

INTEREST RATE PRODUCTS

Eurodollar Calendar Spread Options

Introducing a new way to trade the shape of the yield curve.

Overview

Eurodollar Calendar Spread Options (CSOs) provide you with a new tool for expressing your views on the shape of the yield curve. As an extension of the CME Group benchmark interest rate products, Eurodollar CSOs complement the existing suite of Eurodollar futures and options, offering expanded flexibility and trading opportunities.

CSO call options are exercisable into one long nearby Eurodollar futures contract and one short deferred Eurodollar futures contract, for example, long September 2008 ED futures and a short September 2009 ED futures. CSO put options are exercisable into a short nearby Eurodollar futures contract and a long deferred Eurodollar futures contract.

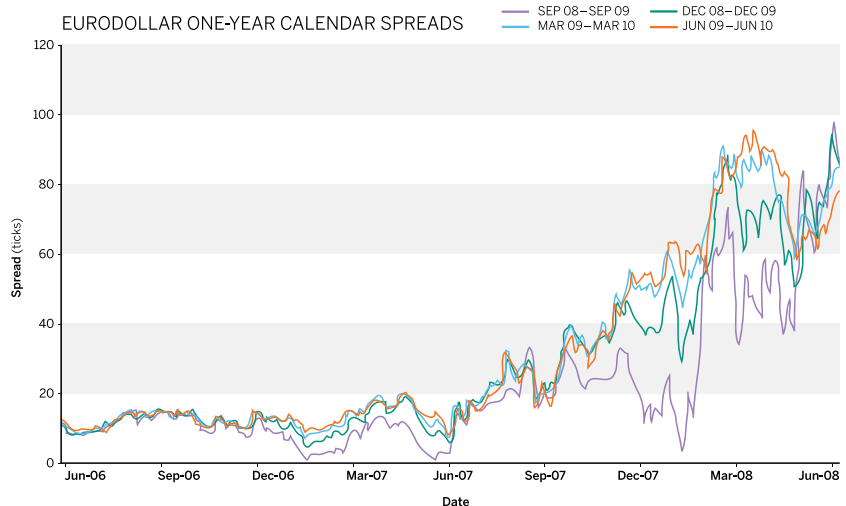
Eurodollar CSOs are designed to allow more efficient management of risk exposures specifically tied to the slope of the Eurodollar rate curve, allowing you to trade on the curve's direction as well as its volatility. They provide a new alternative to take a position on the flattening or steepening of the yield curve, and a means to spread curve volatility against outright futures volatility, complementing the popular "conditional curve" trade where options are traded on the legs of the individual underlying futures contract.

About the Contracts

- Complement Eurodollar futures calendar spreads and "conditional curve" option trades
- Four quarterly and two serial options on the front to Red month one-year calendar spreads
- Call options will be exercisable into one long nearby Eurodollar futures contract and one short deferred Eurodollar futures contract, for example June 2008 (long) and June 2009 (short)
- Put options will be exercisable into one short nearby Eurodollar futures contract and one long deferred Eurodollar futures contract

Uses

- Manage risk exposures tied to the direction and volatility of the short end LIBOR curve
- Hedge against adverse price movements in one-year Eurodollar futures calendar spreads
- Arbitrage and spread against the conditional curve trade
- Creates a whole new volatility trading opportunity



CONTRACT SPECIFICATIONS

Description	Eurodollar Calendar Spread options (CSOs) are option contracts on the one-year Eurodollar futures calendar spread (i.e., “Whites” versus “Reds” futures spread).
Underlying Contracts	An ED CSO call option is exercisable into one (1) long nearby Eurodollar futures contract and one (1) short deferred Eurodollar futures contract (e.g., long September 2008 and short September 2009 Eurodollar futures). An ED CSO put option is exercisable into one (1) short nearby Eurodollar futures contract and one (1) long deferred Eurodollar futures contract (e.g., short September 2008 and long September 2009 Eurodollar futures). For quarterly ED CSOs, the nearby futures shall be the quarterly futures with the same expiration month as the option (e.g., September 2008 options shall be exercisable into the EDU8-EDU9 spread). For non-quarterly ED CSOs, the nearby futures shall be the nearest quarterly futures following the expiration of the calendar spread options (e.g., October and November 2008 options shall be exercisable into the EDZ8-EDZ9 spread).
Listing Cycle	Two serials plus four consecutive expiries in the March, June, September and December quarterly cycle.
Price Quote	IMM index points. Each 0.01 (one basis point) equals \$25.
Minimum Price Fluctuation (Tick Size)	0.005 IMM index points (one-half of one basis point), or \$12.50. For options with premiums below 0.05 IMM index points (five ticks), minimum increment is 0.0025 IMM index points (one-quarter of one basis point), or \$6.25. When the underlying nearby futures is trading in quarter-basis point increments, the ED CSO option shall also trade in quarter-basis point increments.
Strike Prices	At-the-money strike price plus/minus 20 strike prices in integral increments of five basis points (0.05 IMM index points).
Last Trading Day	ED CSOs cease trading at the close of business on the Friday prior to the third Wednesday of the contract month.
Exercise	Automatic options exercise shall be performed by CME Clearing on the last day of trading of the option, based on the daily settlement price of the underlying futures established at 2:00 p.m. CT. In-the-money ED CSOs shall settle by exercising into the underlying Eurodollar futures spread at the price differential determined by the option strike. For example, an ED CSO call option with a strike price of .75 exercises into a long nearby ED futures and a short deferred ED futures at a price .75 lower than that of the nearby futures. For an ED CSO put option with a strike price of .75, the option exercises into a short nearby ED futures and a long deferred ED futures at a price .75 lower than that of the nearby futures [see example below].
Trading Hours All times are listed in Central Time (CT)	Open Outcry Only: 7:20 a.m. – 2:00 p.m., Monday – Friday CME Globex Electronic Markets: 5:00 p.m. – 4:00 p.m., Sunday – Friday
Ticker Symbols	Open Outcry: SP1 CME Globex: SPO Bloomberg: EZmyCmy < comdty > • To view settlements for all options in a contract month use OMON screen: EDU8EDU9 comdty OMON <GO> • To enter option directly, for example, Z8Z9 60 call, use BBO screen: EZZ8C Z9 .60 comdty BBO <GO>

EXERCISE AND ASSIGNMENT EXAMPLE

If a Eurodollar Calendar Spread option is exercised:

- The front leg is assigned an ED futures position at the 2:00 p.m. CT settlement price
- The back leg is assigned an ED futures position at a price equal to the front leg minus the strike price

Example:

EDZ8 = 96.855

EDZ9 = 95.890

EDZ8 – EDZ9 Spread = 96.5 ticks

Position: Long one December 08 ED CSO 90 call option — call is in-the-money.

EDZ8 2:00 p.m. CT settlement price = 96.855

If the option is exercised:

- The front leg is assigned a long EDZ8 futures position at 96.855 (2:00 p.m. CT settlement price)
- The back leg is assigned a short EDZ9 futures position at 95.955 (front leg minus strike price)

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