

## Chapter 301A

### Options on Euro/ British Pound (Euro/ BP) Cross Rate Futures

#### 301A00. SCOPE OF CHAPTER

This chapter is limited in application to trading in put and call options on Euro/ British pound cross-rate futures contracts. 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.

#### 301A01. OPTION CHARACTERISTICS

##### 301A01.A Contract Months, Trading Hours, and Trading Halts<sup>1</sup>

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.

There shall be no trading in any Euro/ British pound cross-rate option contract when the primary futures contract for that currency cross rate is limit bid or offered.

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

For purposes of this rule, Exchange staff for the Euro/ British pound cross rate shall have the responsibility of determining during Regular Trading Hours (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.

##### 301A01.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 Euro/British pound cross-rate futures contract as specified in Chapter 301.

##### 301A01.C. Price Increments<sup>2</sup>

The price of an option shall be quoted in terms of British pounds per Euro. Each .00005 British pound per Euro (.5 point) shall represent 6.25 British pounds. For example, a quote of 0.0070 represents an option price of 875 British pounds (70 points x 6.25 BP per .5 point). The minimum fluctuation shall be .5 point (also known as one tick). A trade may also occur at a price of .000025 (3.125 British pounds, also known as one-half tick), .000075 (9.375 British pounds, also known as one and one-half ticks), .000125 (15.625 British pounds, also known as two and one-half ticks), .000175 (21.875 British pounds, also known as three and one-half ticks), and .000225 (28.125 British pounds, also known as four and one-half ticks).

##### 301A01.D. Underlying Futures Contract<sup>3</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.

##### 301A01.E. Position Accountability

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 Euro/ British pound cross-rate futures and options shall provide, in a timely fashion, upon request to the Exchange, information regarding the nature of the position, trading strategy, and hedging information if applicable.

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.

<sup>1</sup> Revised November 2000, December 2001.

<sup>2</sup> Revised June 1999.

<sup>3</sup> Revised April 1992; January 1995; February 1995.

**301A01.F. Accumulation of Positions**

For 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.

**301A01.G. Termination of Trading<sup>1</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 on the second Friday immediately preceding the third Wednesday of the contract month. If the foregoing date for termination is an Exchange holiday, trading in monthly options shall terminate on the immediately preceding business day.

**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 on the second Friday immediately preceding the third Wednesday of the contract month. If the foregoing date for termination is an Exchange holiday, trading in monthly options shall terminate on the immediately preceding business day.

**3. Weekly Options**

Trading in weekly options shall terminate at the close of trading on those Fridays that are not also the termination of trading of a monthly option as described in the preceding paragraphs 1 and 2. If the foregoing date for termination is an Exchange holiday, trading in weekly options shall terminate on the immediately preceding business day.

**301A01.H. 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 government orders.

**301A01.I. Exercise Prices<sup>2</sup>**

Regular exercise prices shall be stated in terms of British pounds per Euro at intervals of .0025, e.g., 0.66750, 0.67000, 0.67250, etc.

**301A02. LISTING OF EXERCISE PRICES<sup>3</sup>****1. Monthly Options in the March Quarterly Cycle ("Quarterly Options")**

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 as well as at the next twenty-four higher and next twenty-four lower regular exercise prices.

When a sale, bid, offer, or settlement price in the underlying futures contract occurs within half a regular exercise price interval of the twenty-fourth highest or twenty-fourth lowest existing regular exercise price, put and call options at the next higher or next lower regular 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.

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

<sup>1</sup> Revised January 1992; April 1992; January 1995.

<sup>2</sup> Revised November 2002.

<sup>3</sup> Revised January 1992; February 1992; July 1992; January 1995, December 2001; November 2002.

2. Options Not in the March Quarterly Cycle ("Serial" and "Weekly Options")

Upon demand, the Exchange shall list put and call options at any exercise price listed for trading in the next March quarterly cycle futures option that is nearest the expiration of the option. 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.

### **301A03. EXERCISE**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of option contracts on Euro/ British pound cross-rate futures.

#### **301A03.A. Exercise of Option by Buyer<sup>1</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. on any day of exercise except on the termination of trading day.

An option that is in the money<sup>2</sup> and has not been liquidated or exercised prior to the termination of trading, shall be exercised automatically.

#### **301A03.B. Assignment**

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

### **301A04. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

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

(End Chapter 301A)

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

<sup>2</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.

**INTERPRETATIONS & SPECIAL NOTICES  
RELATING TO CHAPTER 301A****POSITION ACCOUNTABILITY RULE INTERPRETATION FOR CURRENCY FUTURES  
AND OPTIONS POSITIONS**

(CME Update 99–4, March 8, 1999.)

As of European Economic and Monetary Union (EMU) on Friday, January 1, 1999, the new currency of the European Union, the Euro (formerly, the European Currency Unit) and any currency of any country entering EMU became economic substitutes for each other at defined ratios (irrevocable conversion rates to the Euro for national currency units of countries entering EMU). Therefore, given this relationship, the Exchange may aggregate for purposes of position accountability the positions of any Exchange contracts specifying the Euro, Deutsche Mark, or French Franc as either the trading-unit currency or minimum-fluctuation currency. A person's positions in Euro futures, Deutsche Mark futures, French Franc futures, British Pound/Deutsche Mark futures, Deutsche Mark/Japanese Yen futures, Euro/British Pound futures, Euro/Japanese Yen futures, and Euro/Swiss Franc futures may be aggregated, and if the aggregate positions exceed the highest position accountability trigger level specified in any of the position accountability rules for the contracts included in the aggregated position, then the Exchange may request information regarding the nature of the position, trading strategy, and hedging information if applicable. A person's positions in options on any of the above delineated futures contracts, shall be aggregated with such person's futures positions on a futures-equivalent basis.