



C.F.T.C.  
OFFICE OF THE SECRETARIAT

2010 DEC 22 AM 10 02

December 21, 2010

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

**RE: Amendments to CBOT Rulebook Chapter 18A on U.S. Treasury Bond Options, Chapter 19A on Long-Term U.S. Treasury Note Options, Chapter 20A on Medium-Term U.S. Treasury Note Options, Chapter 21A on Short-Term U.S. Treasury Note Options, and Chapter 40A on Long-Term U.S. Treasury Bond Options to permit the listing of weekly options.  
CBOT Submission No. 10-382**

Dear Mr. Stawick:

Pursuant to Commission Regulation 40.6 and Section 5c(c)(1) of the Commodity Exchange Act, the Board of Trade of the City of Chicago, Inc. ("CBOT" or "Exchange") hereby certifies amendments to exchange rules on contract months and termination of trading in options on CBOT U.S. Treasury Bond futures, Long-Term U.S. Treasury Note futures, Medium-Term U.S. Treasury Note futures, Short-Term U.S. Treasury Note futures, and Long-Term U.S. Treasury Bond futures. The Exchange certifies that these changes do not violate the Act or the Commission's regulations. There were no substantive opposing views to this proposal.

The CBOT seeks to expand its listings of options on Treasury Bond futures, Long-Term Treasury Note futures, Medium-Term Treasury Note futures, Short-Term Treasury Note futures, and Long-Term Treasury Bond futures to options with weekly expirations ("Weekly Treasury Options" or "WTOs") beginning on trade date **Monday, January 24, 2011**.

At launch, the CBOT will initially list the following WTOs:

- February Week 1 options expiring on Friday, February 4;
- February Week 2 options expiring on Friday, February 11; and
- February Week 4 options expiring on Friday, February 25.

February Week 1 and Week 2 options will exercise into the corresponding March 2011 Treasury futures contracts. February Week 4 options expire after the March 2011 quarterly options, and therefore will exercise into the corresponding June 2011 Treasury futures contracts. (Please note that the Exchange will not list February Week 3 options as these are identical to the March 2011 standard quarterly options that expire on Friday, February 18.)

WTOs will have the same contract specifications – American-style exercise, strike price ranges, strike price increments, minimum option premium increments – as their related monthly or quarterly Treasury options.

WTOs will exercise into an underlying Treasury futures contract. If a WTO expires prior to the nearby expiration date of the related standard quarterly Treasury option, then the WTO will exercise into the next quarterly delivery month for its underlying futures. If the WTO expires after the nearby expiration date of the related standard quarterly option, then it will exercise into the first-deferred quarterly delivery month for the underlying futures.

The CBOT will list WTOs to expire on every Friday, except for those Fridays on which standard serial or quarterly Treasury options are scheduled to expire. The Exchange will not list WTOs for expiration on the same date as the expiration of a standard monthly or quarterly Treasury option. In cases where Friday is a holiday, WTOs that would otherwise be scheduled to expire on that Friday will expire on the preceding Exchange business day.

As with standard Treasury options, the final settlement of an expiring WTO will be based upon the daily settlement price of the WTO's underlying Treasury futures contract on the WTO's last trading day. Whether an expiring WTO is in- or out-of-the-money, for the purpose of exercise assignments, will be determined at this time. Any WTO that is at-the-money (i.e., for which the strike price is identical to the underlying Treasury futures daily settlement price) will be considered to have expired out-of-the-money.

WTOs will be listed for trading on CME Globex (Sunday-Friday, 5:00 p.m. - 4:00 p.m., Chicago time) and in open outcry (Monday-Friday, 7:20 a.m. -2:00 p.m., CT). On its last trading day, an expiring WTO will continue to trade until the conclusion of that day's Globex electronic trading session. WTOs that expire in-the-money shall be automatically exercised unless contrary instructions are given to CME Clearing House no later than 6:00 p.m., Chicago time.

Three WTOs will be listed concurrently for each Treasury futures product. Each WTO will have about 28 days to expiration upon its initial listing date. The Exchange will list new WTOs, for expiration approximately 4 weeks hence, on the weekend following the latest expiration of WTOs. The Exchange will not list new WTOs for trading on the weekend following expiration of standard monthly or quarterly options.

Attachments 1-5 summarize proposed amendments to Exchange Rules 18A01.A., 18A01.I., 19A01.A., 19A01.I., 20A01.A., 20A01.I., 21A01.A., 21A01.I., 40A01.A., and 40A01.I.

Attachments 6-10 provide clean versions of CBOT Rulebook Chapter 18A on U.S. Treasury Bond Options, Chapter 19A on Long-Term U.S. Treasury Note Options, Chapter 20A on Medium-Term U.S. Treasury Note Options, Chapter 21A on Short-Term U.S. Treasury Note Options, and Chapter 40A on Long-Term U.S. Treasury Bond Options.

Mr. David Stawick  
December 21, 2010  
Page 3

Please direct inquiries regarding this submission to Daniel Grombacher at 312.634.1583 or [daniel.grombacher@cmegroup.com](mailto:daniel.grombacher@cmegroup.com), or me at 312.466.7478. Please reference CBOT Submission No. 10-382 in any related correspondence.

Sincerely,

/s/ Timothy Elliott  
Director and Associate General Counsel

Attachments

# Attachment 1

## Proposed Changes to Chapter 18A Standard Options on U.S. Treasury Bond Futures

(Additions are in red; deletions are in blue and struck-through.)

### 18A01. OPTIONS CHARACTERISTICS

#### 18A01.A. Contract Months

Trading may be conducted in ~~U.S. Treasury Bond futures~~ options for expiry within a thirty-six month period extending from the nearby futures delivery ~~contract~~ month, provided however, that the Exchange may determine not to list a futures contract delivery month. ~~Both serial and quarterly~~ Options may be listed to expire into either nearby ~~front-month~~ or deferred futures, as determined by the Exchange.

#### 18A01.I. Termination of Trading

##### 18A01.I.1 Monthly Serial and Quarterly Options

The last day of trading in any monthly serial or quarterly option for expiry in a given month shall be the last Friday which precedes by at least two business days the last business day of the calendar month next preceding such option's named expiry month. If such Friday is not a business day, or if there is a Friday which is not a business day that precedes by one business day the last business day of the calendar month next preceding such option's named expiry month, then the last day of trading in such option shall be the business day prior to such Friday.

---

On their last day of trading, expiring monthly serial or quarterly options shall cease trading at the close of trading in the corresponding U.S. Treasury Bond futures contract, subject to the provisions of Rule 18A01.D.

##### 18A01.I.2. Weekly Options

Any weekly option shall be designated to expire on a given Friday, provided however that no weekly option shall be designated to expire on any Friday that is also the last day of trading in a monthly serial or quarterly option (Rule 18A01.I.1.). Trading in any weekly option shall terminate on the Friday on which such option is designated to expire. If such Friday is not a business day, then trading in weekly options designated for expiration on such Friday shall terminate on the next preceding Exchange business day.

On its last day of trading, an expiring weekly option shall cease trading at the close of trading in the corresponding U.S. Treasury Bond futures contract, subject to the provisions of Rule 18A01.D.

##### 18A01.I.3. Trading in Underlying Futures

In the event that the underlying futures market does not open on a day scheduled for option expiration, such option expiration shall occur on the next day on which the underlying futures market opens for trading.

~~Subject to the provisions of Rule 18A01.D., no trades in U.S. Treasury Bond futures options expiring in the current month shall be made after the close of trading for the corresponding U.S. Treasury Bond futures contract on the last Friday which precedes by at least two 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 one business day 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.~~

## Attachment 2

### Proposed Changes to Chapter 19A Standard Options on Long-Term U.S. Treasury Note Futures

(Additions are in red; deletions are in blue and struck through.)

#### 19A01. OPTIONS CHARACTERISTICS

##### 19A01.A. Contract Months

Trading may be conducted in ~~Long-Term U.S. Treasury Note futures~~ options for expiry within a thirty-six month period extending from the nearby futures delivery ~~contract~~ month, provided however, that the Exchange may determine not to list a futures contract delivery month. Both ~~serial and quarterly~~ Options may be listed to expire into either nearby ~~front-month~~ or deferred futures, as determined by the Exchange.

##### 19A01.I. Termination of Trading

###### 19A01.I.1 Monthly Serial and Quarterly Options

The last day of trading in any monthly serial or quarterly option for expiry in a given month shall be the last Friday which precedes by at least two business days the last business day of the calendar month next preceding such option's named expiry month. If such Friday is not a business day, or if there is a Friday which is not a business day that precedes by one business day the last business day of the calendar month next preceding such option's named expiry month, then the last day of trading in such option shall be the business day prior to such Friday.

---

On their last day of trading, expiring monthly serial or quarterly options shall cease trading at the close of trading in the corresponding Long-Term U.S. Treasury Note futures contract, subject to the provisions of Rule 19A01.D.

###### 19A01.I.2. Weekly Options

Any weekly option shall be designated to expire on a given Friday, provided however that no weekly option shall be designated to expire on any Friday that is also the last day of trading in a monthly serial or quarterly option (Rule 19A01.I.1.). Trading in any weekly option shall terminate on the Friday on which such option is designated to expire. If such Friday is not a business day, then trading in weekly options designated for expiration on such Friday shall terminate on the next preceding Exchange business day.

On its last day of trading, an expiring weekly option shall cease trading at the close of trading in the corresponding Long-Term U.S. Treasury Note futures contract, subject to the provisions of Rule 19A01.D.

###### 19A01.I.3. Trading in Underlying Futures

In the event that the underlying futures market does not open on a day scheduled for option expiration, such option expiration shall occur on the next day on which the underlying futures market opens for trading.

~~Subject to the provisions of Rule 19A01.D, no trades in Long-Term U.S. Treasury Note futures options expiring in the current month shall be made after the close of trading for the corresponding Long-Term U.S. Treasury Note futures contract on the last Friday which precedes by at least two 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 one business day 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.~~

## Attachment 3

### Proposed Changes to Chapter 20A Standard Options on Medium-Term U.S. Treasury Note Futures

(Additions are in red; deletions are in blue and struck-through.)

#### 20A01. OPTIONS CHARACTERISTICS

##### 20A01.A. Contract Months

Trading may be conducted in Medium-Term U.S. Treasury Note futures options for expiry within a thirty-six month period extending from the nearby futures delivery contract month, provided however, that the Exchange may determine not to list a futures contract delivery month. Both serial and quarterly Options may be listed to expire into either nearby front-month or deferred futures, as determined by the Exchange.

##### 20A01.I. Termination of Trading

###### 20A01.I.1 Monthly Serial and Quarterly Options

The last day of trading in any monthly serial or quarterly option for expiry in a given month shall be the last Friday which precedes by at least two business days the last business day of the calendar month next preceding such option's named expiry month. If such Friday is not a business day, or if there is a Friday which is not a business day that precedes by one business day the last business day of the calendar month next preceding such option's named expiry month, then the last day of trading in such option shall be the business day prior to such Friday.

On their last day of trading, expiring monthly serial or quarterly options shall cease trading at the close of trading in the corresponding Medium-Term U.S. Treasury Note futures contract, subject to the provisions of Rule 20A01.D.

###### 20A01.I.2. Weekly Options

Any weekly option shall be designated to expire on a given Friday, provided however that no weekly option shall be designated to expire on any Friday that is also the last day of trading in a monthly serial or quarterly option (Rule 20A01.I.1.). Trading in any weekly option shall terminate on the Friday on which such option is designated to expire. If such Friday is not a business day, then trading in weekly options designated for expiration on such Friday shall terminate on the next preceding Exchange business day.

On its last day of trading, an expiring weekly option shall cease trading at the close of trading in the corresponding Medium-Term U.S. Treasury Note futures contract, subject to the provisions of Rule 20A01.D.

###### 20A01.I.3. Trading in Underlying Futures

In the event that the underlying futures market does not open on a day scheduled for option expiration, such option expiration shall occur on the next day on which the underlying futures market opens for trading.

~~Subject to the provisions of Rule 20A01.D, no trades in Medium-Term U.S. Treasury Note futures options expiring in the current month shall be made after the close of trading for the corresponding Medium-Term U.S. Treasury Note futures contract on the last Friday which precedes by at least two 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 one business day 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.~~

## Attachment 4

### Proposed Changes to Chapter 21A Standard Options on Short-Term U.S. Treasury Note Futures

(Additions are in red; deletions are in blue and struck through.)

#### 21A01. OPTIONS CHARACTERISTICS

##### 21A01.A. Contract Months

Trading may be conducted in ~~Short-Term U.S. Treasury Note futures~~ options for expiry within a thirty-six ~~forty-two~~ month period extending from the nearby futures delivery contract month, provided however, that the Exchange may determine not to list a futures contract delivery month. ~~Both serial and quarterly~~ Options may be listed to expire into either nearby ~~front-month~~ or deferred futures, as determined by the Exchange.

##### 21A01.I. Termination of Trading

###### 21A01.I.1 Monthly Serial and Quarterly Options

The last day of trading in any monthly serial or quarterly option for expiry in a given month shall be the last Friday which precedes by at least two business days the last business day of the calendar month next preceding such option's named expiry month. If such Friday is not a business day, or if there is a Friday which is not a business day that precedes by one business day the last business day of the calendar month next preceding such option's named expiry month, then the last day of trading in such option shall be the business day prior to such Friday.

---

On their last day of trading, expiring monthly serial or quarterly options shall cease trading at the close of trading in the corresponding Short-Term U.S. Treasury Note futures contract, subject to the provisions of Rule 21A01.D.

###### 21A01.I.2 Weekly Options

Any weekly option shall be designated to expire on a given Friday, provided however that no weekly option shall be designated to expire on any Friday that is also the last day of trading in a monthly serial or quarterly option (Rule 21A01.I.1.). Trading in any weekly option shall terminate on the Friday on which such option is designated to expire. If such Friday is not a business day, then trading in weekly options designated for expiration on such Friday shall terminate on the next preceding Exchange business day.

On its last day of trading, an expiring weekly option shall cease trading at the close of trading in the corresponding Short-Term U.S. Treasury Note futures contract, subject to the provisions of Rule 21A01.D.

###### 21A01.I.3 Trading in Underlying Futures

In the event that the underlying futures market does not open on a day scheduled for option expiration, such option expiration shall occur on the next day on which the underlying futures market opens for trading.

~~Subject to the provisions of Rule 21A01.D, no trades in Short-Term U.S. Treasury Note futures options expiring in the current month shall be made after the close of trading for the corresponding Short-Term U.S. Treasury Note futures contract on the last Friday which precedes by at least two 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 one business day 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.~~

## Attachment 5

### Proposed Changes to Chapter 40A Standard Options on Long-Term U.S. Treasury Bond Futures

(Additions are in red; deletions are in blue and struck-through.)

#### 40A01. OPTIONS CHARACTERISTICS

##### 40A01.A. Contract Months

Trading may be conducted in Long-Term U.S. Treasury Bond futures options for expiry within a thirty-six month period extending from the nearby futures delivery contract month, provided however that the Exchange may determine not to list a futures contract delivery month. Both serial and quarterly Options may be listed to expire into either nearby front-month or deferred futures, as determined by the Exchange.

##### 40A01.I. Termination of Trading

###### 40A01.I.1 Monthly Serial and Quarterly Options

The last day of trading in any monthly serial or quarterly option for expiry in a given month shall be the last Friday which precedes by at least two business days the last business day of the calendar month next preceding such option's named expiry month. If such Friday is not a business day, or if there is a Friday which is not a business day that precedes by one business day the last business day of the calendar month next preceding such option's named expiry month, then the last day of trading in such option shall be the business day prior to such Friday.

On their last day of trading, expiring monthly serial or quarterly options shall cease trading at the close of trading in the corresponding Long-Term U.S. Treasury Bond futures contract, subject to the provisions of Rule 40A01.D.

###### 40A01.I.2. Weekly Options

Any weekly option shall be designated to expire on a given Friday, provided however that no weekly option shall be designated to expire on any Friday that is also the last day of trading in a monthly serial or quarterly option (Rule 40A01.I.1.). Trading in any weekly option shall terminate on the Friday on which such option is designated to expire. If such Friday is not a business day, then trading in weekly options designated for expiration on such Friday shall terminate on the next preceding Exchange business day.

On its last day of trading, an expiring weekly option shall cease trading at the close of trading in the corresponding Long-Term U.S. Treasury Bond futures contract, subject to the provisions of Rule 40A01.D.

###### 40A01.I.3. Trading in Underlying Futures

In the event that the underlying futures market does not open on a day scheduled for option expiration, such option expiration shall occur on the next day on which the underlying futures market opens for trading.

~~Subject to the provisions of Rule 40A01.D., no trades in Long-Term U.S. Treasury Bond futures options expiring in the current month shall be made after the close of trading for the corresponding Long-Term U.S. Treasury Bond futures contract on the last Friday which precedes by at least two 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 one business day 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.~~



## Attachment 6

### Chapter 18A Standard Options on U.S. Treasury Bond Futures

#### 18A00. SCOPE OF CHAPTER

This chapter is limited in application to put and call options on U.S. Treasury Bond futures. In addition to the rules of this chapter, transactions in options on U.S. Treasury Bond futures shall be subject to the general rules of the Exchange insofar as applicable.

#### 18A01. OPTIONS CHARACTERISTICS

##### 18A01.A. Contract Months

Trading may be conducted in options for expiry within a thirty-six month period extending from the nearby futures delivery month, provided however, that the Exchange may determine not to list a futures contract delivery month. Options may be listed to expire into either nearby or deferred futures, as determined by the Exchange.

##### 18A01.B. Trading Unit

One \$100,000 face value U.S. Treasury Bond futures contract of a specified contract month.

##### 18A01.C. Minimum Fluctuations

The premium for U.S. Treasury Bond futures options shall be in multiples of one sixty-fourth ( $1/64$ ) of one percent (1%) of a \$100,000 U.S. Treasury Bond futures contract which shall equal \$15.625 per  $1/64$  and \$1,000 per full point.

However, a position may be initiated or liquidated in U.S. Treasury Bond futures options at a premium ranging from \$1.00 to \$15.00 in \$1.00 increments per option contract.

If options are quoted in volatility terms, the minimum fluctuation shall be .10 percent (i.e. 10.0%, 10.1%, 10.2%, etc.).

##### 18A01.D. Trading Hours

The hours of trading for options on U.S. Treasury Bond futures contracts shall be determined by the Exchange. U.S. Treasury Bond futures options shall be opened and closed for all months and strike prices simultaneously or in such other manner as the Exchange shall direct.

On its last day of trading, an expiring U.S. Treasury Bond futures option shall cease trading at the same time as the close of trading for the corresponding futures contract on that trading day.

##### 18A01.E. Exercise Prices

Trading shall be conducted for put and call options with striking prices in integral multiples of one point per U.S. Treasury Bond futures contract as follows:

At the commencement of trading for such option contracts, the following striking prices shall be listed: one with a striking price closest to the U.S. Treasury Bond futures contract's previous day's settlement price and the next thirty consecutive higher and the next thirty consecutive lower striking prices closest to the previous day's settlement price. If the previous day's settlement price is midway between two striking prices, the closest price shall be the larger of the two. Over time, new striking prices will be added to ensure that at least thirty striking prices always exist above and below the previous day's settlement price on the underlying futures. All new striking prices will be added prior to the opening of trading on the following business day.

The Exchange may modify the procedure for the introduction of striking prices as it deems appropriate in order to respond to market conditions.

##### 18A01.F. Reserved

##### 18A01.G. Nature of Options on U.S. Treasury Bond Futures

The buyer of one U.S. Treasury Bond futures put option may exercise his option at any time prior to expiration (subject to Rule 18A02.A.) to assume a short position in one U.S. Treasury

## Attachment 6 (continued)

Bond futures contract of a specified contract month at a striking price set at the time the option was purchased. The seller of one U.S. Treasury Bond futures put option incurs the obligation of assuming a long position in one U.S. Treasury Bond futures contract of a specified contract month at a striking price set at the time the option was sold, upon exercise by a put option buyer.

The buyer of one U.S. Treasury Bond futures call option may exercise his option at any time prior to expiration (subject to Rule 18A02.A.) to assume a long position in one U.S. Treasury Bond futures contract of a specified contract month at a striking price set at the time the option was purchased. The seller of one U.S. Treasury Bond futures call option incurs the obligation of assuming a short position in one U.S. Treasury Bond futures contract of a specified contract month at a striking price set at the time the option was sold, upon exercise by a call option buyer.

### **18A01.H. Reserved**

### **18A01.I. Termination of Trading**

#### **18A01.I.1 Monthly Serial and Quarterly Options**

The last day of trading in any monthly serial or quarterly option for expiry in a given month shall be the last Friday which precedes by at least two business days the last business day of the calendar month next preceding such option's named expiry month. If such Friday is not a business day, or if there is a Friday which is not a business day that precedes by one business day the last business day of the calendar month next preceding such option's named expiry month, then the last day of trading in such option shall be the business day prior to such Friday.

On their last day of trading, expiring monthly serial or quarterly options shall cease trading at the close of trading in the corresponding U.S. Treasury Bond futures contract, subject to the provisions of Rule 18A01.D.

#### **18A01.I.2. Weekly Options**

Any weekly option shall be designated to expire on a given Friday, provided however that no weekly option shall be designated to expire on any Friday that is also the last day of trading in a monthly serial or quarterly option (Rule 18A01.I.1.). Trading in any weekly option shall terminate on the Friday on which such option is designated to expire. If such Friday is not a business day, then trading in weekly options designated for expiration on such Friday shall terminate on the next preceding Exchange business day.

On its last day of trading, an expiring weekly option shall cease trading at the close of trading in the corresponding U.S. Treasury Bond futures contract, subject to the provisions of Rule 18A01.D.

#### **18A01.I.3. Trading in Underlying Futures**

In the event that the underlying futures market does not open on a day scheduled for option expiration, such option expiration shall occur on the next day on which the underlying futures market opens for trading.

### **18A01.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 the rules and all open and new options contracts shall be subject to such government orders.

## **18A02. EXERCISE AND ASSIGNMENT**

In addition to the applicable procedures and requirements in Chapter 7, the following shall apply to the exercise and assignment of U.S. Treasury Bond options.

### **18A02.A. Exercise of Option**

The buyer of a U.S. Treasury Bond futures option may exercise the option on any business

## Attachment 6 (continued)

day prior to expiration by giving notice of exercise to the Clearing House by 6:00 p.m., or by such other time designated by the Exchange, on such day.

After the close on the last day of trading, all in-the-money options shall be automatically exercised, unless notice to cancel automatic exercise is given to the Clearing House. Notice to cancel automatic exercise shall be given to the Clearing House by 6:00 p.m., or by such other time designated by the Exchange, on the last day of trading.

Unexercised U.S. Treasury Bond futures options shall expire at 7:00 p.m. on the last day of trading.

### **18A02.B. Assignment**

Exercise notices accepted by the Clearing House shall be assigned through a process of random selection to clearing members' 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.

The clearing member assigned an exercise notice shall be assigned a short position in the underlying futures contract if a call is exercised or a long position if a put is exercised. The clearing member representing the option buyer shall be assigned a long position in the underlying futures contract if a call is exercised and a short position if a put is 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 of acceptance by the Clearing House of the Exercise Notice.

### **18A03. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

(Refer to Rule 701.)

### **18A04. CORRECTIONS TO OPTIONS EXERCISES**

Corrections to option exercises, including automatic exercises, may be accepted by the Clearing House after the 6:00 p.m. deadline and up to the beginning of final option expiration processing provided that such corrections are necessary due to: (1) a bona fide clerical error, (2) an un-reconciled 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 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.

### **18A05. PAYMENT OF OPTION PREMIUM**

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

## Attachment 7

### Chapter 19A Standard Options on Long-Term U.S. Treasury Note Futures

#### 19A00. SCOPE OF CHAPTER

This chapter is limited in application to put and call options on Long-Term U.S. Treasury Note futures. In addition to the rules of this chapter, transactions in options on U.S. Treasury Note futures shall be subject to the general rules of the Exchange insofar as applicable.

#### 19A01. OPTIONS CHARACTERISTICS

##### 19A01.A. Contract Months

Trading may be conducted in options for expiry within a thirty-six month period extending from the nearby futures delivery month, provided however, that the Exchange may determine not to list a futures contract delivery month. Options may be listed to expire into either nearby or deferred futures, as determined by the Exchange.

##### 19A01.B. Trading Unit

One \$100,000 face value Long-Term U.S. Treasury Note futures contract of a specified contract month.

##### 19A01.C. Minimum Fluctuations

The premium for Long-Term U.S. Treasury Note futures options shall be in multiples of one sixty-fourth ( $1/64$ ) of one percent (1%) of a \$100,000 Long-Term U.S. Treasury Note futures contract which shall equal \$15.625 per  $1/64$  and \$1,000 per full point.

However, a position may be initiated or liquidated in U.S. Treasury Note futures options at a premium ranging from \$1.00 to \$15.00, in \$1.00 increments per option contract.

If options are quoted in volatility terms, the minimum fluctuation shall be .10 percent (i.e. 10.0%, 10.1%, 10.2%, etc.).

##### 19A01.D. Trading Hours

The hours of trading for options on Long-Term U.S. Treasury Note futures shall be determined by the Exchange. Long-Term U.S. Treasury Note futures options shall be opened and closed for all months and strike prices simultaneously or in such other manner as the Exchange shall direct.

On its last day of trading, an expiring Long-Term U.S. Treasury Note futures option shall cease trading at the same time as the close of trading for the corresponding futures contract on that trading day.

##### 19A01.E. Exercise Prices

Trading shall be conducted for put and call options with striking prices in integral multiples of one-half ( $1/2$ ) point per Long-Term U.S. Treasury Note futures contract as follows:

At the commencement of trading for such option contracts, the following striking prices shall be listed: one with a striking price closest to the Long-Term U.S. Treasury Note futures contract's previous day's settlement price and the next fifty consecutive higher and the next fifty consecutive lower striking prices closest to the previous day's settlement price. If the previous day's settlement price is midway between two striking prices, the closest price shall be the larger of the two. Over time, new striking prices will be added to ensure that at least fifty striking prices always exist above and below the previous day's settlement price on the underlying futures contract. All new striking prices will be added prior to the opening of trading on the following business day.

The Exchange may modify the procedure for the introduction of striking prices as it deems appropriate in order to respond to market conditions.

## Attachment 7 (continued)

### 19A01.F. Reserved

### 19A01.G. Nature of Options on Long-Term U.S. Treasury Note Futures

The buyer of one Long-Term U.S. Treasury Note futures put option may exercise his option at any time prior to expiration (subject to Rule 19A02.A.) to assume a short position of one Long-Term U.S. Treasury Note futures contract of a specified contract month at a striking price set at the time the option was purchased. The seller of one Long-Term U.S. Treasury Note futures put option incurs the obligation of assuming a long position of one Long-Term U.S. Treasury Note futures contract of a specified contract month at a striking price set at the time the option was sold, upon exercise by a put option buyer.

The buyer of one Long-Term U.S. Treasury Note futures call option may exercise his option at any time prior to expiration (subject to Rule 19A02.A.) to assume a long position of one Long-Term U.S. Treasury Note futures contract of a specified contract month at a striking price set at the time the option was purchased. The seller of one Long-Term U.S. Treasury Note futures call option incurs the obligation of assuming a short position of one Long-Term U.S. Treasury Note futures contract of a specified contract month at a striking price set at the time the option was sold, upon exercise by a call option buyer.

### 19A01.H. Reserved

### 19A01.I. Termination of Trading

#### 19A01.I.1 Monthly Serial and Quarterly Options

The last day of trading in any monthly serial or quarterly option for expiry in a given month shall be the last Friday which precedes by at least two business days the last business day of the calendar month next preceding such option's named expiry month. If such Friday is not a business day, or if there is a Friday which is not a business day that precedes by one business day the last business day of the calendar month next preceding such option's named expiry month, then the last day of trading in such option shall be the business day prior to such Friday.

On their last day of trading, expiring monthly serial or quarterly options shall cease trading at the close of trading in the corresponding Long-Term U.S. Treasury Note futures contract, subject to the provisions of Rule 19A01.D.

#### 19A01.I.2 Weekly Options

Any weekly option shall be designated to expire on a given Friday, provided however that no weekly option shall be designated to expire on any Friday that is also the last day of trading in a monthly serial or quarterly option (Rule 19A01.I.1.). Trading in any weekly option shall terminate on the Friday on which such option is designated to expire. If such Friday is not a business day, then trading in weekly options designated for expiration on such Friday shall terminate on the next preceding Exchange business day.

On its last day of trading, an expiring weekly option shall cease trading at the close of trading in the corresponding Long-Term U.S. Treasury Note futures contract, subject to the provisions of Rule 19A01.D.

#### 19A01.I.3 Trading in Underlying Futures

In the event that the underlying futures market does not open on a day scheduled for option expiration, such option expiration shall occur on the next day on which the underlying futures market opens for trading.

### 19A01.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 the rules and all open and new options contracts shall be subject to such government orders.

## Attachment 7 (continued)

### 19A02. EXERCISE AND ASSIGNMENT

In addition to the applicable procedures and requirements in Chapter 7, the following shall apply to the exercise and assignment of Long-Term U.S. Treasury Note Options.

#### 19A02.A. Exercise of Option

The buyer of a Long-Term U.S. Treasury Note futures option may exercise the option on any business day prior to expiration by giving notice of exercise to the Clearing House by 6:00 p.m., or by such other time designated by the Exchange, on such day.

After the close on the last day of trading, all in-the-money options shall be automatically exercised, unless notice to cancel automatic exercise is given to the Clearing House. Notice to cancel automatic exercise shall be given to the Clearing House by 6:00 p.m., or by such other time designated by the Exchange, on the last day of trading.

Unexercised Long-Term U.S. Treasury Note futures options shall expire at 7:00 p.m. on the last day of trading.

#### 19A02.B. Assignment

Exercise notices accepted by the Clearing House shall be assigned through a process of random selection to clearing members' 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.

The clearing member assigned an exercise notice shall be assigned a short position in the underlying futures contract if a call is exercised or a long position if a put is exercised. The clearing member representing the option buyer shall be assigned a long position in the underlying futures contract if a call is exercised and a short position if a put is 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 of acceptance by the Clearing House of the Exercise Notice.

### 19A03. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES

(Refer to Rule 701.)

### 19A04. CORRECTIONS TO OPTIONS EXERCISES

Corrections to option exercises, including automatic exercises, may be accepted by the Clearing House after the 6:00 p.m. deadline and up to the beginning of final option expiration processing provided that such corrections are necessary due to: (1) a bona fide clerical error, (2) an un-reconciled 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 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.

### 19A05. PAYMENT OF OPTION PREMIUM

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

## Attachment 8

### Chapter 20A Standard Options on Medium-Term U.S. Treasury Note Futures

#### 20A00. SCOPE OF CHAPTER

This chapter is limited in application to put and call options on Medium-Term U.S. Treasury Note futures. In addition to the rules of this chapter, transactions in options on Medium-Term U.S. Treasury Note futures shall be subject to the general rules of the Exchange insofar as applicable.

#### 20A01. OPTIONS CHARACTERISTICS

##### 20A01.A. Contract Months

Trading may be conducted in options for expiry within a thirty-six month period extending from the nearby futures delivery month, provided however, that the Exchange may determine not to list a futures contract delivery month. Options may be listed to expire into either nearby or deferred futures, as determined by the Exchange.

##### 20A01.B. Trading Unit

One \$100,000 face value Medium-Term U.S. Treasury Note futures contract of a specified contract month.

##### 20A01.C. Minimum Fluctuations<sup>1</sup>

The premium for Medium-Term U.S. Treasury Note futures options shall be in multiples of one half of one sixty-fourth of one percent (1%) of a \$100,000 Medium-Term U.S. Treasury Note futures contract which shall equal \$7.8125 per one-half of one sixty-fourth and \$1,000 per full point.

However, a position may be initiated or liquidated in Medium-Term U.S. Treasury Note futures options at a premium ranging from \$1.00 to \$7.00, in \$1.00 increments per option contract.

If options are quoted in volatility terms, the minimum fluctuation shall be .10 percent (i.e. 10.0%, 10.1%, 10.2%, etc.).

##### 20A01.D. Trading Hours

The hours of trading for options on Medium-Term U.S. Treasury Note futures contracts shall be determined by the Exchange. Medium-Term U.S. Treasury Note futures options shall be opened and closed for all months and strike prices simultaneously or in such other manner as the Exchange shall direct.

On its last day of trading, an expiring Medium-Term U.S. Treasury Note futures option shall cease trading at the same time as the close of trading for the corresponding futures contract on that trading day.

##### 20A01.E. Exercise Prices

Trading shall be conducted for put and call options with striking prices in integral multiples of one-half (1/2) point per Medium-Term U.S. Treasury Note futures contract as follows:

At the commencement of trading for such option contracts, the following striking prices shall be listed: one with a striking price closest to the Medium-Term U.S. Treasury Note futures contract's previous day's settlement price and the next fifteen consecutive higher and the next fifteen consecutive lower striking prices closest to the previous day's settlement price. If the previous day's settlement price is midway between two striking prices, the closest price shall be the larger of the two. Over time, new striking prices will be added to ensure that at least fifteen striking prices always exist above and below the previous day's settlement price on the underlying futures. All new striking prices will be added prior to the opening of trading on the following business day.

The Exchange may modify the procedure for the introduction of striking prices as it deems appropriate in order to respond to market conditions.

---

<sup>1</sup> Revised March 2008.

## Attachment 8 (continued)

### 20A01.F. Reserved

### 20A01.G. Nature of Options on Medium-Term U.S. Treasury Note Futures

The buyer of one Medium-Term U.S. Treasury Note futures put option may exercise his option at any time prior to expiration (subject to Regulation 20A02.A.) to assume a short position of one Medium-Term U.S. Treasury Note futures contract of a specified contract month at a striking price set at the time the option was purchased. The seller of one Medium-Term U.S. Treasury Note futures put option incurs the obligation of assuming a long position of one Medium-Term U.S. Treasury Note futures contract of a specified contract month at a striking price set at the time the option was sold, upon exercise by a put option buyer.

The buyer of one Medium-Term U.S. Treasury Note futures call option may exercise his option at any time prior to expiration (subject to Regulation 20A02.A.) to assume a long position of one Medium-Term U.S. Treasury Note futures contract of a specified contract month at a striking price set at the time the option was purchased. The seller of one Medium-Term U.S. Treasury Note futures call option incurs the obligation of assuming a short position of one Medium-Term U.S. Treasury Note futures contract of a specified contract month at a striking price set at the time the option was sold, upon exercise by a call option buyer.

### 20A01.H. Reserved

### 20A01.I. Termination of Trading

#### 20A01.I.1 Monthly Serial and Quarterly Options

The last day of trading in any monthly serial or quarterly option for expiry in a given month shall be the last Friday which precedes by at least two business days the last business day of the calendar month next preceding such option's named expiry month. If such Friday is not a business day, or if there is a Friday which is not a business day that precedes by one business day the last business day of the calendar month next preceding such option's named expiry month, then the last day of trading in such option shall be the business day prior to such Friday.

On their last day of trading, expiring monthly serial or quarterly options shall cease trading at the close of trading in the corresponding Medium-Term U.S. Treasury Note futures contract, subject to the provisions of Rule 20A01.D.

#### 20A01.I.2 Weekly Options

Any weekly option shall be designated to expire on a given Friday, provided however that no weekly option shall be designated to expire on any Friday that is also the last day of trading in a monthly serial or quarterly option (Rule 20A01.I.1.). Trading in any weekly option shall terminate on the Friday on which such option is designated to expire. If such Friday is not a business day, then trading in weekly options designated for expiration on such Friday shall terminate on the next preceding Exchange business day.

On its last day of trading, an expiring weekly option shall cease trading at the close of trading in the corresponding Medium-Term U.S. Treasury Note futures contract, subject to the provisions of Rule 20A01.D.

#### 20A01.I.3 Trading in Underlying Futures

In the event that the underlying futures market does not open on a day scheduled for option expiration, such option expiration shall occur on the next day on which the underlying futures market opens for trading.

### 20A01.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 the rules and all open and new options contracts shall be subject to such government orders.



## Attachment 8 (continued)

### 20A02. EXERCISE AND ASSIGNMENT

In addition to the applicable procedures and requirements in Chapter 7, the following shall apply to the exercise and assignment of Medium-Term U.S. Treasury Note Options.

#### 20A02.A. Exercise of Option

The buyer of a Medium-Term U.S. Treasury Note futures option may exercise the option on any business day prior to expiration by giving notice of exercise to the Clearing House by 6:00 p.m., or by such other time designated by the Exchange, on such day.

After the close on the last day of trading, all in-the-money options shall be automatically exercised, unless notice to cancel automatic exercise is given to the Clearing House. Notice to cancel automatic exercise shall be given to the Clearing House by 6:00 p.m., or by such other time designated by the Exchange, on the last day of trading.

Unexercised Medium-Term U.S. Treasury Note futures options shall expire at 7:00 p.m. on the last day of trading.

#### 20A02.B. Assignment

Exercise notices accepted by the Clearing House shall be assigned through a process of random selection to clearing members' 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.

The clearing member assigned an exercise notice shall be assigned a short position in the underlying futures contract if a call is exercised or a long position if a put is exercised. The clearing member representing the option buyer shall be assigned a long position in the underlying futures contract if a call is exercised and a short position if a put is 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 of acceptance by the Clearing House of the Exercise Notice.

### 20A03. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES

(Refer to Rule 701.)

### 20A04. CORRECTIONS TO OPTIONS EXERCISES

Corrections to option exercises, including automatic exercises, may be accepted by the Clearing House after the 6:00 p.m. deadline and up to the beginning of final option expiration processing provided that such corrections are necessary due to: (1) a bona fide clerical error, (2) an un-reconciled 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 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.

### 20A05. PAYMENT OF OPTION PREMIUM

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

## Attachment 9

### Chapter 21A Standard Options on Short-Term U.S. Treasury Note Futures

#### 21A00. SCOPE OF CHAPTER

This chapter is limited in application to put and call options on Short-Term U.S. Treasury Note futures. In addition to the rules of this chapter, transactions in options on Short-Term U.S. Treasury Note futures shall be subject to the general rules of the Exchange insofar as applicable.

#### 21A01. OPTIONS CHARACTERISTICS

##### 21A01.A. Contract Months

Trading may be conducted in options for expiry within a thirty-six month period extending from the nearby futures delivery month, provided however, that the Exchange may determine not to list a futures contract delivery month. Options may be listed to expire into either nearby or deferred futures, as determined by the Exchange.

##### 21A01.B. Trading Unit

One \$200,000 face value Short-Term U.S. Treasury Note futures contract of a specified contract month.

##### 21A01.C. Minimum Fluctuations

The premium for Short-Term U.S. Treasury Note futures options shall be in multiples of one-half of one sixty-fourth of one percent (1%) of a \$200,000 Short-Term U.S. Treasury Note futures contract which shall equal \$15.625 per one-half of one sixty-fourth and \$2,000 per full point.

However, a position may be initiated or liquidated in Short-Term U.S. Treasury Note futures options at a premium ranging from \$1.00 to \$15.00, in \$1.00 increments per option contract.

If options are quoted in volatility terms, the minimum fluctuation shall be .10 percent (i.e. 10.0%, 10.1%, 10.2%, etc.).

##### 21A01.D. Trading Hours

The hours of trading for options on Short-Term U.S. Treasury Note futures contracts shall be determined by the Exchange. Short-Term U.S. Treasury Note futures options shall be opened and closed for all months and strike prices simultaneously or in such other manner as the Exchange shall direct.

On its last day of trading, an expiring Short-Term U.S. Treasury Note futures option shall cease trading at the same time as the close of trading for the corresponding futures contract on that trading day.

##### 21A01.E. Exercise Prices

Trading shall be conducted for put and call options with striking prices in integral multiples of one-quarter (1/4) point per Short-Term U.S. Treasury Note futures contract as follows:

At the commencement of trading for such option contracts, the following striking prices shall be listed: one with a striking price closest to the Short-Term U.S. Treasury Note futures contract's previous day's settlement price and the next ten consecutive higher and the next ten consecutive lower striking prices closest to the previous day's settlement price. If the previous day's settlement price is midway between two striking prices, the closest price shall be the larger of the two. Over time, new striking prices will be added to ensure that at least ten striking prices always exist above and below the previous day's settlement price on the underlying futures. All new striking prices will be added prior to the opening of trading on the following business day.

The Exchange may modify the procedure for the introduction of striking prices as it deems appropriate in order to respond to market conditions.

## Attachment 9 (continued)

### 21A01.F. Reserved

### 21A01.G. Nature of Options on Short-Term U.S. Treasury Note Futures

The buyer of one Short-Term U.S. Treasury Note futures put option may exercise his option at any time prior to expiration (subject to Rule 21A02.A.) to assume a short position of one Short-Term U.S. Treasury Note futures contract of a specified contract month at a striking price set at the time the option was purchased. The seller of one Short-Term U.S. Treasury Note futures put option incurs the obligation of assuming a long position of one Short-Term U.S. Treasury Note futures contract of a specified contract month at a striking price set at the time the option was sold, upon exercise by a put option buyer.

The buyer of one Short-Term U.S. Treasury Note futures call option may exercise his option at any time prior to expiration (subject to Rule 21A02.A.) to assume a long position of one Short-Term U.S. Treasury Note futures contract of a specified contract month at a striking price set at the time the option was purchased. The seller of one Short-Term U.S. Treasury Note futures call option incurs the obligation of assuming a short position of one Short-Term U.S. Treasury Note futures contract of a specified contract month at a striking price set at the time the option was sold, upon exercise by a call option buyer.

### 21A01.H. Reserved

### 21A01.I. Termination of Trading

#### 21A01.I.1 Monthly Serial and Quarterly Options

The last day of trading in any monthly serial or quarterly option for expiry in a given month shall be the last Friday which precedes by at least two business days the last business day of the calendar month next preceding such option's named expiry month. If such Friday is not a business day, or if there is a Friday which is not a business day that precedes by one business day the last business day of the calendar month next preceding such option's named expiry month, then the last day of trading in such option shall be the business day prior to such Friday.

On their last day of trading, expiring monthly serial or quarterly options shall cease trading at the close of trading in the corresponding Short-Term U.S. Treasury Note futures contract, subject to the provisions of Rule 21A01.D.

#### 21A01.I.2. Weekly Options

Any weekly option shall be designated to expire on a given Friday, provided however that no weekly option shall be designated to expire on any Friday that is also the last day of trading in a monthly serial or quarterly option (Rule 21A01.I.1.). Trading in any weekly option shall terminate on the Friday on which such option is designated to expire. If such Friday is not a business day, then trading in weekly options designated for expiration on such Friday shall terminate on the next preceding Exchange business day.

On its last day of trading, an expiring weekly option shall cease trading at the close of trading in the corresponding Short-Term U.S. Treasury Note futures contract, subject to the provisions of Rule 21A01.D.

#### 21A01.I.3. Trading in Underlying Futures

In the event that the underlying futures market does not open on a day scheduled for option expiration, such option expiration shall occur on the next day on which the underlying futures market opens for trading.

### 21A01.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 the rules and all open and new options contracts shall be subject to such government orders.

## Attachment 9 (continued)

### 21A02. EXERCISE AND ASSIGNMENT

In addition to the applicable procedures and requirements in Chapter 7, the following shall apply to the exercise and assignment of Short-Term U.S. Treasury Note futures options.

#### 21A02.A. Exercise of Option

The buyer of a Short-Term U.S. Treasury Note futures option may exercise the option on any business day prior to expiration by giving notice of exercise to the Clearing House by 6:00 p.m., or by such other time designated by the Exchange, on such day.

After the close on the last day of trading, all in-the-money options shall be automatically exercised, unless notice to cancel automatic exercise is given to the Clearing House. Notice to cancel automatic exercise shall be given to the Clearing House by 6:00 p.m., or by such other time designated by the Exchange, on the last day of trading.

Unexercised Short-Term U.S. Treasury Note futures options shall expire at 7:00 p.m. on the last day of trading.

#### 21A02.B. Assignment

Exercise notices accepted by the Clearing House shall be assigned through a process of random selection to clearing members' 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.

The clearing member assigned an exercise notice shall be assigned a short position in the underlying futures contract if a call is exercised or a long position if a put is exercised. The clearing member representing the option buyer shall be assigned a long position in the underlying futures contract if a call is exercised and a short position if a put is 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 of acceptance by the Clearing House of the Exercise Notice.

### 21A03. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES

(Refer to Rule 701.)

### 21A04. CORRECTIONS TO OPTIONS EXERCISES

Corrections to option exercises, including automatic exercises, may be accepted by the Clearing House after the 6:00 p.m. deadline and up to the beginning of final option expiration processing provided that such corrections are necessary due to: (1) a bona fide clerical error; (2) an un-reconciled 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 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.

### 21A05. PAYMENT OF OPTION PREMIUM

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

## Attachment 10

### Chapter 40A Standard Options on Long-Term U.S. Treasury Bond Futures

#### 40A00. SCOPE OF CHAPTER

This chapter is limited in application to put and call options on Long-Term U.S. Treasury Bond futures. In addition to the rules of this chapter, transactions in options on Long-Term U.S. Treasury Bond futures shall be subject to the general rules of the Exchange insofar as applicable.

#### 40A01. OPTIONS CHARACTERISTICS

##### 40A01.A. Contract Months

Trading may be conducted in options for expiry within a thirty-six month period extending from the nearby futures delivery month, provided however that the Exchange may determine not to list a futures contract delivery month. Options may be listed to expire into either nearby or deferred futures, as determined by the Exchange.

##### 40A01.B. Trading Unit

One Long-Term U.S. Treasury Bond futures contract of a specified delivery month.

##### 40A01.C. Minimum Fluctuations

Option premium shall be quoted in terms of Long-Term U.S. Treasury Bond futures price points (Rule 40102.C.). One point equals \$1,000.00. Option premium shall be quoted in increments of one sixty-fourth (1/64) of one point (\$15.625 per contract).

However, a position may be initiated or liquidated in Long-Term U.S. Treasury Bond futures options at a premium ranging from \$1.00 to \$15.00 in \$1.00 increments per option contract.

If options are quoted in volatility terms, the minimum fluctuation shall be .10 percent (i.e., 10.0%, 10.1%, 10.2%, etc.).

##### 40A01.D. Trading Hours

The hours of trading for options on Long-Term U.S. Treasury Bond futures contracts shall be determined by the Exchange. Long-Term U.S. Treasury Bond futures options shall be opened and closed for all months and strike prices simultaneously or in such other manner as the Exchange shall direct.

On its last day of trading, an expiring Long-Term U.S. Treasury Bond futures option shall cease trading at the same time as the close of trading for the corresponding futures contract on that trading day.

##### 40A01.E. Exercise Prices

Trading shall be conducted for put and call options with striking prices in integral multiples of one point per Long-Term U.S. Treasury Bond futures contract as follows:

At the commencement of trading for such option contracts, the following striking prices shall be listed: one with a striking price closest to the Long-Term U.S. Treasury Bond futures contract's previous day's settlement price and the next thirty consecutive higher and the next thirty consecutive lower striking prices closest to the previous day's settlement price. If the previous day's settlement price is midway between two striking prices, the closest price shall be the larger of the two. Over time, new striking prices will be added to ensure that at least thirty striking prices always exist above and below the previous day's settlement price on the underlying futures. All new striking prices will be added prior to the opening of trading on the following business day.

The Exchange may modify the procedure for the introduction of striking prices as it deems appropriate in order to respond to market conditions.

##### 40A01.F. Reserved

##### 40A01.G. Nature of Options on Long-Term U.S. Treasury Bond Futures

The buyer of one Long-Term U.S. Treasury Bond futures put option may exercise such option at any time prior to expiration (subject to Rule 40A02.A.) to assume a short position in one Long-Term U.S. Treasury Bond futures contract of a specified contract month at a striking price set at the time the option was purchased. The seller of one Long-Term U.S. Treasury Bond futures put option incurs the obligation of assuming a long position in one Long-Term U.S. Treasury Bond futures contract of a specified contract month at a striking price set at the time the option was sold, upon exercise by a put option buyer.

## Attachment 10 (continued)

The buyer of one Long-Term U.S. Treasury Bond futures call option may exercise such option at any time prior to expiration (subject to Rule 40A02.A.) to assume a long position in one Long-Term U.S. Treasury Bond futures contract of a specified contract month at a striking price set at the time the option was purchased. The seller of one Long-Term U.S. Treasury Bond futures call option incurs the obligation of assuming a short position in one Long-Term U.S. Treasury Bond futures contract of a specified contract month at a striking price set at the time the option was sold, upon exercise by a call option buyer.

### **40A01.H. Reserved**

### **40A01.I. Termination of Trading**

#### **40A01.I.1 Monthly Serial and Quarterly Options**

The last day of trading in any monthly serial or quarterly option for expiry in a given month shall be the last Friday which precedes by at least two business days the last business day of the calendar month next preceding such option's named expiry month. If such Friday is not a business day, or if there is a Friday which is not a business day that precedes by one business day the last business day of the calendar month next preceding such option's named expiry month, then the last day of trading in such option shall be the business day prior to such Friday.

On their last day of trading, expiring monthly serial or quarterly options shall cease trading at the close of trading in the corresponding Long-Term U.S. Treasury Bond futures contract, subject to the provisions of Rule 40A01.D.

#### **40A01.I.2. Weekly Options**

Any weekly option shall be designated to expire on a given Friday, provided however that no weekly option shall be designated to expire on any Friday that is also the last day of trading in a monthly serial or quarterly option (Rule 40A01.I.1.). Trading in any weekly option shall terminate on the Friday on which such option is designated to expire. If such Friday is not a business day, then trading in weekly options designated for expiration on such Friday shall terminate on the next preceding Exchange business day.

On its last day of trading, an expiring weekly option shall cease trading at the close of trading in the corresponding Long-Term U.S. Treasury Bond futures contract, subject to the provisions of Rule 40A01.D.

#### **40A01.I.3. Trading in Underlying Futures**

In the event that the underlying futures market does not open on a day scheduled for option expiration, such option expiration shall occur on the next day on which the underlying futures market opens for trading.

### **40A01.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 the rules and all open and new options contracts shall be subject to such government orders.

## **40A02. EXERCISE AND ASSIGNMENT**

In addition to the applicable procedures and requirements in Chapter 7, the following shall apply to the exercise and assignment of Long-Term U.S. Treasury Bond options.

### **40A02.A. Exercise of Option**

The buyer of a Long-Term U.S. Treasury Bond futures option may exercise the option on any business day prior to expiration by giving notice of exercise to the Clearing House by 6:00 p.m., or by such other time designated by the Exchange, on such day.

After the close on the last day of trading, all in-the-money options shall be automatically exercised, unless notice to cancel automatic exercise is given to the Clearing House. Notice to cancel automatic exercise shall be given to the Clearing House by 6:00 p.m., or by such other time designated by the Exchange, on the last day of trading.

Unexercised Long-Term U.S. Treasury Bond futures options shall expire at 7:00 p.m. on the last day of trading.

## Attachment 10 (continued)

### **40A02.B. Assignment**

Exercise notices accepted by the Clearing House shall be assigned through a process of random selection to clearing members' 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.

The clearing member assigned an exercise notice shall be assigned a short position in the underlying futures contract if a call is exercised or a long position if a put is exercised. The clearing member representing the option buyer shall be assigned a long position in the underlying futures contract if a call is exercised and a short position if a put is 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 of acceptance by the Clearing House of the Exercise Notice.

### **40A03. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

(Refer to Rule 701.).

### **40A04. CORRECTIONS TO OPTIONS EXERCISES**

Corrections to option exercises, including automatic exercises, may be accepted by the Clearing House after the 6:00 p.m. deadline and up to the beginning of final option expiration processing provided that such corrections are necessary due to: (1) a bona fide clerical error, (2) an un-reconciled 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 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.

---

### **40A05. PAYMENT OF OPTION PREMIUM**

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