

## Chapter 252A

### Options on Canadian Dollar Futures

#### 252A00. SCOPE OF CHAPTER

This chapter is limited in application to trading in put and call options on Canadian dollar futures contracts. Separate contracts as indicated shall be listed for trading specifying American-style exercise and European-style exercise. The procedures for trading, clearing, inspection, delivery and settlement and any other matters not specifically covered herein shall be governed by the rules of the Exchange.

#### 252A01. OPTION CHARACTERISTICS

##### 252A01.A. Contract Months, Trading Hours, and Trading Halts

Options contracts shall be listed for such contract months (i.e., expirations) and scheduled for trading during such hours, except as indicated below, as may be determined by the Board of Directors.<sup>1</sup>

There shall be no trading in any Canadian dollar option contract when the primary futures contract for that currency is limit bid or offered.<sup>2</sup>

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.<sup>3</sup>

For purposes of this rule, Exchange staff for the Canadian dollar shall have the responsibility of determining during RTH whether the primary futures contract is limit bid or offered. During Electronic Trading Hours (ETH), the determination shall be made by the GLOBEX Control Center.<sup>4</sup>

##### 252A01.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 Canadian dollar futures contract as specified in Chapter 252.

##### 252A01.C. Price Increments<sup>5</sup>

The price of an option shall be quoted in U.S. dollars per Canadian dollar. Each \$0.0001 per Canadian dollar (one point) shall represent \$10.00. For example, a quote of .0075 represents an option price of \$750.00 (75 points x \$10.00 per point) of premium. The minimum fluctuation shall be one point (also known as one tick). A trade may also occur at a price of \$.00005 (\$5, also known as one-half tick), \$.00015 (\$15, also known as one and one-half ticks), \$.00025 (\$25, also known as two and one-half ticks), \$.00035 (\$35, also known as three and one-half ticks), and \$.00045 (\$45, also known as four and one-half ticks).

If options are quoted in volatility terms pursuant to Rule 584, the minimum fluctuation shall be 0.025 percent for the volatility quote. Also, following a volatility trade, when CME Globex converts the volatility-traded options position into a premium-based options position for clearing, the minimum price increment for the premium-based option position shall be \$0.00001 per Canadian dollar (equal to \$1.00).

##### 252A01.D. Underlying Futures Contract<sup>6</sup>

The underlying futures contract is the nearest futures contract in the March quarterly cycle (i.e., March, June, September and December) whose termination of trading follows the option's last day of trading by more than two Exchange business days. This rule applies to March quarterly, serial, and weekly options Canadian dollar futures contracts.<sup>7</sup>

<sup>1</sup> Revised January 1995, December 2001.

<sup>2</sup> Revised December 1995.

<sup>3</sup> Revised September 1990; November 1995; December 1998.

<sup>4</sup> Revised September 1990; November 2000.

<sup>5</sup> Revised March 1987; June 1992; November 1992; December 1992; February 1997, March 2008.

<sup>6</sup> Revised November 1986; March 1992; January 1995; November 1995.

<sup>7</sup> Revised June 1998; February 1999; September 2000.

**252A01.E. Position Accountability<sup>1</sup>**

A person owning or controlling a combination of options and underlying futures contracts that exceeds 6,000 futures-equivalent contracts net on the same side of the market in all contract months combined for Canadian dollar, futures and options shall provide, in a timely fashion, upon request by the Exchange, information regarding the nature of the position, trading strategy, and hedging information if applicable.<sup>2</sup>

For the purpose of this rule, the futures equivalent of 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.

**252A01.F. Accumulation of Positions<sup>3</sup>**

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.

**252A01.G. {Reserved}****252A01.H. Termination of Trading for American-Style Exercise Options<sup>4</sup>****1. Monthly Options in the March Quarterly Cycle ("Quarterly Options")**

Trading in monthly options in the March quarterly cycle (i.e., March, June, September and December) shall terminate at the close of trading (usually 2:00 p.m. Central time) on the second Friday immediately preceding the third Wednesday of the contract month. If the foregoing date for termination is a scheduled Exchange holiday, trading in monthly options shall terminate on the immediately preceding business day. In the event that the underlying futures market does not open on the scheduled expiration day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

**2. Monthly Options Not in the March Quarterly Cycle ("Serial Options")**

Trading in monthly options not in the March quarterly cycle (i.e., January, February, April, May, July, August, October and November) shall terminate at the close of trading (usually 2:00 p.m. Central time) on the second Friday immediately preceding the third Wednesday of the contract month. If the foregoing date for termination is a scheduled Exchange holiday, trading in monthly options shall terminate on the immediately preceding business day. In the event that the underlying futures market does not open on the scheduled expiration day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

**3. Weekly Options**

Trading in weekly options shall terminate at the close of trading (usually 2:00 p.m. Central time) on those Fridays that are not also the termination of trading of a monthly option as described in the preceding sections 1 and 2. If the foregoing date for termination is a scheduled Exchange holiday, trading in weekly options shall terminate on the immediately preceding business day. In the event that the underlying futures market does not open on the scheduled expiration day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

**252A01.I. Termination of Trading and Expiration Days for European-Style Exercise Options****1. Monthly Options in the March Quarterly Cycle ("Quarterly Options")**

The options expire on the second Friday immediately preceding the third Wednesday of the contract month (usually at 9:00 a.m. Central time). If the foregoing date for expiration is a scheduled Exchange holiday, option expiration shall occur at the same time on the immediately

<sup>1</sup> See "Interpretations & Special Notices" at the end of this chapter. Paragraph one applicable to September 1988, December 1988 and all subsequently listed contracts. Revised March 1986; November 1986; December 1987; September 1988; February 1991; January 1992; April 1993; April 1995; November 1995; July 1996; April 1998; August 2000.

<sup>2</sup> Revised April 1993; September 1993; May 1997; December 1997; February 1999.

<sup>3</sup> Revised September 1986.

<sup>4</sup> Revised December 1986; February 1990; March 1992; January 1995; November 1995; June 1997 April 1998; September 2000; December 2001.

preceding business day. Trading in monthly options in the March quarterly cycle (i.e., March, June, September and December) on the trading floor shall terminate at the close of trading (usually 2:00 p.m. Central time) on the business day immediately preceding the expiration of the contract month. Trading in monthly options in the March quarterly cycle (i.e., March, June, September and December) on the CME® Globex® platform shall terminate at 9:00 a.m. Central time on the contract month expiration day. In the event that the underlying futures market does not open on the scheduled expiration day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

#### 2. Monthly Options Not in the March Quarterly Cycle ("Serial Options")

The options expire on the second Friday immediately preceding the third Wednesday of the contract month (usually at 9:00 a.m. Central time). If the foregoing date for expiration is a scheduled Exchange holiday, option expiration shall occur at the same time on the immediately preceding business day. Trading in monthly options not in the March quarterly cycle (i.e., January, February, April, May, July, August, October and November) on the trading floor shall terminate at the close of trading (usually 2:00 p.m. Central time) on the business day immediately preceding the expiration of the contract month. Trading in monthly options not in the March quarterly cycle (i.e., January, February, April, May, July, August, October and November) on the CME Globex platform shall terminate at 9:00 a.m. Central time on the contract month expiration day. In the event that the underlying futures market does not open on the scheduled expiration day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

#### 3. Weekly Options

The options expire (usually at 9:00 a.m. Central time) on those Fridays that are also not expirations for either monthly options in the March quarterly cycle or monthly options not in the March quarterly cycle. If the foregoing date for expiration is a scheduled Exchange holiday, option expiration shall occur at the same time on the immediately preceding business day. Trading in weekly options on the trading floor shall terminate at the close of trading (usually 2:00 p.m. Central time) on those business days immediately preceding the expiration of the weekly option that are not also the termination of trading of a monthly option as described in the preceding sections 1 and 2. Trading in weekly options on the CME Globex platform shall terminate at 9:00 a.m. Central time on the contract month expiration days that are not also the contract month expiration days of a monthly option as described in the preceding sections 1 and 2. In the event that the underlying futures market does not open on the scheduled expiration day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

#### **252A01.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 and new options contracts shall be subject to such governmental orders.

#### **252A01.K. Exercise Prices**<sup>1</sup>

The exercise prices shall be stated in terms of U.S. dollars per Canadian dollar at intervals of \$.005, e.g., \$.700, \$.705, \$.710, etc.

### **252A02. LISTING OF EXERCISE PRICES**<sup>2</sup>

#### 1. Monthly Options in the March Quarterly Cycle ("Quarterly Options")<sup>3</sup>

At the commencement of trading in a contract month, the Exchange shall list put and call options at the regular exercise price that is nearest the previous day's settlement price of the underlying futures contract. For options on Canadian dollar futures, the Exchange shall list put and call options at the next sixteen higher and next sixteen lower regular exercise prices.

When a sale, bid, offer, or settlement price in the underlying futures occurs within half a regular exercise price interval of the sixteenth highest or sixteenth lowest existing regular exercise price for options on Canadian dollar futures, put and call options at the next higher or next lower regular

<sup>1</sup> Revised March 1987.

<sup>2</sup> Revised November 1986; June 1987; August 1990; April 1998; November 2002.

<sup>3</sup> Revised August 1990; July 1991; January 1995 July 1995; November 1995; January 1997; September 2000.

exercise price shall be listed for trading on the next trading day. New options may be listed for trading up to and including the termination of trading.<sup>1</sup>

The Board may modify the provisions governing the establishment of exercise prices as it deems appropriate.<sup>2</sup>

2. Options Not in the March Quarterly Cycle ("Serial" and "Weekly Options")<sup>3</sup>

Upon demand, the Exchange shall list put and call options at any regular exercise price listed for trading in the next March quarterly cycle futures option that is nearest the expiration of the option. New options may be listed for trading up to and including the termination of trading.

3. Dynamically-Listed Exercise Prices.

Upon demand and at the discretion of the Exchange, new out-of-current-range exercise prices at regularly defined intervals may be added for trading on as soon as possible basis.

### 252A03. EXERCISE<sup>4</sup>

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of option contracts on Canadian dollar futures. Both American-style and European-style exercise options on currency futures are available for trading.

#### 252A03.A.1. Exercise of American-Style Options by Buyer<sup>5</sup>

An option may be exercised by the buyer on any business day that the option is traded. To exercise an option the clearing member representing the buyer shall present an exercise notice to the Clearing House by 7:00 p.m. Central Time on any day of exercise except on the termination of trading day.

All Canadian dollar options that are in the money<sup>6</sup> and have not been liquidated or exercised prior to the termination of trading, shall be exercised automatically.

#### 252A03.A.2. Exercise of European-Style Exercise Options

All in-the-money options are automatically exercised by the Clearing House on the day of expiration for the option. All out-of-the-money options are abandoned by the Clearing House on the day of expiration for the option. To determine whether an option is in or out of the money on this day, the Exchange shall calculate the relevant "CME currency fixing price" from pit-traded and GLOBEX-traded underlying futures contracts as follows:

- Tier 1 Take the two-minute average of sale (trade) prices, weighted by volume where available, from 8:58 to 9:00 a.m. Central time on the day of determination of the CME currency fixing price.
- Tier 2 If no sales (trades) occurred during the two-minute interval noted above, take the midpoint of each bid & ask spread where available and average the resulting midpoints over the two-minute interval. However, when looking at each bid / ask spread, if it is wider than a specified number of points (inputted variable, e.g., 3 points for Euro, 6 points for British pound, etc.), then ignore that average bid & ask pair in the calculation.
- Tier 3 If no sales (trades) and no bid and ask prices occurred during the two-minute interval, then take the five-minute average of sale (trade) prices, weighted by volume where available, from 8:55 to 9:00 a.m. Central time.
- Tier 4 If no sales (trades) occurred during the five-minute interval noted above, take the midpoint of each bid & ask spread where available and average the resulting midpoints over the five-minute interval. However, when looking at each bid / ask spread, if it is wider than a specified number of points (inputted variable, e.g., 3 points for Euro, 6 points for British pound), then ignore that average bid & ask pair in the calculation.
- Tier 5 If no sales (trades) and no bid and ask prices occurred during the five-minute interval, then Exchange staff shall take into consideration any other information it deems appropriate to determine the CME currency fixing price for that day. This information may

<sup>1</sup> Revised November 1986; February 1990; August 1990; July 1991; July 1992; November 1995.

<sup>2</sup> Revised September 1993, December 2001.

<sup>3</sup> Revised November 1986; August 1990; January 1995.

<sup>4</sup> Revised April 1998.

<sup>5</sup> Revised March 2008.

<sup>6</sup> An option is in the money if the settlement price of the underlying futures contract at termination lies above the exercise price in the case of a call, or lies below the exercise price in the case of a put.

include, but is not limited to the following, and the procedures to determine the information may be performed in any order by Exchange staff: (1) repeat the steps described in Tiers 3 or 4 at ever increasing five-minute increments (e.g., intervals of 10, 15, 20, etc. minutes) until data is obtained; (2) derive synthetic futures prices from quote vendor spot rates and appropriate maturity forward points; and (3) set the CME currency fixing price using any other information or method deemed appropriate.

The calculation of the CME currency fixing price at Tiers 1 to 5 shall be rounded to each contract's Price Increment's definition. For example, for Euro with a Price Increment of \$0.0001 per Euro, the CME currency fixing price shall be rounded to the nearest \$0.0001 per Euro (with \$0.00005 and above rounded up to \$0.0001, and \$0.00004 and below rounded down to \$0.0000).

An option is in the money if the CME currency fixing price of the underlying futures contract lies above the exercise price in the case of a call, or lies below the exercise price in the case of a put. For example, if the CME currency fixing price were 1.3051 or higher, then 1.3050 Calls shall be exercised. If the CME currency fixing price for Euro were 1.3050 or lower, then 1.3050 calls shall be abandoned. Similarly, if the CME currency fixing price were 1.3049 or lower, then 1.3050 Puts shall be exercised. If the CME currency fixing price for Euro were 1.3050 or higher, then 1.3050 Puts shall be abandoned.

#### **252A03.B. Assignment <sup>1</sup>**

Exercise notices either accepted from buyers of American-style exercise options or created by the Clearing House for buyers of European-style exercise options shall be assigned by the Clearing House through a process of random selection to clearing members with open short positions in the same series. American-style or European-style option characteristics shall be considered a criterion for 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 before the opening of Regular Trading Hours in the underlying futures contract on the following business day.

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.

#### **252A04. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

(Refer to Rule 701. – ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES)

(End Chapter 252A)

### **INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER 252A**

#### **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 a spread with options, such that the net position across options and futures is less than the applicable limit set in the option rule.

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<sup>1</sup> Revised February 1990.