NQ futures available at time of option exercise. The futures exposure that arises through exercise and assignment of the expiring option is created *de novo*: The holder of a long position in an expiring put (call) becomes the holder of a short (long) position of one underlying NQ futures contract, and the holder of a short position in such expiring put (call), assigned by CME Clearing to accept the option exercise, becomes the holder of the corresponding long (short) position in such NQ futures contract. Because CME Clearing has the capability to assign as many NQ futures as may be required to fulfill exercises of expiring options, there is no physical limitation on available supply that might furnish the basis for a would-be wrongdoer to manipulate, squeeze, or congest an option expiration, or to attempt to do so, by hording or cornering the open interest in such futures.

At second order of proximity, whether QN3 options are susceptible to manipulation depends on the integrity of the NASDAQ 100 index, which undergirds the final settlement prices of NQ futures. The following summarizes the Index's administration and maintenance.<sup>1</sup>

### **The NASDAQ 100 Index**

Introduced in January 1985, the Index is a modified capitalization-weighted stock price index that reflects share prices of the largest domestic and international non-financial companies listed (principally) on the Nasdaq Stock Market. Index constituents exclude shares of financial companies and investment companies, but otherwise include shares of companies in diverse major industry groups, including computer hardware and software, telecommunications, retail and wholesale trade, and biotechnology.

The formula for calculating the Index at any moment  $t$  is:

$$Index(t) = (\sum_i P_i(t) \times Q_i(t)) / Divisor(t)$$

where

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<sup>1</sup> The following paragraphs are adapted from *NASDAQ-100 Index Methodology*, Nasdaq, Inc., December 2015, which is available at [https://indexes.nasdaqomx.com/docs/Methodology\\_NDX.pdf](https://indexes.nasdaqomx.com/docs/Methodology_NDX.pdf)

$i$  is the running variable that denotes each constituent stock. Currently,  $i = 1, 2, \dots, 106$ .

$P_i(t)$  is the Last Sale Price of stock  $i$  at time  $t$ .

$Q_i(t)$  is the total number of shares outstanding of stock  $i$  at time  $t$ .

*Divisor* serves the purpose of scaling the Index value to a lower order of magnitude for reporting purposes. It is adjusted to ensure that changes in Index composition, either through corporate actions or changes to Index constituents, do not create spurious discontinuities in the time series of Index values. All Divisor changes occur after the close of primary listing markets represented among Index constituent stocks.

For a given Index constituent stock  $i$  at a given time  $t$ , the Index weight of such constituent stock is its market capitalization – the product of its Last Sale Price and the total number of shares outstanding, or  $( P_i(t) \times Q_i(t) )$  -- normalized by the Index Divisor, expressed as a share of the Index value:

$$\text{Index weight}(t) = ( P_i(t) \times Q_i(t) ) / ( \text{Divisor}(t) \times \text{Index}(t) )$$

### **Annual Index Review and Reconstitution**

The Index currently numbers 106 constituents. Its composition is reviewed during the fourth quarter of each year and, if necessary, reconstituted.<sup>2</sup> In any given year, the review proceeds as follows –

- (1) Stock issuers who meet Index eligibility criteria (summarized below) are ranked by their market capitalizations,<sup>3</sup> on the basis of market data as of the end of October (with data updated to reflect each issuer's total shares outstanding, as declared in any public filings with SEC through the end of November).
- (2) Any Index-eligible issuer who is already in the Index, and who ranks among the top 100 Index-eligible issuers as determined in Step (1), shall be retained as an Index constituent.
- (3) Any Index-eligible issuer who is already in the Index, and who ranks between 101 and 125, inclusive, as determined in Step (1), shall be retained as an Index constituent, *provided that* such issuer was either:
  - (a) ranked among the top 100 Index-eligible issuers at the previous annual review, or
  - (b) added to the Index subsequent to the previous annual review.
- (4) Incumbent Index constituents who do not meet the standards determined in Steps (2) or (3) shall be replaced. Replacement constituents are chosen, in order of rank, from among Index-eligible companies who are not currently in the Index and who rank among the top 100 issuers as determined in Step (1).
- (5) The Index, as newly reconstituted, becomes effective after close of trading on the third Friday of December.

### **Eligibility Criteria at Annual Review**

There is no minimum market capitalization requirement for an issuing company to be considered a candidate for Index eligibility. To be eligible, an issuer's security must meet the following core standards:

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<sup>2</sup> Index reevaluation and reconstitution may occur between annual Index review dates, if necessitated by violations of Standing Eligibility Criteria or by extraordinary circumstances.

<sup>3</sup> Rank 1 signifies largest market capitalization, Rank 2 signifies second-largest market capitalization, etc.

*Sectoral* -- It must be issued by a non-financial company.

*Listing* -- It must be listed exclusively on the Nasdaq Global Select Market or Nasdaq Global Market.<sup>4</sup>

*Security Type* -- It must be common stock, an ordinary share, an ADR,<sup>5</sup> or a tracking stock.<sup>6</sup>

*Liquidity* -- It must have three-month average trading volume of at least 200,000 shares per day at the time of the annual review.

*Seasoning* -- It must have been traded for at least three full months, not including the month of its initial listing, at the time of the annual Index review.

Additional restrictions on eligibility must obtain at the time of the annual review, as follows --

The security's issuer must not currently be in bankruptcy proceedings.

If the issuer of the security is organized under the laws of a jurisdiction outside the US, then such security must have options listed for trading on a recognized US options market, or must be eligible to have options listed for trading on a recognized US options market.

The issuer must not have annual financial statements for which an audit opinion is currently withdrawn.

The issuer cannot have entered into any definitive agreement or arrangement which would be likely to result in the security being deemed ineligible in light of the foregoing core standards or restrictions.

### **Standing Eligibility Criteria**

Between annual reviews, an Index component security must meet a broadly similar set of standards at all times to remain in good standing for continued Index membership:

The issuer must remain a non-financial company.

The security's primary US listing exchange must remain, exclusively, the Nasdaq Global Select Market or the Nasdaq Global Market.

The issuer cannot be in bankruptcy proceedings.

If the issuer of the security is organized under the laws of a jurisdiction outside the US, then such security must have options listed for trading on a recognized US options market, or must be eligible to have options listed for trading on a recognized US options market.

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<sup>4</sup> Fulfillment of the Listing and Seasoning criteria extends to any security that was dually listed on another US exchange (effectively, either NYSE or NYSE Amex) prior to 1 January 2004 and that has continuously maintained such listing.

<sup>5</sup> If the security is a depositary receipt representing a security of a non-US issuer, then "issuer" is understood to refer to the issuer of the underlying security.

<sup>6</sup> Ineligible security types include closed-end funds, convertible debentures, exchange traded funds, limited liability companies, limited partnership interests, preferred stocks, rights, shares or units of beneficial interest, warrants, units, and other derivative securities.

The issuer must not have annual financial statements for which an audit opinion has been withdrawn.

The issuer's adjusted market capitalization must be at least one tenth of one percent (0.1 percent) of the aggregate adjusted market capitalization of the Index at each month-end. If an issuer fails to meet this criterion on two consecutive month-ends, it shall be removed from the Index, with effect after close of trading on the third Friday of the next following month.

If at any time, other than during an annual review, an Index constituent issuer fails to meet these Standing Eligibility Criteria, or is otherwise determined to have become ineligible for continued inclusion as an Index constituent, then such issuer shall be replaced by the issuer with largest market capitalization who is not currently an Index constituent, and who meets all criteria for Index Eligibility at Annual Review.

### **Quarterly Index Rebalancing<sup>7</sup>**

Each March, June, September, and December, Index component weights are reviewed on the basis of the Last Sale Prices and market capitalizations of Index components, and the aggregate market capitalization of the Index, as of the close of trading on the last business day of the preceding February, May, August, or November, respectively. At each such quarterly review, Index weights are subject to rebalancing under one or both of two circumstances:

- (1) The current Index weight of the Index component with largest market capitalization exceeds 24%.

To remedy this, the weights of all Large Index components – those whose individual current Index weights exceed 1% -- are scaled down proportionately towards 1% until the new adjusted Index weight of the Index component with largest market capitalization is equal to 20%.

- (2) With respect to Index components whose individual current Index weights exceed 4.5%, the sum of Index weights of such “flagged” Index components exceeds 48%.

As above, the remedy is for the weights of all Large Index components – those whose individual current Index weights exceed 1% -- to be scaled down proportionately towards 1% until the sum of the new adjusted Index weights of the “flagged” Index components is equal to 40%.

In either circumstance, the reduction in aggregate Index weight given to Large Index components due to application of the remedy is redistributed among Small Index components – those whose individual current Index weights are less than or equal to 1% -- according to the following iterative process:

Step 1 -- The Index weight of the largest Small Index component is scaled up until its Index weight is equal to 1%.

Step 2 -- The Index weight of each remaining Small Index component is scaled up multiplicatively by the coefficient that achieved the desired rescaling in Step 1.

Step 3 -- If the aggregate increase in Index weight among Small Index components, rescaled as in Step 2, is equal to the aggregate reduction in Index weight among Large Index components, then the process stops. Else, it proceeds to Step 4.

Step 4 -- The Index weight of the second largest Small Index component, as adjusted in Step 1, is scaled up until its Index weight is equal to 1%.

Step 5 -- The Index weight of each remaining smaller Small Index component is scaled up multiplicatively by the coefficient that achieved the desired rescaling in Step 4.

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<sup>7</sup> Index rebalancing may be conducted at any time if it is deemed necessary to maintaining Index integrity.

Step 6 -- If the cumulative aggregate increase in Index weight among Small Index components, comprising increases achieved in both Step 2 and Step 5, is equal to the aggregate reduction in weight among Large Index components, then the process stops. Else --

Additional iterations of Steps 4-6 are applied to successively smaller subsets of Small Index components, until the cumulative aggregate increase in Index weight among Small Index components equals the aggregate reduction in Index weight among Large Index components.

Changes to Index component weights arising from any quarterly review become effective (and the Index Divisor is adjusted to ensure Index continuity) after close of trading on the third Friday of the March, June, September, or December in which the review is conducted.<sup>8</sup>

### ***Index Values for CME Futures Final Settlements***

Final settlement prices of expiring CME NQ futures are based on a special opening quotation (SOQ) of the Index made on the day of futures contract expiration. Such Index SOQ is calculated on the basis of the Nasdaq Official Opening Price of each Index constituent stock, set by way of a market-clearing opening auction conducted pursuant to Nasdaq Stock Market Rule 4752 for the Opening Process.<sup>9</sup>

## **Section 3 – Block Trading Standards**

As with any option on NQ futures, QN3 options shall not be eligible for block trading.

## **Section 4 – Compliance with Core Principles**

The Exchange has reviewed the designated contract market core principles (“Core Principles”) as set forth in the Act and has identified that the Rule Amendments may impact the following Core Principles:

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

Trading in the contracts pursuant to the Rule Amendments shall be subject to CME Rulebook Chapter 4, which includes prohibitions against fraudulent, noncompetitive, unfair, and abusive practices. Additionally, trading in these contracts shall be subject to the Exchange’s trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the Rulebook. Trading activity in these contracts shall be subject to monitoring and surveillance by the Exchange’s Market Regulation Department, which has the authority to exercise its investigatory and enforcement power where potential rule violations are identified.

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

For reasons set forth in Section 2 above, QN3 options on NQ futures are judged not to be readily susceptible to manipulation.

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

Trading in contracts pursuant to the Rule Amendments shall be subject to CME Rulebook Chapters 4 and 7, which include prohibitions on manipulation, price distortion, and disruption to the expiration process. As with any new product listed for trading on a CME Group designated contract market, trading activity in

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<sup>8</sup> No changes are made to Index composition or Index weights between the preceding month-end and the effective date for such changes as result from the quarterly review, with the exception of corporate actions with an ex-date.

<sup>9</sup> Procedures governing the Nasdaq Opening Cross<sup>SM</sup> and the Nasdaq Closing Cross<sup>SM</sup> are summarized at <http://www.nasdaqtrader.com/content/TechnicalSupport/UserGuides/TradingProducts/crosses/openclosequickguide.pdf>

Nasdaq Stock Market Rule 4752 for the Opening Process may be viewed at: [http://nasdaq.cchwallstreet.com/NASDAQTools/PlatformViewer.asp?searched=1&selectednode=chp\\_1\\_1\\_4\\_1\\_10\\_1&CiRestriction=opening+cross&manual=%2Fnasdaq%2Fmain%2Fnasdaq-equityrules%2F](http://nasdaq.cchwallstreet.com/NASDAQTools/PlatformViewer.asp?searched=1&selectednode=chp_1_1_4_1_10_1&CiRestriction=opening+cross&manual=%2Fnasdaq%2Fmain%2Fnasdaq-equityrules%2F)

the contracts pursuant to the Rule Amendments shall be subject to monitoring and surveillance by the Exchange's Market Regulation Department.

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

European style 3<sup>rd</sup> Weekly (QN3) options on NQ futures shall be subject to an all-month position limit of 50,000 net futures equivalents, identical to limits that apply to all other options on NQ futures (ie, American style Quarterly and Serial (NQ) options, European style End-of-Month (QNE) options, European style 1<sup>st</sup> Weekly (QN1) options, European style 2<sup>nd</sup> Weekly (QN2) options, and European style 4<sup>th</sup> Weekly (QN4) options). The scale of the all-month position limit makes it conservative in proportion to the underlying market in Index member stocks. On 16 March 2016, for example, the all-month position limit would have signified notional Index exposure of approximately \$4.404 billion, less than 9 hundredths (0.09) of one percent of the aggregate market capitalization of Index constituents.

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

The Exchange shall disseminate a Special Executive Report ("SER") that sets forth information in regard to contract terms and conditions pursuant to the Rule Amendments. In addition to such SER, daily trading volume, open interest, and price information for such contracts shall be published on the Exchange's website.

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

The Exchange shall publish contract trading volumes, open interest levels, and price information daily on its website and through quote vendors.

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

Contracts pursuant to the Rule Amendments shall be listed for trading on CME Globex, which provides for efficient, competitive, and open execution of transactions. Additionally, CME Globex affords the benefits of reliability and global connectivity.

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

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

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

Contracts pursuant to the Rule Amendments shall be cleared by CME Clearing, which is registered with the Commission as a derivatives clearing organization, and which is subject to all CFTC regulations pertaining thereto.

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

CME Rulebook Chapters 4 and 5 set forth multiple strictures that preclude intermediaries from disadvantaging their customers. These Rules apply to trading in all of the Exchange's competitive trading venues and will apply to transactions in the contracts pursuant to the Rule Amendments.

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

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

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

Disputes in respect of any contract pursuant to the Rule Amendments shall be subject to the arbitration provisions set forth in CME Rulebook Chapter 6, which allow all nonmembers to submit to arbitration claims for financial loss resulting from transactions on the Exchange. Pursuant to these provisions, any member named as a respondent in any such claim submitted by a nonmember is required to participate

in arbitration proceedings. Additionally, the Exchange requires members to resolve via arbitration all disputes concerning transactions on the Exchange.

The Exchange certifies that the Rule Amendments comply with the Act, including all regulations thereunder. There were no substantive opposing views to this proposal.

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

Should you have any questions concerning the above, please contact the undersigned at (212) 299-2200 or [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachments: Appendix A: Amendments to CME Rulebook Chapter 359A (blackline)  
Appendix B: CME Rulebook Chapter 359A (clean)  
Appendix C: Position Limit, Position Accountability, and Reportable Level Table,  
CME Rulebook Chapter 5 (attached under separate cover)

## Appendix A

### CME RULEBOOK

#### CME Chapter 359A Options on E-mini NASDAQ 100 Index<sup>®</sup> Futures

(Additions are underlined. Deletions are [ ~~bracketed and struck through~~ ]. There are no amendments to Interpretations & Special Notices Relating to Chapter 359A.)

#### **359A00. SCOPE OF CHAPTER**

This chapter is limited in application to options on E-mini NASDAQ 100 Index futures (“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.

##### **359A00.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).

##### **359A00.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 80B for Trading Halts Due to Extraordinary Volatility or under Nasdaq Stock Market Rule 4121 for Trading Halts Due to Extraordinary Volatility.

#### **359A01. OPTIONS CHARACTERISTICS**

##### **359A01.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 pursuant to Rule 35902.I.

In accordance with Rule 35902.I. the Exchange shall determine, in its sole discretion, the futures delivery month that represents such Primary Futures Contract Month.

##### **359A01.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 E-mini NASDAQ 100 Index futures contract (Chapter 359) [ ~~as specified in Chapter 359~~ ].

##### **359A01.C. Minimum Fluctuations**

Option prices shall be quoted in NASDAQ 100 Index (“Index”) points. Each Index point shall represent \$20.00 per option contract.

Subject to Rule 359A01.C.1., the minimum price fluctuation shall be 0.25 Index points (equal to \$5.00 per option contract), *provided that* trades at price levels equal to or less than 5.00 Index points may occur at price levels that are integer multiples of 0.05 Index points (equal to \$1.00 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.

##### **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 minimum price fluctuation as set forth in this Rule, *provided that* for any option spread or combination that trades at a net premium of 5.00 Index points or less, each option contract comprised within such spread or combination may trade in price increments of 0.05 Index points.

#### **359A01.D. Underlying Futures Contract**

##### **(FOR OPTION CONTRACTS LISTED PRIOR TO 22 MAY 2016)**

###### **1. American Style Options in the March Quarterly Cycle (“Quarterly Options”)**

For any American style option for which the expiration month is in the March quarterly cycle (i.e., March, June, September, or December), the Underlying Futures Contract shall be for delivery in such option’s expiration month. Example: For a given year, futures for delivery in March shall be the Underlying Futures Contract for a March Quarterly option.

###### **2. American Style Options Not in the March Quarterly Cycle (“Serial Options”)**

For any American style option for which the expiration month is not in the March quarterly cycle (i.e., January, February, April, May, July, August, October, or November), the Underlying Futures Contract shall be for delivery in the March quarterly cycle month next following such option’s expiration month. Example: For a given year, futures for delivery in March shall be the Underlying Futures Contract for a January Serial option and for a February Serial option.

###### **3. European Style End-of-Month Options**

For any European style End-of-Month option, the Underlying Futures Contract shall be for delivery in the March quarterly cycle month next following such option’s expiration. Examples: For a given year, futures for delivery in March shall be the Underlying Futures Contract for a January European style End-of-Month option and for a February European style End-of-Month option, and futures for delivery in June shall be the Underlying Futures Contract for a March European style End-of-Month option.

###### **4. European Style Weekly Options**

For any European style Weekly option, the Underlying Futures Contract shall be for delivery in the March quarterly cycle month next following such option’s expiration. Examples: For a given year, futures for delivery in June shall be the Underlying Futures Contract for first (1st), second (2nd), and fourth (4th) April European style Weekly options, and for first (1st), second (2nd), and fourth (4th) May European style Weekly options, and for first (1st) and second (2nd) June European style Weekly options, while futures for delivery in September shall be the Underlying Futures Contract for fourth (4th) June European style Weekly options.

The Exchange shall not list a European style Weekly option for trading in any instance where such option’s expiration would occur on the last Business Day of a month.

##### **(FOR OPTION CONTRACTS LISTED ON OR AFTER 22 MAY 2016)**

###### **1. American Style Options in the March Quarterly Cycle (“Quarterly options”)**

For any American style option for which the expiration month is in the March quarterly cycle (i.e., March, June, September, or December), the Underlying Futures Contract shall be for delivery in such option’s expiration month.

Example: For a given year, futures for delivery in March shall be the Underlying Futures Contract for a March Quarterly option.

###### **2. European Style Weekly Options**

For any European style Weekly option, the Underlying Futures Contract shall be for delivery on the third Friday of the March quarterly cycle month next following such option’s expiration, subject to Rule 35903.A.

Examples: For a given year, futures for delivery in June shall be the Underlying Futures Contract for third (3rd) March, fourth (4th) March, first (1st) April, second (2nd) April, third (3rd)

April, fourth (4th) April, first (1st) May, second (2nd) May, third (3rd) May, fourth (4th) May, first (1st) June, and second (2nd) June European style Weekly options. Futures for delivery in September shall be the Underlying Futures Contract for third (3rd) June and fourth (4th) June European style Weekly options.

The Exchange shall not list a European style 4<sup>th</sup> Weekly option for trading in any instance where such option's expiration would occur on the last Business Day of a month.

### **3. European Style End-of-Month Options**

For any European style End-of-Month option, the Underlying Futures Contract shall be for delivery on the third Friday of the March quarterly cycle month next following such option's expiration, subject to Rule 35903.A.

Examples: For a given year, futures for delivery in March shall be the Underlying Futures Contract for a January European style End-of-Month option and for a February European style End-of-Month option. Futures for delivery in June shall be the Underlying Futures Contract for a March European style End-of-Month option.

#### **359A01.E. Exercise Prices**

In each month in the March quarterly cycle (Rule 359A01.D.1.) the Exchange shall determine an Exercise Price Reference on the Business Day first preceding the day on which the final settlement price of futures for delivery in such month (Rule 35903.A.) is scheduled to be determined. Such Exercise Price Reference shall be set equal to the daily settlement price of such futures, rounded down to the nearest Index point.

The Exchange shall use such Exercise Price Reference to determine listing ranges for option exercise prices on all Business Days following its determination, until and including the next Business Day on which the Exchange determines a successor Exercise Price Reference in accordance with this Rule.

#### **1. Quarterly Options**

~~On any Business Day, the Exchange shall ensure that Quarterly put and call options (Rule 359A01.D.1.) exercisable into a given Underlying Futures Contract are listed for trading at all exercise price levels that are integer multiples of 10 Index points (e.g., 1300, 1310, 1320) and that lie within a range from 30 percent of the Exercise Price Reference below, to 30 percent of the Exercise Price Reference above, the preceding Business Day's daily settlement price for such Underlying Futures Contract.~~

#### **2. Serial Options and European Style End-of-Month Options**

~~On any given Business Day, Serial put and call options (Rule 359A01.D.2.) and European Style End-of-Month put and call options (Rule 359A01.D.3.) exercisable into a given Underlying Futures Contract shall be listed for trading at all exercise price levels at which Quarterly options exercisable into such Underlying Futures Contract are concurrently listed for trading (Rule 359A01.E.1.).~~

#### **3. European Style Weekly Options**

~~On any given Business Day, the Exchange shall ensure that European Style Weekly put and call options (Rule 359A01.D.4.) exercisable into a given Underlying Futures Contract are listed for trading at all exercise price levels that are integer multiples of 10 Index points (e.g. 1300, 1310, 1320) in a range from 50 exercise price levels below to 50 exercise price levels above (i.e., from approximately 500 Index points below to approximately 500 Index points above) the preceding Business Day's daily settlement price for such Underlying Futures Contract.~~

~~New options may be listed for trading on any Business Day up to and including the termination of trading in such options.~~

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

#### **1. Quarterly Options**

On any Business Day, the Exchange shall ensure that Quarterly put and call options (Rule 359A01.D.1.) exercisable into a given Underlying Futures Contract are listed for trading at all exercise price levels that are integer multiples of 10 Index points (e.g., 1300, 1310, 1320) and that lie within a range from 30 percent of the Exercise Price Reference below, to 30 percent of the Exercise Price

Reference above, the preceding Business Day's daily settlement price for such Underlying Futures Contract.

New options may be listed for trading on any Business Day up to and including the termination of trading in such options.

## **2. All Options Excluding Quarterly Options**

On any Business Day, options that are not Quarterly options (Rules 359A01.D.), and that are exercisable into a given Underlying Futures Contract, shall be listed for trading at all exercise price levels at which Quarterly options exercisable into such Underlying Futures Contract are concurrently listed for trading (Rule 359A01.E.1.).

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

### **359A01.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

### **359A01.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 359A01.D.) at such option's exercise price (Rule 359A01.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.

## **(FOR OPTION CONTRACTS LISTED PRIOR TO 22 MAY 2016)**

### **1. Quarterly Options and Serial Options**

The buyer of a Quarterly option (Rule 359A01.D.1.) or a Serial option (Rule 359A01.D.2.) may exercise such option at any time prior to its expiration.

### **2. European Style End-of-Month Options and European Style Weekly Options**

The buyer of a European style End-of-Month option (Rule 359A01.D.3.) or a European style Weekly option (Rule 359A01.D.4.) may exercise such option only at its expiration.

## **(FOR OPTION CONTRACTS LISTED ON OR AFTER 22 MAY 2016)**

### **1. Quarterly Options**

The buyer of a Quarterly option (Rule 359A01.D.1.) may exercise such option at any time prior to its expiration.

### **2. European Style Weekly Options and European Style End-of-Month Options**

The buyer of a European style Weekly option (Rule 359A01.D.2.) or a European style End-of-Month option (Rule 359A01.D.3.) may exercise such option only at its expiration.

### **359A01.H. [Reserved]**

### **359A01.I. Termination of Trading**

## **(FOR OPTION CONTRACTS LISTED PRIOR TO 22 MAY 2016)**

### **1. Quarterly Options**

Trading in any Quarterly option shall terminate on the same date and at the same time as the

termination of trading in such option's Underlying Futures Contract (Rule 359A01.D.1.).

## **2. Serial Options**

Trading in any Serial option shall terminate at the close of trading in such option's Underlying Futures Contract (Rule 359A01.D.2.) on the third Friday of such option's expiration month. If such third Friday is not a scheduled Business Day, then trading in expiring options shall terminate on the first preceding Business Day.

If the market in the Underlying Futures Contract for such option does not open on the day scheduled for termination of option trading, trading in such option shall terminate on the next day on which the market in such Underlying Futures Contract is open for trading.

## **3. European Style End-Of-Month Options**

Trading in any European style End-of-Month option shall terminate at 3:00 p.m., or at noon in the case of an early scheduled close of the Primary Listing Exchange (Rule 359A00.A.), on the last Business Day of such option's expiration month.

If the market in the Underlying Futures Contract for such option does not open on the day scheduled for termination of option trading, then trading in such option shall terminate, and such option shall expire, on the next day on which the market in such Underlying Futures Contract is open for trading.

## **4. European Style Weekly Options**

Trading in any European style Weekly option shall terminate at 3:00 p.m., or at noon in the case of an early scheduled close of the Primary Listing Exchange (Rule 359A00.A.), on the Friday designated by the Exchange as such option's expiration date. For a given calendar month:

Trading shall terminate in European style First Weekly options, and such options shall expire, on the first Friday of such month.

Trading shall terminate in European style Second Weekly options, and such options shall expire, on the second Friday of such month

Trading shall terminate in European style Fourth Weekly options, and such options shall expire, on the fourth Friday of such month

If such Friday is not a scheduled Business Day, then trading in expiring options shall be scheduled to terminate on the Business Day first preceding such Friday, provided that the Exchange shall not list European style Weekly options for trading in any such instance where the Business Day first preceding such Friday would be the last Business Day of the preceding calendar month in accord with Rule 359A01.D.2.).

If the market in the Underlying Futures Contract for such option does not open on the day scheduled for termination of option trading and for option expiration, then trading in such option shall terminate, and such option shall expire, on the next day on which the market in such Underlying Futures Contract is open for trading.

## **(FOR OPTION CONTRACTS LISTED ON OR AFTER 22 MAY 2016)**

### **1. Quarterly Options**

Trading in any Quarterly option shall terminate on the same date and at the same time as the termination of trading in such option's Underlying Futures Contract (Rule 359A01.D.1.).

### **2. European Style Weekly Options**

Trading in any European style Weekly option shall terminate at 3:00 p.m., or at noon in the case of an early scheduled close of the Primary Listing Exchange (Rule 359A00.A.), on the Friday designated as such option's expiration date. For a given calendar month:

Trading shall terminate in European style 1<sup>st</sup> Weekly options, and such options shall expire, on the first Friday of such month.

Trading shall terminate in European style 2<sup>nd</sup> Weekly options, and such options shall expire, on the second Friday of such month

Trading shall terminate in European style 3<sup>rd</sup> Weekly options, and such options shall expire, on the third Friday of such month

Trading shall terminate in European style 4<sup>th</sup> Weekly options, and such options shall expire, on the fourth Friday of such month

If such Friday is not a scheduled Business Day, then trading in expiring options shall be scheduled to terminate on the Business Day first preceding such Friday, provided that the Exchange shall not list European style Weekly options for trading in any such instance where the Business Day first preceding such Friday would be the last Business Day of the preceding calendar month, in accord with Rule 359A01.D.2.).

If the market in the Underlying Futures Contract for such option does not open on the day scheduled for termination of option trading and for option expiration, then trading in such option shall terminate, and such option shall expire, on the next day on which the market in such Underlying Futures Contract is open for trading.

### **3. European Style End-Of-Month Options**

Trading in any European style End-of-Month option shall terminate at 3:00 p.m., or at noon in the case of an early scheduled close of the Primary Listing Exchange (Rule 359A00.A.), on the last Business Day of such option's expiration month.

If the market in the Underlying Futures Contract for such option does not open on the day scheduled for termination of option trading, then trading in such option shall terminate, and such option shall expire, on the next day on which the market in such Underlying Futures Contract is open for trading.

359A01.J. [Reserved]

## **359A02. EXERCISE AND ASSIGNMENT**

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

### **359A02.A. Exercise**

#### **1. Quarterly Options and Serial Options**

##### **(FOR OPTION CONTRACTS LISTED PRIOR TO 22 MAY 2016)**

Any Quarterly option (Rule 359A01.D.1.) or Serial option (Rule 359A01.D.2.) 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 7:00 p.m., or by such other time as the Exchange may designate, on the day of exercise.

Any unexercised option shall expire at 7:00 p.m. on the last day of trading in such option (Rule 359A01.I.). 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 7:00 p.m., or such other time as may be designated by the Exchange, on the last day of trading in such option.

A call option shall be in the money if the settlement price of such option's Underlying Futures Contract (Rule 359A01.D.) on the last day of trading in such option (Rule 359A01.I.) 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.

A put option shall be in the money if the settlement price of such option's Underlying Futures Contract on the last day of trading in such option is strictly below such option's exercise price, and shall be out of the money if such settlement price is at or above such option's exercise price.

##### **(FOR OPTION CONTRACTS LISTED ON OR AFTER 22 MAY 2016)**

Any Quarterly option (Rule 359A01.D.1.) 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 7:00 p.m., or by such other time as the Exchange may designate, on the day of exercise.

Any unexercised option shall expire at 7:00 p.m. on the last day of trading in such option (Rule 359A01.I.). 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 7:00 p.m., or such other time as may be designated by the Exchange, on the last day of trading in such option.

A call option shall be in the money if the settlement price of such option's Underlying Futures Contract (Rule 359A01.D.) on the last day of trading in such option (Rule 359A01.I.) 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.

A put option shall be in the money if the settlement price of such option's Underlying Futures Contract on the last day of trading in such option is strictly below such option's exercise price, and shall be out of the money if such settlement price is at or above such option's exercise price.

## **2. European Style Weekly Options and European Style End-of-Month Options**

Any European style Weekly option (Rule 359A01.D.2.) or European style End-of-Month option (Rule 359A01.D.3.) may be exercised only at, and not before, expiration of such option.

Following termination of trading in expiring options, any such option that is in the money shall be automatically exercised by the Clearing House, and any such option that is out of the money shall be abandoned by the Clearing House. For the avoidance of doubt, no such option that expires in the money may be abandoned, and no such option that expires out of the money may be exercised.

Whether an option expires in the money or out of the money shall be determined by the Exchange, in its sole discretion, by reference to the Fixing Price of such option's Underlying Futures Contract (Rule 359A01.D.). The Exchange, in its sole discretion, shall set such Fixing Price on the last day of trading in such option, as follows:

### **Tier 1**

Such Fixing Price shall be based on the volume-weighted average price of transactions in such futures on the CME Globex electronic trading platform during the interval (i) between 2:59:30 p.m. and 3:00:00 p.m., or (ii) in the case of an early scheduled close of the Primary Listing Exchange, between 11:59:30 a.m. and noon, or (iii) in the event of an unscheduled early close of the Primary Listing Exchange, the final thirty (30) seconds of the Primary Listing Exchange trading day ("Reference Interval").

### **Tier 2**

If no such transaction occurs during the Reference Interval, then such Fixing Price shall be based on the average of midpoints of bid/ask spreads for such futures quoted on CME Globex during the Reference Interval, provided that the Fixing Price calculation shall exclude the midpoint value for any such bid/ask spread that is wider than 0.50 Index points (equal to two (2) minimum price increments).

### **Tier 3**

If such Fixing Price cannot be determined pursuant to Tier 1 or Tier 2, then the Exchange, in its sole discretion, shall set such Fixing Price by alternative means which may include, but are not limited to, derivation by reference to the basis relationship between such futures contract's price and the Index, or application of Tier 1 and Tier 2 calculations to successive time intervals of increasing length, in integer multiples of thirty (30) seconds, until suitable price data are obtained.

The resultant Fixing Price value shall be rounded to the nearest integer multiple of 0.01 Index points. Such Fixing Price, so rounded, shall be used to determine whether an option expires in the money or out of the money.

If, at the time such Fixing Price is scheduled to be calculated in respect of expiring options, the Primary Listing Exchange (Rule 359A00.A.) is subject to a Regulatory Halt (Rule 359A00.B.), and the Primary Futures Contract Month is limit offered at the maximum price limit permissible during such Regulatory Halt pursuant to Rule 35902.I., then (a) such option shall expire at 8:31 a.m. on the next following Business Day on which a Regulatory Halt is not in effect, and (b) the Fixing Price in respect of such option shall be calculated in accordance with the corresponding provisions of this Rule, on the basis of a reference interval beginning at 8:30:30 a.m. and concluding at 8:31:00 a.m.

An expiring call option shall be in the money if the corresponding Fixing Price is strictly above such option's exercise price, and shall be out of the money if the corresponding Fixing Price is at or below such option's exercise price.

An expiring put option shall be in the money if the corresponding Fixing Price is strictly below such option's exercise price, and shall be out of the money if the corresponding Fixing Price is at or above such option's exercise price.

**359A02.B. Assignment**

For a given option contract, an exercise notice accepted by the Clearing House in accordance with Rules 359A02.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 359A01.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.

**359A03. [RESERVED]**

**359A04. CORRECTIONS TO OPTION EXERCISES**

Corrections to option exercises may be accepted by the Clearing House after 7:00 p.m. and up to the beginning of final option expiration processing (in accord with Rules 359A02.A.), *provided that* such corrections are necessary due to: (1) a bona fide clerical error, (2) unreconciled Exchange option transaction(s), or (3) an extraordinary circumstance where the clearing firm and customer are unable to communicate final option exercise instructions prior to 7:00 p.m. 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 will be final.

## **Appendix B**

### **CME RULEBOOK**

#### **CME Chapter 359A Options on E-mini NASDAQ 100 Index® Futures**

(Clean)

#### **359A00. SCOPE OF CHAPTER**

This chapter is limited in application to options on E-mini NASDAQ 100 Index futures (“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.

##### **359A00.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).

##### **359A00.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 80B for Trading Halts Due to Extraordinary Volatility or under Nasdaq Stock Market Rule 4121 for Trading Halts Due to Extraordinary Volatility.

#### **359A01. OPTIONS CHARACTERISTICS**

##### **359A01.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 pursuant to Rule 35902.I.

In accordance with Rule 35902.I. the Exchange shall determine, in its sole discretion, the futures delivery month that represents such Primary Futures Contract Month.

##### **359A01.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 E-mini NASDAQ 100 Index futures contract (Chapter 359).

##### **359A01.C. Minimum Fluctuations**

Option prices shall be quoted in NASDAQ 100 Index (“Index”) points. Each Index point shall represent \$20.00 per option contract.

Subject to Rule 359A01.C.1., the minimum price fluctuation shall be 0.25 Index points (equal to \$5.00 per option contract), *provided that* trades at price levels equal to or less than 5.00 Index points may occur at price levels that are integer multiples of 0.05 Index points (equal to \$1.00 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.

##### **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 minimum price fluctuation as set forth in this Rule, *provided that* for any option spread or combination that trades at a net premium of 5.00 Index points or less, each option contract comprised within such spread or combination may trade in price increments of 0.05 Index points.

#### **359A01.D. Underlying Futures Contract**

##### **(FOR OPTION CONTRACTS LISTED PRIOR TO 22 MAY 2016)**

###### **1. American Style Options in the March Quarterly Cycle (“Quarterly Options”)**

For any American style option for which the expiration month is in the March quarterly cycle (i.e., March, June, September, or December), the Underlying Futures Contract shall be for delivery in such option’s expiration month. Example: For a given year, futures for delivery in March shall be the Underlying Futures Contract for a March Quarterly option.

###### **2. American Style Options Not in the March Quarterly Cycle (“Serial Options”)**

For any American style option for which the expiration month is not in the March quarterly cycle (i.e., January, February, April, May, July, August, October, or November), the Underlying Futures Contract shall be for delivery in the March quarterly cycle month next following such option’s expiration month. Example: For a given year, futures for delivery in March shall be the Underlying Futures Contract for a January Serial option and for a February Serial option.

###### **3. European Style End-of-Month Options**

For any European style End-of-Month option, the Underlying Futures Contract shall be for delivery in the March quarterly cycle month next following such option’s expiration. Examples: For a given year, futures for delivery in March shall be the Underlying Futures Contract for a January European style End-of-Month option and for a February European style End-of-Month option, and futures for delivery in June shall be the Underlying Futures Contract for a March European style End-of-Month option.

###### **4. European Style Weekly Options**

For any European style Weekly option, the Underlying Futures Contract shall be for delivery in the March quarterly cycle month next following such option’s expiration. Examples: For a given year, futures for delivery in June shall be the Underlying Futures Contract for first (1st), second (2nd), and fourth (4th) April European style Weekly options, and for first (1st), second (2nd), and fourth (4th) May European style Weekly options, and for first (1st) and second (2nd) June European style Weekly options, while futures for delivery in September shall be the Underlying Futures Contract for fourth (4th) June European style Weekly options.

The Exchange shall not list a European style Weekly option for trading in any instance where such option’s expiration would occur on the last Business Day of a month.

##### **(FOR OPTION CONTRACTS LISTED ON OR AFTER 22 MAY 2016)**

###### **1. American Style Options in the March Quarterly Cycle (“Quarterly options”)**

For any American style option for which the expiration month is in the March quarterly cycle (i.e., March, June, September, or December), the Underlying Futures Contract shall be for delivery in such option’s expiration month.

Example: For a given year, futures for delivery in March shall be the Underlying Futures Contract for a March Quarterly option.

###### **2. European Style Weekly Options**

For any European style Weekly option, the Underlying Futures Contract shall be for delivery on the third Friday of the March quarterly cycle month next following such option’s expiration, subject to Rule 35903.A.

Examples: For a given year, futures for delivery in June shall be the Underlying Futures Contract for third (3rd) March, fourth (4th) March, first (1st) April, second (2nd) April, third (3rd) April, fourth (4th) April, first (1st) May, second (2nd) May, third (3rd) May, fourth (4th) May, first (1st) June, and second (2nd) June European style Weekly options. Futures for delivery in September shall be the Underlying Futures Contract for third (3rd) June and fourth (4th) June European style Weekly options.

The Exchange shall not list a European style 4<sup>th</sup> Weekly option for trading in any instance where such option's expiration would occur on the last Business Day of a month.

### **3. European Style End-of-Month Options**

For any European style End-of-Month option, the Underlying Futures Contract shall be for delivery on the third Friday of the March quarterly cycle month next following such option's expiration, subject to Rule 35903.A.

Examples: For a given year, futures for delivery in March shall be the Underlying Futures Contract for a January European style End-of-Month option and for a February European style End-of-Month option. Futures for delivery in June shall be the Underlying Futures Contract for a March European style End-of-Month option.

#### **359A01.E. Exercise Prices**

In each month in the March quarterly cycle (Rule 359A01.D.1.) the Exchange shall determine an Exercise Price Reference on the Business Day first preceding the day on which the final settlement price of futures for delivery in such month (Rule 35903.A.) is scheduled to be determined. Such Exercise Price Reference shall be set equal to the daily settlement price of such futures, rounded down to the nearest Index point.

The Exchange shall use such Exercise Price Reference to determine listing ranges for option exercise prices on all Business Days following its determination, until and including the next Business Day on which the Exchange determines a successor Exercise Price Reference in accordance with this Rule.

#### **1. Quarterly Options**

On any Business Day, the Exchange shall ensure that Quarterly put and call options (Rule 359A01.D.1.) exercisable into a given Underlying Futures Contract are listed for trading at all exercise price levels that are integer multiples of 10 Index points (e.g., 1300, 1310, 1320) and that lie within a range from 30 percent of the Exercise Price Reference below, to 30 percent of the Exercise Price Reference above, the preceding Business Day's daily settlement price for such Underlying Futures Contract.

New options may be listed for trading on any Business Day up to and including the termination of trading in such options.

#### **2. All Options Excluding Quarterly Options**

On any given Business Day, options that are not Quarterly options (Rules 359A01.D.), and that are exercisable into a given Underlying Futures Contract, shall be listed for trading at all exercise price levels at which Quarterly options exercisable into such Underlying Futures Contract are concurrently listed for trading (Rule 359A01.E.1.).

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

#### **359A01.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

#### **359A01.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 359A01.D.) at such

option's exercise price (Rule 359A01.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.

**(FOR OPTION CONTRACTS LISTED PRIOR TO 22 MAY 2016)**

**1. Quarterly Options and Serial Options**

The buyer of a Quarterly option (Rule 359A01.D.1.) or a Serial option (Rule 359A01.D.2.) may exercise such option at any time prior to its expiration.

**2. European Style End-of-Month Options and European Style Weekly Options**

The buyer of a European style End-of-Month option (Rule 359A01.D.3.) or a European style Weekly option (Rule 359A01.D.4.) may exercise such option only at its expiration.

**(FOR OPTION CONTRACTS LISTED ON OR AFTER 22 MAY 2016)**

**1. Quarterly Options**

The buyer of a Quarterly option (Rule 359A01.D.1.) may exercise such option at any time prior to its expiration.

**2. European Style Weekly Options and European Style End-of-Month Options**

The buyer of a European style Weekly option (Rule 359A01.D.2.) or a European style End-of-Month option (Rule 359A01.D.3.) may exercise such option only at its expiration.

**359A01.H. [Reserved]**

**359A01.I. Termination of Trading**

**(FOR OPTION CONTRACTS LISTED PRIOR TO 22 MAY 2016)**

**1. Quarterly Options**

Trading in any Quarterly option shall terminate on the same date and at the same time as the termination of trading in such option's Underlying Futures Contract (Rule 359A01.D.1.).

**2. Serial Options**

Trading in any Serial option shall terminate at the close of trading in such option's Underlying Futures Contract (Rule 359A01.D.2.) on the third Friday of such option's expiration month. If such third Friday is not a scheduled Business Day, then trading in expiring options shall terminate on the first preceding Business Day.

If the market in the Underlying Futures Contract for such option does not open on the day scheduled for termination of option trading, trading in such option shall terminate on the next day on which the market in such Underlying Futures Contract is open for trading.

**3. European Style End-Of-Month Options**

Trading in any European style End-of-Month option shall terminate at 3:00 p.m., or at noon in the case of an early scheduled close of the Primary Listing Exchange (Rule 359A00.A.), on the last Business Day of such option's expiration month.

If the market in the Underlying Futures Contract for such option does not open on the day scheduled for termination of option trading, then trading in such option shall terminate, and such option shall expire, on the next day on which the market in such Underlying Futures Contract is open for trading.

**4. European Style Weekly Options**

Trading in any European style Weekly option shall terminate at 3:00 p.m., or at noon in the case of an early scheduled close of the Primary Listing Exchange (Rule 359A00.A.), on the Friday designated by the Exchange as such option's expiration date. For a given calendar month:

Trading shall terminate in European style First Weekly options, and such options shall expire, on the first Friday of such month.

Trading shall terminate in European style Second Weekly options, and such options shall expire, on the

second Friday of such month

Trading shall terminate in European style Fourth Weekly options, and such options shall expire, on the fourth Friday of such month

If such Friday is not a scheduled Business Day, then trading in expiring options shall be scheduled to terminate on the Business Day first preceding such Friday, provided that the Exchange shall not list European style Weekly options for trading in any such instance where the Business Day first preceding such Friday would be the last Business Day of the preceding calendar month in accord with Rule 359A01.D.2.).

If the market in the Underlying Futures Contract for such option does not open on the day scheduled for termination of option trading and for option expiration, then trading in such option shall terminate, and such option shall expire, on the next day on which the market in such Underlying Futures Contract is open for trading.

**(FOR OPTION CONTRACTS LISTED ON OR AFTER 22 MAY 2016)**

**1. Quarterly Options**

Trading in any Quarterly option shall terminate on the same date and at the same time as the termination of trading in such option's Underlying Futures Contract (Rule 359A01.D.1.).

**2. European Style Weekly Options**

Trading in any European style Weekly option shall terminate at 3:00 p.m., or at noon in the case of an early scheduled close of the Primary Listing Exchange (Rule 359A00.A.), on the Friday designated as such option's expiration date. For a given calendar month:

Trading shall terminate in European style 1<sup>st</sup> Weekly options, and such options shall expire, on the first Friday of such month.

Trading shall terminate in European style 2<sup>nd</sup> Weekly options, and such options shall expire, on the second Friday of such month

Trading shall terminate in European style 3<sup>rd</sup> Weekly options, and such options shall expire, on the third Friday of such month

Trading shall terminate in European style 4<sup>th</sup> Weekly options, and such options shall expire, on the fourth Friday of such month

If such Friday is not a scheduled Business Day, then trading in expiring options shall be scheduled to terminate on the Business Day first preceding such Friday, *provided that* the Exchange shall not list European style Weekly options for trading in any such instance where the Business Day first preceding such Friday would be the last Business Day of the preceding calendar month, in accord with Rule 359A01.D.2.).

If the market in the Underlying Futures Contract for such option does not open on the day scheduled for termination of option trading and for option expiration, then trading in such option shall terminate, and such option shall expire, on the next day on which the market in such Underlying Futures Contract is open for trading.

**3. European Style End-Of-Month Options**

Trading in any European style End-of-Month option shall terminate at 3:00 p.m., or at noon in the case of an early scheduled close of the Primary Listing Exchange (Rule 359A00.A.), on the last Business Day of such option's expiration month.

If the market in the Underlying Futures Contract for such option does not open on the day scheduled for termination of option trading, then trading in such option shall terminate, and such option shall expire, on the next day on which the market in such Underlying Futures Contract is open for trading.

359A01.J. [Reserved]

## **359A02. EXERCISE AND ASSIGNMENT**

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

### **359A02.A. Exercise**

#### **1. Quarterly Options and Serial Options**

##### **(FOR OPTION CONTRACTS LISTED PRIOR TO 22 MAY 2016)**

Any Quarterly option (Rule 359A01.D.1.) or Serial option (Rule 359A01.D.2.) 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 7:00 p.m., or by such other time as the Exchange may designate, on the day of exercise.

Any unexercised option shall expire at 7:00 p.m. on the last day of trading in such option (Rule 359A01.I.). 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 7:00 p.m., or such other time as may be designated by the Exchange, on the last day of trading in such option.

A call option shall be in the money if the settlement price of such option's Underlying Futures Contract (Rule 359A01.D.) on the last day of trading in such option (Rule 359A01.I.) 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.

A put option shall be in the money if the settlement price of such option's Underlying Futures Contract on the last day of trading in such option is strictly below such option's exercise price, and shall be out of the money if such settlement price is at or above such option's exercise price.

##### **(FOR OPTION CONTRACTS LISTED ON OR AFTER 22 MAY 2016)**

Any Quarterly option (Rule 359A01.D.1.) 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 7:00 p.m., or by such other time as the Exchange may designate, on the day of exercise.

Any unexercised option shall expire at 7:00 p.m. on the last day of trading in such option (Rule 359A01.I.). 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 7:00 p.m., or such other time as may be designated by the Exchange, on the last day of trading in such option.

A call option shall be in the money if the settlement price of such option's Underlying Futures Contract (Rule 359A01.D.) on the last day of trading in such option (Rule 359A01.I.) 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.

A put option shall be in the money if the settlement price of such option's Underlying Futures Contract on the last day of trading in such option is strictly below such option's exercise price, and shall be out of the money if such settlement price is at or above such option's exercise price.

#### **2. European Style Weekly Options and European Style End-of-Month Options**

Any European style Weekly option (Rule 359A01.D.2.) or European style End-of-Month option (Rule 359A01.D.3.) may be exercised only at, and not before, expiration of such option.

Following termination of trading in expiring options, any such option that is in the money shall be automatically exercised by the Clearing House, and any such option that is out of the money shall be abandoned by the Clearing House. For the avoidance of doubt, no such option that expires in the money may be abandoned, and no such option that expires out of the money may be exercised.

Whether an option expires in the money or out of the money shall be determined by the Exchange, in its sole discretion, by reference to the Fixing Price of such option's Underlying Futures Contract (Rule 359A01.D.). The Exchange, in its sole discretion, shall set such Fixing Price on the last day of trading in such option, as follows:

**Tier 1**

Such Fixing Price shall be based on the volume-weighted average price of transactions in such futures on the CME Globex electronic trading platform during the interval (i) between 2:59:30 p.m. and 3:00:00 p.m., or (ii) in the case of an early scheduled close of the Primary Listing Exchange, between 11:59:30 a.m. and noon, or (iii) in the event of an unscheduled early close of the Primary Listing Exchange, the final thirty (30) seconds of the Primary Listing Exchange trading day ("Reference Interval").

**Tier 2**

If no such transaction occurs during the Reference Interval, then such Fixing Price shall be based on the average of midpoints of bid/ask spreads for such futures quoted on CME Globex during the Reference Interval, provided that the Fixing Price calculation shall exclude the midpoint value for any such bid/ask spread that is wider than 0.50 Index points (equal to two (2) minimum price increments).

**Tier 3**

If such Fixing Price cannot be determined pursuant to Tier 1 or Tier 2, then the Exchange, in its sole discretion, shall set such Fixing Price by alternative means which may include, but are not limited to, derivation by reference to the basis relationship between such futures contract's price and the Index, or application of Tier 1 and Tier 2 calculations to successive time intervals of increasing length, in integer multiples of thirty (30) seconds, until suitable price data are obtained.

The resultant Fixing Price value shall be rounded to the nearest integer multiple of 0.01 Index points. Such Fixing Price, so rounded, shall be used to determine whether an option expires in the money or out of the money.

If, at the time such Fixing Price is scheduled to be calculated in respect of expiring options, the Primary Listing Exchange (Rule 359A00.A.) is subject to a Regulatory Halt (Rule 359A00.B.), and the Primary Futures Contract Month is limit offered at the maximum price limit permissible during such Regulatory Halt pursuant to Rule 35902.I., then (a) such option shall expire at 8:31 a.m. on the next following Business Day on which a Regulatory Halt is not in effect, and (b) the Fixing Price in respect of such option shall be calculated in accordance with the corresponding provisions of this Rule, on the basis of a reference interval beginning at 8:30:30 a.m. and concluding at 8:31:00 a.m.

An expiring call option shall be in the money if the corresponding Fixing Price is strictly above such option's exercise price, and shall be out of the money if the corresponding Fixing Price is at or below such option's exercise price.

An expiring put option shall be in the money if the corresponding Fixing Price is strictly below such option's exercise price, and shall be out of the money if the corresponding Fixing Price is at or above such option's exercise price.

**359A02.B. Assignment**

For a given option contract, an exercise notice accepted by the Clearing House in accordance with Rules 359A02.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 359A01.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.

**359A03. [RESERVED]**

**359A04. CORRECTIONS TO OPTION EXERCISES**

Corrections to option exercises may be accepted by the Clearing House after 7:00 p.m. and up to the beginning of final option expiration processing (in accord with Rules 359A02.A.), *provided that* such corrections are necessary due to: (1) a bona fide clerical error, (2) unreconciled Exchange option transaction(s), or (3) an extraordinary circumstance where the clearing firm and customer are unable to communicate final option exercise instructions prior to 7:00 p.m. 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 will be final.

**INTERPRETATIONS AND SPECIAL NOTICES RELATING TO CHAPTER 359**

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## **Appendix C**

### **Amendments to CME Rulebook Chapter 5 Position Limit, Position Accountability, and Reportable Level Table**

(Attached under separate cover)