

CME Eurodollar Option Quarter Tick Eligibility FAQ

1. Which months are eligible to trade in quarter ticks?

The first two quarterly options and the first two serial options are eligible to trade in quarter tick increments provided that the net premium of the option is under 5 ticks.

2. Can I still trade any option at Cab?

All options, regardless of expiration, are eligible to trade a price of 0.25; this price represents a “cab” price and is the minimum allowable price.

3. What if the front month is a quarterly option?

If the nearest expiring month is a quarterly option, all options in this expiration month are eligible to trade in quarter tick intervals, regardless of premium.

4. If the front month is a quarterly option, does that mean that the next *TWO* quarterlies are quarter tick eligible if they are under 5 ticks?

No. At any given time, there will only be 2 quarterly options eligible for quarter tick pricing.

5. When are spreads eligible to trade in quarter ticks?

There are only two conditions that will allow a spread to be eligible to trade in quarter tick increments:

- A. If one of the legs of the spreads is the next expiring quarterly, any spread involving that leg can trade in quarter ticks regardless of premium.
- B. If none of the legs are the expiring quarterly, then ALL legs of the spread must be one of the first two quarterlies or serials AND the net differential spread price must be 5 ticks or less.

6. What if each of the legs of the spreads have premium over 5 ticks?

Quarter tick eligibility is determined ONLY by the net differential or net premium of the spread or option. If the price of the spread is under 5 ticks, the spread is eligible for quarter tick pricing regardless of individual leg prices. For example, if the Sep 46 Calls were trading at 8 ticks and the Sep 45 Calls were trading at 19.5 ticks, the 45-46 1X2 would trade at 3.5 mid and be eligible to trade in quarter tick increments.

7. What is the rule surrounding covering a quarter tick eligible option?

If the option or spread is eligible to trade in quarter tick increments, futures prices must be within the current bid and ask, and the delta must be the prevailing "market" delta. Market delta considers the different values that result from different models. Bloomberg deltas will stand as a baseline but other models can be considered by floor operations.

8. If a spread is not quarter tick eligible, are the futures and delta values required to be at prevailing market levels?

There are no restrictions on futures price or delta value on options that are not quarter tick eligible.

9. Suppose I am working a spread that is quarter tick eligible that is tied to a futures level of 9469 when the market is 9469 bid and 9469.5 offered. If the market goes 9469.5 bid, will I be allowed to continue working this order?

Yes. As long as the order was time stamped while the market was 69/69.5 you can work that order all day long.

10. Are there any restrictions on spread types that are eligible?

There is no restriction on spread types that are eligible, provided that the premium meets the 5 tick or under criterion.

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