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Appendix A: Contract Specifications for Five-Year Agency Note Futures

CHAPTER XX FIVE-YEAR AGENCY NOTE FUTURES

XX00. SCOPE OF CHAPTER

This chapter is limited in application to futures trading in five-year Agency notes. The procedures for trading, clearing, settlement, and any other matters not specifically covered herein shall be governed by the rules of the Exchange.

XX01. COMMODITY SPECIFICATIONS

Each futures contract shall be for a Agency note having a face value at maturity of one hundred thousand dollars ($100,000 Agency notes which may be tendered in satisfaction of this contract are limited to Fannie Mae Benchmark notes and Freddie Mac Reference notes.). Such notes shall be non-callable, issued for an original term of five years.

XX02. FUTURES CALL

XX02.A. Trading Months and Hours

Futures contracts shall be scheduled for trading during such hours and for delivery in such months as may be determined by the Board of Directors, subject to the requirement that all such determinations and other actions implementing such determinations be submitted to the Commodity Futures Trading Commission in accordance with the provisions of Section 5a(a)(12)(A) of the Commodity Exchange Act and all Commission regulations thereunder.

XX02.B. Trading Unit

The unit of trading shall be five-year Agency notes in the amount of $100,000 face value.

XX02.C. Minimum Increments

Bids and offers shall be quoted in multiples of one-half of one thirty-second (1/32) point per 100 points ($15.625 per contract rounded up to the nearest cent per contract) except for intermonth spreads, where minimum price fluctuations shall be in multiples of one-fourth of one-thirty second point per 100 points ($7.8125 per contract). Par shall be on the basis of 100 points.

XX02.D. Position Limits

A person shall not own or control more than 5,000 contracts net long or net short in all contract months combined. For positions involving options on a five-year Agency note futures contract, this rule is superseded by the option speculative position limit rule.

XX02.E. Accumulation of Positions

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, shall be cumulated.

XX02.F. Exemptions

The foregoing position limits shall not apply to (1) bona fide hedge positions meeting the requirements of Regulation 1.3(z)(1) of the CFTC and the rules of the Exchange and (2) other positions exempted pursuant to Rule 543.

XX02.G. Termination of Trading

Futures trading in a five-year Agency note futures deliverable in the current month shall terminate on the business day immediately preceding the last seven business days of that month and any contracts remaining open must be settled by delivery as provided in Rule XX03 after trading in such contracts has ceased.

XX02.H. Contract Modifications

Specifications shall be fixed as of the first day of trading of a contract. If any U.S. governmental agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.

XX02.I. Daily Price Limits, Regular and Electronic Trading Hours

Regular Trading Hours: There shall be no price limits enforced during Regular Trading Hours (RTH).

Electronic Trading Hours: There shall be no trading during Electronic Trading Hours (ETH) at a price more than 96/32nds per unit of trade (or $3,000 per futures contract) above or below the previous day's settlement price, except that there shall be no daily price limits in spot month contracts on or after the second business day prior to the first day of the current month.

Expanded Limits: If three of more contracts within a contract year (or all contracts in a contract year if there are less than three open contracts) close on the limit bid for one business day or on the limit offer for one business day, then the limit for all contract months will be expanded to 144/32nds (or $4,500 per futures contract) and remain there for two successive business days.

If three or more contract months (or all contracts in a contract year if there are less than three open contracts) in a given contract year close on the limit bid on the last business day of the expanded limit period or on the limit offer on the last business day of the expanded limit period then the limits will remain at 144/32nds (or $4,500 per futures contract) for another two day period.

The limits will remain at the expanded level for successive periods of two business days until three or more contracts (or all contracts in a contract year if there are less than three open contracts) do not close at the limit on the last day of the period. If on the last day of a two day business period the three or more contract months (or all contracts in a contract year if there are less than three open contracts) do not close on the limit bid or limit offer then the limits will revert to their original level at the end of the two day period.

For purposes of this rule, the Price Limit Committee shall have the responsibility of determining whether futures contracts close on the limit bid or limit offer.

XX02.J Reserved

XX03. DELIVERY

XX03.A. Standards

The contract grade for delivery on futures contracts made under these Rules shall be non-callable Fannie Mae Benchmark notes or non-callable Freddie Mac Reference notes which have an original maturity of not more than five years three months and which have a remaining maturity of not less than four years as defined below. To become eligible for delivery, a minimum of $3.0 billion principal value of a particular note must have been issued on its first issuance date. To be delivered in the current month, the note must have been issued before the second business day preceding the first business day of the current month. All notes delivered against a contract must be of the same issue. For settlement, the time to maturity of a given issue is calculated in complete one month increments (i.e., 4 years, 8 months and 6 days = 4 years and 8 months) from the first day of the delivery month. The price at which a note with this time to maturity and with the same coupon rate as this issue will yield 6.5% is multiplied times the settlement price to arrive at the amount which the short invoices the long.

Interest accrued on the notes shall be charged to the long by the short on the basis of a 360-day year consisting of twelve 30-day months.

New issues of five-year Agency notes which satisfy the standards in this Rule shall be added to the deliverable grade as they are issued. If during the origination of a note which will meet the standards of this chapter, the Agency re-opens an existing issue, thus rendering the existing issue indistinguishable from the newly issued one, the older issue and the newer issue is deemed to meet the standard 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.

XX03.B. Deliveries on Futures Contracts

Deliveries against five-year Agency note futures contracts shall be by book-entry transfer between the accounts of Clearing Members at qualified banks (see Rule XX04) in accordance with Department of the Treasury Circular 300, Subpart O: Book-Entry Procedure. Delivery must be made no later than the last business day of the month. Notice of intention to deliver shall be given to the Exchange Clearing House by 8:00 p.m. (Chicago time) on the second business day preceding delivery day. In the event the long Clearing Member does not agree with the terms of the invoice received from the short Clearing Member, the long Clearing Member must notify the short Clearing Member, and the dispute must be settled by 9:30 a.m. (Chicago time) on delivery day. The short Clearing Member must have contract grade five-year Agency notes in place at his bank in acceptable (to his bank) delivery form no later than 10:00 a.m. (Chicago time) on delivery day. The short Clearing Member must notify his bank (see Rule XX04) to transfer contract grade five-year Agency notes by book-entry to the long Clearing Member's account at the long Clearing Member's bank on a delivery versus payment basis. That is, payment shall not be made until the notes are delivered. On delivery day, the long Clearing Member must make funds available by 7:30 a.m. (Chicago time) and notify his bank (see Rule XX04) to accept contract grade five-year Agency notes and to remit federal funds to the short Clearing Member's account at the short Clearing Member's bank (see Rule XX04) in payment for delivery of the notes. Contract grade five-year Agency notes must be transferred and payment must be made before 1:00 p.m. (Chicago time) on delivery day. All deliveries must be assigned by the Clearing House. Where a commission house as a member of the Clearing House has an interest both long and short for customers on its own books, it must tender to the Clearing House such notices of intention to deliver as it received from its customers who are short.

XX03.C. Wire Failure

In the event that delivery cannot be accomplished because of a failure of the Federal Reserve wire or because of a failure of either the long Clearing Member's bank or the short Clearing Member's bank access to the Federal Reserve wire, delivery shall be made before 9:30 a.m. on the next business day on which the Federal Reserve wire or bank access to it is operable. Interest shall accrue to the long paid by the short beginning on the day on which the notes were to be originally delivered.

In the event of such failure, both the long and short must provide documented evidence that the instructions were given to their respective banks in accordance with Rules XX03.A. and XX03.J. and that all other provisions of Rules XX03.A. and XX03.J. have been complied with.

XX03.D. Date of Delivery

Delivery of five-year Agency notes may be made by the short upon any permissible delivery day of the delivery month the short may select. Delivery of five-year Agency notes must be made no later than the last business day of that month.

XX03.E. Reserved

XX03.F. Reserved

XX03.G. Reserved

XX03.H. Reserved

XX03.I. Seller's Invoice to Buyers

Upon determining the buyers obligated to accept deliveries tendered by issuers of delivery notices, the Clearing House shall promptly furnish each issuer the names of the buyers obligated to accept delivery from him and a description of each commodity tendered by him which was assigned by the Clearing House to each such buyer. Thereupon, sellers (issuers of delivery notices) shall prepare invoices addressed to their assigned buyers, describing the documents to be delivered to each such buyer. Such invoices shall show the amount which buyers must pay to sellers in settlement of the actual deliveries, based on the delivery prices established by the Clearing House, and adjusted for applicable interest payments. Such invoices shall be delivered to the Clearing House by 2:00 p.m. on the day of intention except on the last intention day of the month, where such invoices shall be delivered to the Clearing House by 3:00 p.m. Upon receipt of such invoices, the Clearing House shall promptly make them available to buyers to whom they are addressed, by placing them in buyer's mail boxes provided for that purpose in the Clearing House.

XX03.J. Payment

Payment shall be made in federal funds. The long obligated to take delivery must take deliver and make payment before 1:00 p.m. on the day of delivery except on banking holidays when delivery must be taken and payment made before 9:30 a.m. the next banking business day. Adjustments for differences between contract prices and delivery prices established by the Clearing House shall be made with the Clearing House in accordance with its Rules and Resolutions.

XX03.K. Buyers Banking Notification

The long Clearing Member shall provide the short Clearing Member by 4:00 p.m. (5:00 p.m. EST) on the day of intention, one business day prior to delivery day, with a Banking Notification. The Banking Notification form will include the following information: the identification number and name of the long Clearing Member; the delivery date; the notification number of the delivery assignment; the identification number and name of the short Clearing Member making delivery; the quantity of the contract being delivered; the long Clearing Member's bank, account number and specific Federal Wire instructions for the transfer of U.S. securities.

XX03.L. Reserved

XX03.M. Reserved

XX03.N. Reserved

XX04 REGULARITY OF BANKS

For purposes of these Rules relating to trading in five-year Agency notes, the word "bank" shall mean a U.S. commercial bank (either Federal or State charter) that is a member of the Federal Reserve System and with capital (capital, surplus and undivided earnings) in excess of one hundred million dollars ($100,000,000).

XX05. EMERGENCIES, ACTS OF GOD, ACTS OF GOVERNMENT

If delivery or acceptance or any precondition or requirement of either is prevented by a strike, fire, accident, action of government or act of God, the seller or buyer shall immediately notify the Exchange President. If the President determines that emergency action may be necessary, he shall call a special meeting of the Board of Directors and arrange for the presentation of evidence respecting the emergency condition. If the Board determines that an emergency exists, it shall take such action as it deems necessary under the circumstances and its decision shall be binding upon all parties to the contract.

(End Chapter XX)

Appendix B: Contract Specifications for Options on Five-Year Agency Note Futures

CHAPTER YY OPTIONS ON FIVE-YEAR AGENCY NOTE FUTURES

YY00. SCOPE OF CHAPTER

This chapter is limited in application to trading in put and call options on five-year Agency note futures. The procedures or trading, clearing, inspection, delivery and settlement and any other matters not specifically covered herein shall be governed by the rules of the Exchange.

YY01. OPTION CHARACTERISTICS

YY01.A. Contract Months, Trading Hours and Trading Halts

Options contracts shall be listed for such contract months and scheduled for trading during such hours, except as indicated below, as may be determined by the Board of Directors, subject to the requirement that all such determinations be submitted to the Commodity Futures Trading Commission in accordance with the provisions of Section 5a(a)(12)(A) of the Commodity Exchange Act and all Commission regulations thereunder.

There shall be no trading in any option contract when the five-year Agency note primary futures contract is limit bid or offered at any price limit except at the total daily price limit on an option's last day of trading.

There shall be no trading in any five-year Agency note option contract when the primary futures contract for that five-year Agency note contract is limit bid or limit offered.

For purposes of this rule, the primary futures contract shall be defined as the futures contract trading in the lead month configuration in the pit.

For purposes of this rule during Electronic Trading Hours (ETH), the GLOBEX Control Center shall have the responsibility of determining whether the primary futures contract is limit bid or offered.

YY01.B. Trading Unit

The trading unit shall be an option to buy, in the case of the call, or to sell in the case of the put, one five-year Agency note futures contract as specified in Chapter XX.

YY01.C. Minimum Fluctuations

The price of an option shall be quoted in multiples of one sixty-fourth (1/64) of one percent (1%) of a $100,000 five-year Agency note futures contract, except as provided in Rule 584 (GLOBEX Volatility Quotes). Each one sixty-fourth (1/64) shall represent $15.63 per 1/64 and $1,000 per full point.

If options are quoted in volatility terms, the minimum fluctuation shall be 0.10 percent.

YY01.D. Underlying Futures Contracts

The underlying futures contract for an option is the next futures contract that is nearest to the expiration of the option. For example, the "December" option expires in November and is exercisable for the December futures contract. The "November" option expires in October and is exercisable for the December futures contract. The "October" option expires in September and is exercisable for the December futures contract.

YY01.E. Exercise Prices

The exercise prices shall be stated in terms of the five-year Agency note futures contract that is deliverable upon exercise of the option. The exercise prices shall be an integral multiples of one-half (½) point, e.g., 98-½, 99, 99-½, 100, etc.

At the commencement of trading of a new option contract month, the Exchange shall list all eligible exercise prices in a range of 6 points above and below the previous day's settlement price of the underlying futures contract. For instance, if the underlying five-year Agency note futures contract settled at 99-08/32 on the previous day, the Exchange shall list exercise prices within the range of 93-08/32 to 105-08/32 at an incremental of one-half (½) point, e.g., 93-½, 94, 94-½, 95,..., 105, etc.

Thereafter, when a settlement price in the underlying futures contract occurs at, or passes through, any exercise price, the Exchange shall add all eligible exercise prices in the defined range on the next trading day.

The Board may modify the provisions governing the establishment of exercise prices as it deems appropriate, subject to the provisions of Section 5a(a)(12)(A) of the Commodity Exchange Act and CFTC regulations thereunder.

YY01.F. Position Limits

No person shall own or control a combination of options and underlying futures contracts that exceeds 5,000 futures-equivalent contracts net on the same side of the market in all contract months combined.

For the purposes of this rule, the futures equivalent of the an option contract is 1 times the previous business day's IOM risk factor for the option series. Also for purposes of this rule, a long call option, a short put option, and a long underlying futures contract are on the same side of the market; similarly, a short call option, a long put option, and a short underlying futures contract are on the same side of the market.

YY01.G. Accumulation of Positions

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons action pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, shall be cumulated.

YY01.H. Exemptions

The foregoing position limits shall not apply to commercially appropriate risk reducing option positions defined in accordance with Regulation 1.3(z)(1) of the CFTC and meeting the requirements of Rule 543.A. and shall not apply to other option positions exempted pursuant to Rule 543.

YY01.I. Termination of Trading

No trades in five-year Agency note futures options expiring in the current month shall be made after 12:00 noon on the last Friday which precedes by at least five business days, the last business day of the month preceding the option month. If such Friday is not a business day, or there is a Friday which is not a business day which precedes by four business days the last business day of the month preceding the option month, the last day of trading shall be the business day prior to such Friday.

YY01.J. Contract Modification

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

YY02. EXERCISE

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of options on five-year Agency note futures.

YY02.A. Exercise of Option by Buyer

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

An option that is in the money [1] and has not been liquidated or exercised prior to the termination of trading shall, in the absence of contrary instructions delivered to the Clearing House by 7:00 p.m. on the business day following the termination of trading by the clearing member representing the option buyer, be automatically exercised.

Corrections to option exercises may be accepted by the Clearing House after the 7:00 p.m. deadline and up to the beginning of final option expiration processing provided that such corrections are necessary due to; (1) a bonafide clerical error, (2) an unreconciled Exchange option transaction (s), or (3) an extraordinary circumstance where the clearing firm and customer are unable to communicate final option exercise instructions prior to the deadline. The decision whether a correction is acceptable will be made by the President of the Clearing House, or the President 's designee, and such decision will be final.

YY02.B. Expiration of Option

Unexercised options on five-year Agency note futures shall expire at 10:00 a.m. on the first Saturday following the last day of trading.

YY02.C. Assignment

Exercise notices accepted by the Clearing House shall be assigned through a process of random selection to clearing members with open short positions in the same series. A clearing member to which an exercise notice is assigned shall be notified thereof as soon as practicable after such notice is assigned by the Clearing House, but not later than 45 minutes prior to the opening of trading in the underlying futures contract on the following business day.

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[1] An option is in the money if the settlement price of the underlying futures contract at the termination of trading lies above the exercise price in the case of a call, or lies below the exercise price in the case of a put.

The clearing member assigned an exercise notice shall be assigned a short position in the underlying futures contract if a call was exercised or a long position if a put was exercised. The clearing member representing the option buyer shall be assigned a long position in the underlying futures contract if a call was exercised and a short position if a put was exercised.

All such futures positions shall be assigned at a price equal to the exercise price of the option and shall be marked to market in accordance with Rule 814 on the trading day following acceptance by the Clearing House of the exercise notice.

YY03. EMERGENCIES, ACTS OF GOD, ACTS OF GOVERNMENT

If exercise or assignment or any precondition or requirement of either is prevented by a strike, fire, accident, act of government or act of God, the seller or buyer shall immediately notify the Exchange President. If the President determines that emergency action may be necessary, he shall call a special meeting of the Board of Directors and arrange for the presentation of evidence respecting the emergency condition. If the Board determines that an emergency exists, it shall take such action as it deems necessary under the circumstances and its decision shall be binding upon all parties to the contract.

(Next Rule YY30)

FLEXIBLE OPTIONS

YY30. SCOPE OF FLEXIBLE OPTION RULES

Unless otherwise noted below, the following flexible option rules supersede the standard option regulations presented in the earlier part of this chapter.

YY31. FLEXIBLE OPTION CHARACTERISTICS

YY31.A. Nature of Flexible Contracts

Flexible options on five-year Agency note futures shall be permitted in puts and calls that do not have the same underlying futures contract, and the same strike price, and the same exercise style, and the same expiration date as standard listed options that are already available for trading.

Trading in standard options under certain flexible trading procedures shall be permitted prior to the listing of such options in the standard options pit or on GLOBEX. Once and if these options are listed for trading as standard options in the standard options pit or on GLOBEX, they will be traded only as standard options in the standard options pit or on GLOBEX subject to the standard option trading requirements. Upon such listing, all existing open positions established under flexible trading procedures shall be fully fungible with transactions in the respective standard option series for all purposes under these regulations.

YY31.B. Trading Unit

The minimum size for requesting a quote and/or trading in a flexible option series is 100 contracts, where each contract represents an option to buy, in the case of the call, or to sell, in the case of the put, one five-year Agency note futures contract as specified in Chapter XX. However, parties may request a quote and/or trade for less than 100 contracts in order to entirely close out a position in a flexible series.

Respondents to a request for quote must be willing to trade at least 100 contracts. However, a respondent may trade less than 100 contracts if the respondent is entirely closing out a position in the series.

YY31.C. Minimum Fluctuations

(Refer to Rule YY01. C. Minimum Fluctuations.)

YY31.D. Underlying Futures Contracts

The underlying futures contract for a flexible option shall be any five-year Agency note futures contract that is currently available for trading, as specified in Chapter XX.

YY31.E. Exercise Prices

Exercise prices shall be stated in terms of the five-year Agency note futures contract that is deliverable upon exercise of the option and may be at intervals of one-half of one thirty second (1/32) for all five-year Agency note levels from 0 and up, e.g., 100-000/32, 100-005/32, 100-010/32, 100-015/32 etc.

YY31.F. Position Limits

(Refer to Rule YY01.F. Position Limits.)

YY31.G. Accumulation of Positions

(Refer to Rule YY01.G. Accumulation of Positions.)

YY31.H. Exemptions

(Refer to Rule YY01.H. Exemptions.)

YY31.I. Termination of Trading

Flexible option expiration dates may be specified for any Exchange business day up except that expiration may not occur following the last Friday that precedes by at least five business days the last business day of the calendar month preceding the underlying futures contract month. Flexible options expire at 7:00 p.m. on the last trading day.

If a flexible option expiration occurs on the same day as the expiration of a standard option which is currently listed for trade, flexible options trading shall terminate at the same time as that standard option. Otherwise, flexible options trading shall terminate at the close of trading on the expiration date specified for the flexible option.

A new flexible option series may not be opened on its last day of trading. However, an existing flexible option series may be traded on its last day of trading.

YY31.J. Contract Modification

(Refer to Rule YY01.J. Contract Modification.)

YY32. EXERCISE

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of flexible options on five-year Agency note futures.

YY32.A. Exercise of Flexible Option by Buyer

Flexible options may be specified to have either American-style or European-style exercise.

A flexible option with American-style exercise may be exercised by the buyer on any business day that the option is traded and also on its expiration date. To exercise the option, the clearing member representing the buyer shall present an exercise notice to the Clearing House by 4:10 P.M. on the day of exercise.

A flexible option with European-style exercise may be exercised by the buyer only on the day that the option expires. To exercise the option, the clearing member representing the buyer shall present an exercise notice to the Clearing House by 4:10 P.M. on the day of exercise.

Any flexible option that is in the money and has not been liquidated or exercised prior to its expiration date shall, in the absence of contrary instructions delivered to the Clearing House by 4:10 P.M. on the expiration date by the clearing member representing the option buyer, be exercised automatically.

YY32.B. Assignment

(Refer to Rule YY02.B. Assignment.)

YY33. EMERGENCIES, ACTS OF GOD, ACTS OF GOVERNMENT

(Refer to Rule YY03. EMERGENCIES, ACTS OF GOD, ACTS OF GOVERNMENT.)

YY34. INITIATING A FLEXIBLE OPTION CONTRACT SERIES

For each trading session, the opening of trading in any flexible option series shall occur through a Request For Quote (RFQ). No RFQs will be accepted within fifteen minutes of the daily scheduled closing time of the underlying futures or within fifteen minutes prior to the termination of trading of the underlying futures.

YY35. RESPONSE TIME INTERVAL

No trades against the first RFQ submitted for a flexible option series on any trading day may occur prior to the end of the Response Time Interval. The Response Time Interval shall be a 5 minute period and will begin immediately upon acceptance of an RFQ by the designated flexible option pit official. The designated flexible option pit official shall signal the end of the Response Time Interval for each RFQ.

YY36. RFQ TRADING INTERVAL

A flexible option series shall immediately open for trading following the Response Time Interval. Priority for RFQs is determined by order of submission to the RFQ official, except that all RFQs submitted before the open shall be treated equally.

YY37. EXPIRATION OF AN RFQ

Trading in a given flexible option series following an RFQ shall remain open for the remainder of the trading session.

YY38. REPORTING OF FLEXIBLE OPTION TRADES

It shall be the responsibility of the participants in a flexible option trade to report the quantities and prices to the designated flexible options pit official in a timely manner, including any later trades in open flexible contract term series.

(End Chapter YY)

INTERPRETATIONS,& SPECIAL NOTICES RELATING TO CHAPTER YY

CLARIFICATION OF NEW NON–AGRICULTURAL OPTION SPECULATIVE POSITION LIMIT RULE

(Special Executive Report S-1618, March 31, 1986)

Please note that the new non–agricultural option speculative position limit rule supersedes the speculative position rule for the underlying futures contract. Therefore, for example, a trader may hold a gross futures position that exceeds the futures position limit rule if that gross position is part of spread with options, such that the net position across options and futures is less than the applicable limit set in the options rule.

Appendix A: Contract Specifications for Ten-Year Agency Note Futures

CHAPTER XX TEN-YEAR AGENCY NOTE FUTURES

XX00. SCOPE OF CHAPTER

This chapter is limited in application to futures trading in ten-year Agency notes. The procedures for trading, clearing, settlement, and any other matters not specifically covered herein shall be governed by the rules of the Exchange.

XX01. COMMODITY SPECIFICATIONS

Each futures contract shall be for a Agency note having a face value at maturity of one hundred thousand dollars ($100,000 Agency notes which may be tendered in satisfaction of this contract are limited to Fannie Mae Benchmark notes and Freddie Mac Reference notes). Such notes shall be non-callable, issued for an original term of ten years.

XX02. FUTURES CALL

XX02.A. Trading Months and Hours

Futures contracts shall be scheduled for trading during such hours and for delivery in such months as may be determined by the Board of Directors, subject to the requirement that all such determinations and other actions implementing such determinations be submitted to the Commodity Futures Trading Commission in accordance with the provisions of Section 5a(a)(12)(A) of the Commodity Exchange Act and all Commission regulations thereunder.

XX02.B. Trading Unit

The unit of trading shall be ten-year Agency notes in the amount of $100,000 face value.

XX02.C. Minimum Increments

Bids and offers shall be quoted in multiples of one-half of one thirty-second (1/32) point per 100 points ($15.625 per contract rounded up to the nearest cent per contract) except for intermonth spreads, where minimum price fluctuations shall be in multiples of one-fourth of one-thirty second point per 100 points ($7.8125 per contract). Par shall be on the basis of 100 points.

XX02.D. Position Limits

A person shall not own or control more than 5,000 contracts net long or net short in all contract months combined. For positions involving options on a ten-year Agency note futures contract, this rule is superseded by the option speculative position limit rule.

XX02.E. Accumulation of Positions

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, shall be cumulated.

XX02.F. Exemptions

The foregoing position limits shall not apply to (1) bona fide hedge positions meeting the requirements of Regulation 1.3(z)(1) of the CFTC and the rules of the Exchange and (2) other positions exempted pursuant to Rule 543.

XX02.G. Termination of Trading

Futures trading in a ten-year Agency note futures deliverable in the current month shall terminate on the business day immediately preceding the last seven business days of that month and any contracts remaining open must be settled by delivery as provided in Rule XX03 after trading in such contracts has ceased.

XX02.H. Contract Modifications

Specifications shall be fixed as of the first day of trading of a contract. If any U.S. governmental agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.

XX02.I. Daily Price Limits, Regular and Electronic Trading Hours

Regular Trading Hours: There shall be no price limits enforced during Regular Trading Hours (RTH).

Electronic Trading Hours: There shall be no trading during Electronic Trading Hours (ETH) at a price more than 96/32nds per unit of trade (or $3,000 per futures contract) above or below the previous day's settlement price, except that there shall be no daily price limits in spot month contracts on or after the second business day prior to the first day of the current month.

Expanded Limits: If three of more contracts within a contract year (or all contracts in a contract year if there are less than three open contracts) close on the limit bid for one business day or on the limit offer for one business day, then the limit for all contract months will be expanded to 144/32nds (or $4,500 per futures contract) and remain there for two successive business days.

If three or more contract months (or all contracts in a contract year if there are less than three open contracts) in a given contract year close on the limit bid on the last business day of the expanded limit period or on the limit offer on the last business day of the expanded limit period then the limits will remain at 144/32nds (or $4,500 per futures contract) for another two day period.

The limits will remain at the expanded level for successive periods of two business days until three or more contracts (or all contracts in a contract year if there are less than three open contracts) do not close at the limit on the last day of the period. If on the last day of a two day business period the three or more contract months (or all contracts in a contract year if there are less than three open contracts) do not close on the limit bid or limit offer then the limits will revert to their original level at the end of the two day period.

For purposes of this rule, the Price Limit Committee shall have the responsibility of determining whether futures contracts close on the limit bid or limit offer.

XX02.J Reserved

XX03. DELIVERY

XX03.A. Standards

The contract grade for delivery on futures contracts made under these Rules shall be non-callable Fannie Mae Benchmark notes or non-callable Freddie Mac Reference notes which have an original maturity of not more than ten years, three months and not less than nine years, nine months; and, which have a remaining maturity of not less than six years, six months as defined below. To become eligible for delivery, a minimum of $3.0 billion principal value of a particular note must have been issued on its first issuance date. To be delivered in the current month, the note must have been issued before the second business day preceding the first business day of the current month. All notes delivered against a contract must be of the same issue. For settlement, the time to maturity of a given issue is calculated in complete one quarter increments (i.e., 9 years, 8 months and 6 days = 9 years and 2 quarters) from the first day of the delivery month. The price at which a note with this time to maturity and with the same coupon rate as this issue will yield 6.5% is multiplied times the settlement price to arrive at the amount which the short invoices the long.

Interest accrued on the notes shall be charged to the long by the short on the basis of a 360-day year consisting of twelve 30-day months.

New issues of ten-year Agency notes which satisfy the standards in this Rule shall be added to the deliverable grade as they are issued. If during the origination of a note which will meet the standards of this chapter, the Agency re-opens an existing issue, thus rendering the existing issue indistinguishable from the newly issued one, the older issue and the newer issue is deemed to meet the standard 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.

XX03.B. Deliveries on Futures Contracts

Deliveries against ten-year Agency note futures contracts shall be by book-entry transfer between the accounts of Clearing Members at qualified banks (see Rule XX04) in accordance with Department of the Treasury Circular 300, Subpart O: Book-Entry Procedure. Delivery must be made no later than the last business day of the month. Notice of intention to deliver shall be given to the Exchange Clearing House by 8:00 p.m. (Chicago time) on the second business day preceding delivery day. In the event the long Clearing Member does not agree with the terms of the invoice received from the short Clearing Member, the long Clearing Member must notify the short Clearing Member, and the dispute must be settled by 9:30 a.m. (Chicago time) on delivery day. The short Clearing Member must have contract grade ten-year Agency notes in place at his bank in acceptable (to his bank) delivery form no later than 10:00 a.m. (Chicago time) on delivery day. The short Clearing Member must notify his bank (see Rule XX04) to transfer contract grade ten-year Agency notes by book-entry to the long Clearing Member's account at the long Clearing Member's bank on a delivery versus payment basis. That is, payment shall not be made until the notes are delivered. On delivery day, the long Clearing Member must make funds available by 7:30 a.m. (Chicago time) and notify his bank (see Rule XX04) to accept contract grade ten-year Agency notes and to remit federal funds to the short Clearing Member's account at the short Clearing Member's bank (see Rule XX04) in payment for delivery of the notes. Contract grade ten-year Agency notes must be transferred and payment must be made before 1:00 p.m. (Chicago time) on delivery day. All deliveries must be assigned by the Clearing House. Where a commission house as a member of the Clearing House has an interest both long and short for customers on its own books, it must tender to the Clearing House such notices of intention to deliver as it received from its customers who are short.

XX03.C. Wire Failure

In the event that delivery cannot be accomplished because of a failure of the Federal Reserve wire or because of a failure of either the long Clearing Member's bank or the short Clearing Member's bank access to the Federal Reserve wire, delivery shall be made before 9:30 a.m. on the next business day on which the Federal Reserve wire or bank access to it is operable. Interest shall accrue to the long paid by the short beginning on the day on which the notes were to be originally delivered.

In the event of such failure, both the long and short must provide documented evidence that the instructions were given to their respective banks in accordance with Rules XX03.A. and XX03.J. and that all other provisions of Rules XX03.A. and XX03.J. have been complied with.

XX03.D. Date of Delivery

Delivery of ten-year Agency notes may be made by the short upon any permissible delivery day of the delivery month the short may select. Delivery of ten-year Agency notes must be made no later than the last business day of that month.

XX03.E. Reserved

XX03.F. Reserved

XX03.G. Reserved

XX03.H. Reserved

XX03.I. Seller's Invoice to Buyers

Upon determining the buyers obligated to accept deliveries tendered by issuers of delivery notices, the Clearing House shall promptly furnish each issuer the names of the buyers obligated to accept delivery from him and a description of each commodity tendered by him which was assigned by the Clearing House to each such buyer. Thereupon, sellers (issuers of delivery notices) shall prepare invoices addressed to their assigned buyers, describing the documents to be delivered to each such buyer. Such invoices shall show the amount which buyers must pay to sellers in settlement of the actual deliveries, based on the delivery prices established by the Clearing House, and adjusted for applicable interest payments. Such invoices shall be delivered to the Clearing House by 2:00 p.m. on the day of intention except on the last intention day of the month, where such invoices shall be delivered to the Clearing House by 3:00 p.m. Upon receipt of such invoices, the Clearing House shall promptly make them available to buyers to whom they are addressed, by placing them in buyer's mail boxes provided for that purpose in the Clearing House.

XX03.J. Payment

Payment shall be made in federal funds. The long obligated to take delivery must take deliver and make payment before 1:00 p.m. on the day of delivery except on banking holidays when delivery must be taken and payment made before 9:30 a.m. the next banking business day. Adjustments for differences between contract prices and delivery prices established by the Clearing House shall be made with the Clearing House in accordance with its Rules and Resolutions.

XX03.K. Buyers Banking Notification

The long Clearing Member shall provide the short Clearing Member by 4:00 p.m. (5:00 p.m. EST) on the day of intention, one business day prior to delivery day, with a Banking Notification. The Banking Notification form will include the following information: the identification number and name of the long Clearing Member; the delivery date; the notification number of the delivery assignment; the identification number and name of the short Clearing Member making delivery; the quantity of the contract being delivered; the long Clearing Member's bank, account number and specific Federal Wire instructions for the transfer of U.S. securities.

XX03.L. Reserved

XX03.M. Reserved

XX03.N. Reserved

XX04 REGULARITY OF BANKS

For purposes of these Rules relating to trading in ten-year Agency notes, the word "bank" shall mean a U.S. commercial bank (either Federal or State charter) that is a member of the Federal Reserve System and with capital (capital, surplus and undivided earnings) in excess of one hundred million dollars ($100,000,000).

XX05. EMERGENCIES, ACTS OF GOD, ACTS OF GOVERNMENT

If delivery or acceptance or any precondition or requirement of either is prevented by a strike, fire, accident, action of government or act of God, the seller or buyer shall immediately notify the Exchange President. If the President determines that emergency action may be necessary, he shall call a special meeting of the Board of Directors and arrange for the presentation of evidence respecting the emergency condition. If the Board determines that an emergency exists, it shall take such action as it deems necessary under the circumstances and its decision shall be binding upon all parties to the contract.

(End Chapter XX)

Appendix B: Contract Specifications for Options on Ten-Year Agency Note Futures

CHAPTER YY OPTIONS ON TEN-YEAR AGENCY NOTE FUTURES

YY00. SCOPE OF CHAPTER

This chapter is limited in application to trading in put and call options on ten-year Agency note futures. The procedures or trading, clearing, inspection, delivery and settlement and any other matters not specifically covered herein shall be governed by the rules of the Exchange.

YY01. OPTION CHARACTERISTICS

YY01.A. Contract Months, Trading Hours and Trading Halts

Options contracts shall be listed for such contract months and scheduled for trading during such hours, except as indicated below, as may be determined by the Board of Directors, subject to the requirement that all such determinations be submitted to the Commodity Futures Trading Commission in accordance with the provisions of Section 5a(a)(12)(A) of the Commodity Exchange Act and all Commission regulations thereunder.

There shall be no trading in any option contract when the ten-year Agency note primary futures contract is limit bid or offered at any price limit except at the total daily price limit on an option's last day of trading.

There shall be no trading in any ten-year Agency note option contract when the primary futures contract for that ten-year Agency note contract is limit bid or limit offered.

For purposes of this rule, the primary futures contract shall be defined as the futures contract trading in the lead month configuration in the pit.

For purposes of this rule during Electronic Trading Hours (ETH), the GLOBEX Control Center shall have the responsibility of determining whether the primary futures contract is limit bid or offered.

YY01.B. Trading Unit

The trading unit shall be an option to buy, in the case of the call, or to sell in the case of the put, one ten-year Agency note futures contract as specified in Chapter XX.

YY01.C. Minimum Fluctuations

The price of an option shall be quoted in multiples of one sixty-fourth (1/64) of one percent (1%) of a $100,000 ten-year Agency note futures contract, except as provided in Rule 584 (GLOBEX Volatility Quotes). Each one sixty-fourth (1/64) shall represent $15.63 per 1/64 and $1,000 per full point.

If options are quoted in volatility terms, the minimum fluctuation shall be 0.10 percent.

YY01.D. Underlying Futures Contracts

The underlying futures contract for an option is the next futures contract that is nearest to the expiration of the option. For example, the "December" option expires in November and is exercisable for the December futures contract. The "November" option expires in October and is exercisable for the December futures contract. The "October" option expires in September and is exercisable for the December futures contract.

YY01.E. Exercise Prices

The exercise prices shall be stated in terms of the ten-year Agency note futures contract that is deliverable upon exercise of the option. The exercise prices shall be an integral multiples of one (1) point, e.g., 98, 99, 100, 101, etc.

At the commencement of trading of a new option contract month, the Exchange shall list all eligible exercise prices in a range of 10 points above and below the previous day's settlement price of the underlying futures contract. For instance, if the underlying ten-year Agency note futures contract settled at 99-08/32 on the previous day, the Exchange shall list exercise prices within the range of 89-08/32 to 109-08/32 at an incremental of 1 point, e.g., 90, 91, 92,..., 109, etc.

Thereafter, when a settlement price in the underlying futures contract occurs at, or passes through, any exercise price, the Exchange shall add all eligible exercise prices in the defined range on the next trading day.

The Board may modify the provisions governing the establishment of exercise prices as it deems appropriate, subject to the provisions of Section 5a(a)(12)(A) of the Commodity Exchange Act and CFTC regulations thereunder.

YY01.F. Position Limits

No person shall own or control a combination of options and underlying futures contracts that exceeds 5,000 futures-equivalent contracts net on the same side of the market in all contract months combined.

For the purposes of this rule, the futures equivalent of the an option contract is 1 times the previous business day's IOM risk factor for the option series. Also for purposes of this rule, a long call option, a short put option, and a long underlying futures contract are on the same side of the market; similarly, a short call option, a long put option, and a short underlying futures contract are on the same side of the market.

,YY01.G. Accumulation of Positions

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons action pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, shall be cumulated.

YY01.H. Exemptions

The foregoing position limits shall not apply to commercially appropriate risk reducing option positions defined in accordance with Regulation 1.3(z)(1) of the CFTC and meeting the requirements of Rule 543.A. and shall not apply to other option positions exempted pursuant to Rule 543.

YY01.I. Termination of Trading

No trades in ten-year Agency note futures options expiring in the current month shall be made after 12:00 noon on the last Friday which precedes by at least five business days, the last business day of the month preceding the option month. If such Friday is not a business day, or there is a Friday which is not a business day which precedes by four business days the last business day of the month preceding the option month, the last day of trading shall be the business day prior to such Friday.

YY01.J. Contract Modification

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

YY02. EXERCISE

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of options on ten-year Agency note futures.

YY02.A. Exercise of Option by Buyer

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

An option that is in the money [1] and has not been liquidated or exercised prior to the termination of trading shall, in the absence of contrary instructions delivered to the Clearing House by 7:00 p.m. on the business day following the termination of trading by the clearing member representing the option buyer, be automatically exercised.

Corrections to option exercises may be accepted by the Clearing House after the 7:00 p.m. deadline and up to the beginning of final option expiration processing provided that such corrections are necessary due to; (1) a bonafide clerical error, (2) an unreconciled Exchange option transaction (s), or (3) an extraordinary circumstance where the clearing firm and customer are unable to communicate final option exercise instructions prior to the deadline. The decision whether a correction is acceptable will be made by the President of the Clearing House, or the President 's designee, and such decision will be final.

YY02.B. Expiration of Option

Unexercised options on ten-year Agency note futures shall expire at 10:00 a.m. on the first Saturday following the last day of trading.

YY02.C. Assignment

Exercise notices accepted by the Clearing House shall be assigned through a process of random selection to clearing members with open short positions in the same series. A clearing member to which an exercise notice is assigned shall be notified thereof as soon as practicable after such notice is assigned by the Clearing House, but not later than 45 minutes prior to the opening of trading in the underlying futures contract on the following business day.

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[1] An option is in the money if the settlement price of the underlying futures contract at the termination of trading lies above the exercise price in the case of a call, or lies below the exercise price in the case of a put.

The clearing member assigned an exercise notice shall be assigned a short position in the underlying futures contract if a call was exercised or a long position if a put was exercised. The clearing member representing the option buyer shall be assigned a long position in the underlying futures contract if a call was exercised and a short position if a put was exercised.

All such futures positions shall be assigned at a price equal to the exercise price of the option and shall be marked to market in accordance with Rule 814 on the trading day following acceptance by the Clearing House of the exercise notice.

YY03. EMERGENCIES, ACTS OF GOD, ACTS OF GOVERNMENT

If exercise or assignment or any precondition or requirement of either is prevented by a strike, fire, accident, act of government or act of God, the seller or buyer shall immediately notify the Exchange President. If the President determines that emergency action may be necessary, he shall call a special meeting of the Board of Directors and arrange for the presentation of evidence respecting the emergency condition. If the Board determines that an emergency exists, it shall take such action as it deems necessary under the circumstances and its decision shall be binding upon all parties to the contract.

(Next Rule YY30)

FLEXIBLE OPTIONS

YY30. SCOPE OF FLEXIBLE OPTION RULES

Unless otherwise noted below, the following flexible option rules supersede the standard option regulations presented in the earlier part of this chapter.

YY31. FLEXIBLE OPTION CHARACTERISTICS

YY31.A. Nature of Flexible Contracts

Flexible options on ten-year Agency note futures shall be permitted in puts and calls that do not have the same underlying futures contract, and the same strike price, and the same exercise style, and the same expiration date as standard listed options that are already available for trading.

Trading in standard options under certain flexible trading procedures shall be permitted prior to the listing of such options in the standard options pit or on GLOBEX. Once and if these options are listed for trading as standard options in the standard options pit or on GLOBEX, they will be traded only as standard options in the standard options pit or on GLOBEX subject to the standard option trading requirements. Upon such listing, all existing open positions established under flexible trading procedures shall be fully fungible with transactions in the respective standard option series for all purposes under these regulations.

YY31.B. Trading Unit

The minimum size for requesting a quote and/or trading in a flexible option series is 100 contracts, where each contract represents an option to buy, in the case of the call, or to sell, in the case of the put, one ten-year Agency note futures contract as specified in Chapter XX. However, parties may request a quote and/or trade for less than 100 contracts in order to entirely close out a position in a flexible series.

Respondents to a request for quote must be willing to trade at least 100 contracts. However, a respondent may trade less than 100 contracts if the respondent is entirely closing out a position in the series.

YY31.C. Minimum Fluctuations

(Refer to Rule YY01. C. Minimum Fluctuations.)

YY31.D. Underlying Futures Contracts

The underlying futures contract for a flexible option shall be any ten-year Agency note futures contract that is currently available for trading, as specified in Chapter XX.

YY31.E. Exercise Prices

Exercise prices shall be stated in terms of the ten-year Agency note futures contract that is deliverable upon exercise of the option and may be at intervals of one-half of one thirty second (1/32) for all ten-year Agency note levels from 0 and up, e.g., 100-000/32, 100-005/32, 100-010/32, 100-015/32 etc.

YY31.F. Position Limits

(Refer to Rule YY01.F. Position Limits.)

YY31.G. Accumulation of Positions

(Refer to Rule YY01.G. Accumulation of Positions.)

YY31.H. Exemptions

(Refer to Rule YY01.H. Exemptions.)

YY31.I. Termination of Trading

Flexible option expiration dates may be specified for any Exchange business day up except that expiration may not occur following the last Friday that precedes by at least five business days the last business day of the calendar month preceding the underlying futures contract month. Flexible options expire at 7:00 p.m. on the last trading day.

If a flexible option expiration occurs on the same day as the expiration of a standard option which is currently listed for trade, flexible options trading shall terminate at the same time as that standard option. Otherwise, flexible options trading shall terminate at the close of trading on the expiration date specified for the flexible option.

A new flexible option series may not be opened on its last day of trading. However, an existing flexible option series may be traded on its last day of trading.

YY31.J. Contract Modification

(Refer to Rule YY01.J. Contract Modification.)

YY32. EXERCISE

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of flexible options on ten-year Agency note futures.

YY32.A. Exercise of Flexible Option by Buyer

Flexible options may be specified to have either American-style or European-style exercise.

A flexible option with American-style exercise may be exercised by the buyer on any business day that the option is traded and also on its expiration date. To exercise the option, the clearing member representing the buyer shall present an exercise notice to the Clearing House by 4:10 P.M. on the day of exercise.

A flexible option with European-style exercise may be exercised by the buyer only on the day that the option expires. To exercise the option, the clearing member representing the buyer shall present an exercise notice to the Clearing House by 4:10 P.M. on the day of exercise.

Any flexible option that is in the money and has not been liquidated or exercised prior to its expiration date shall, in the absence of contrary instructions delivered to the Clearing House by 4:10 P.M. on the expiration date by the clearing member representing the option buyer, be exercised automatically.

YY32.B. Assignment

(Refer to Rule YY02.B. Assignment.)

YY33. EMERGENCIES, ACTS OF GOD, ACTS OF GOVERNMENT

(Refer to Rule YY03. EMERGENCIES, ACTS OF GOD, ACTS OF GOVERNMENT.)

YY34. INITIATING A FLEXIBLE OPTION CONTRACT SERIES

For each trading session, the opening of trading in any flexible option series shall occur through a Request For Quote (RFQ). No RFQs will be accepted within fifteen minutes of the daily scheduled closing time of the underlying futures or within fifteen minutes prior to the termination of trading of the underlying futures.

YY35. RESPONSE TIME INTERVAL

No trades against the first RFQ submitted for a flexible option series on any trading day may occur prior to the end of the Response Time Interval. The Response Time Interval shall be a 5 minute period and will begin immediately upon acceptance of an RFQ by the designated flexible option pit official. The designated flexible option pit official shall signal the end of the Response Time Interval for each RFQ.

YY36. RFQ TRADING INTERVAL

A flexible option series shall immediately open for trading following the Response Time Interval. Priority for RFQs is determined by order of submission to the RFQ official, except that all RFQs submitted before the open shall be treated equally.

YY37. EXPIRATION OF AN RFQ

Trading in a given flexible option series following an RFQ shall remain open for the remainder of the trading session.

YY38. REPORTING OF FLEXIBLE OPTION TRADES

It shall be the responsibility of the participants in a flexible option trade to report the quantities and prices to the designated flexible options pit official in a timely manner, including any later trades in open flexible contract term series.

(End Chapter YY)

INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER YY

CLARIFICATION OF NEW NON–AGRICULTURAL OPTION SPECULATIVE POSITION LIMIT RULE

(Special Executive Report S-1618, March 31, 1986)

Please note that the new non–agricultural option speculative position limit rule supersedes the speculative position rule for the underlying futures contract. Therefore, for example, a trader may hold a gross futures position that exceeds the futures position limit rule if that gross position is part of spread with options, such that the net position across options and futures is less than the applicable limit set in the options rule.