

EXHIBIT 5A

(additions are underlined; deletions are [bracketed])

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Rules of Cboe Exchange, Inc.
(currently effective)

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[CHAPTER XXI. GOVERNMENT SECURITIES OPTIONS]**[Introduction**

The rules in this Chapter are applicable only to options where the underlying security is a Government security (as defined below). Certain of these rules apply to all options on Government securities; other rules, as indicated, apply only to options on Treasury notes and bonds; Rule 21.31 applies only to options on Treasury bills. In addition, the rules in Chapters I through XIX are also applicable to options where the underlying security is a Government security, in some cases supplemented by rules in this Chapter, except for rules that have been replaced in respect of Government security options by rules in this Chapter and except where the context otherwise requires. Whenever a rule in this Chapter supplements or, for purposes of this Chapter, replaces rules in Chapters I-XIX, that fact is indicated following the rule in this Chapter.

Rule 21.1. Definitions**Government Security**

(a) The term “Government security” means a bond, note, bill, or other evidence of indebtedness that is a direct obligation of, or an obligation guaranteed as to principal or interest by, the United States or a corporation in which the United States has a direct or indirect interest (except debt securities guaranteed as to timely payment of principal and interest by the Government National Mortgage Association). Securities issued or guaranteed by individual departments or agencies of the United States are sometimes referred to by the title of the department or agency involved (e.g., “Treasury security” means a security issued by the United States Treasury).

Treasury Note

(b) The term “Treasury note” means a note issued by the U.S. Treasury with a term to maturity of at least two years but no more than ten years at the time of original issuance.

Treasury Bond

(c) The term “Treasury bond” means a bond issued by the U.S. Treasury with a term to maturity of more than ten years at the time of original issuance.

Put

(d) The term “put” means an option under which the holder of the option has the right, in accordance with the terms and provisions of the option, to sell to the Clearing Corporation the principal amount of the underlying Government security covered by the option.

Call

(e) The term “call” means an option under which the holder of the option has the right, in accordance with the terms of the option, to purchase from the Clearing Corporation the principal amount of the underlying Government security covered by the option.

Specific Coupon Option (Treasury Bonds and Notes)

(f) The term “specific coupon option” means an option having a specifically identified underlying Government security, which is required to be delivered upon exercise.

Market Basket Option (Treasury Bonds and Notes)

(g) The term “market basket option” means an option having a designated hypothetical underlying Government security bearing a nominal rate of interest and remaining term to maturity in accordance with Rules designating the terms of the option, but where delivery upon exercise may be made in underlying securities of the same issuer bearing various qualified rates of interest and terms to maturity.

Exercise Price (Specific Coupon Option; Treasury Bonds and Notes)

(h) The term “exercise price” in respect of a specific coupon option means the specified percentage of the principal amount at which the underlying Government security may be purchased or sold upon the exercise of the option contract.

Nominal Exercise Price (Market Basket Option; Treasury Bonds and Notes)

(i) The term “nominal exercise price” in respect of a market basket option means the specified percentage of the principal amount at which the hypothetical underlying Government security may be purchased or sold upon the exercise of the option.

Aggregate Exercise Price (Specific Coupon Option; Treasury Bonds and Notes)

(j) The term “aggregate exercise price” in respect of a specific coupon option means the exercise price of an option contract multiplied by the principal amount of the underlying Government security covered by the option.

Adjusted Aggregate Exercise Price (Market Basket Option; Treasury Bonds and Notes)

(k) The term “adjusted aggregate exercise price” in respect of a market basket option means the nominal exercise price of the option, adjusted in accordance with Rule 21.24(b) to reflect the rate of interest and remaining term to maturity of the underlying Government security actually delivered upon exercise, multiplied by the principal amount of the underlying Government security delivered.

Covered

(l) The term “covered” in respect of a short position in a Government security call option contract means that the writer holds in the same account on a principal for principal basis: (1) a long position in underlying Government securities that qualify for delivery upon exercise; (2) a long Government security call option position for the same underlying security as the short call position where the expiration date of the long call position is the same as or subsequent to the expiration date of the short call position and the exercise price(s) of the long call position is equal to or less than the exercise price of the short call position; or (3) a custodial or Treasury security escrow receipt meeting the conditions of Rule 21.25(f). The term “covered” in respect of a short position in a Government security put option contract means that the writer holds in the same account on a principal for principal basis: (1) a long Government security put option position for the same underlying security as the short put position where the expiration date of the long put position is the same as or subsequent to the expiration date of the short put position and the exercise price(s) of the long put position is equal to or greater than the exercise price of the short put position or (2) a Government security put guarantee letter meeting the conditions of Rule 21.25(f).

Rule 21.1 replaces corresponding definitions set forth in Rule 1.1.

Rule 21.2. Wire Connections

The Exchange will permit Trading Permit Holders to establish and maintain wire connections with other Trading Permit Holders and non-Trading Permit Holders for the purpose of obtaining timely information on price movements in Government securities on which options are dealt in on the Exchange. Written notice of each such wire connection shall be promptly filed with the Exchange. The Exchange may condition or terminate the use of any such wire connection if the Board (or a Committee designated by the Board) deems such action to be necessary or appropriate in the interest of maintaining a fair and orderly market or for the protection of investors.

Rule 21.2 replaces Rule 4.3.]

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[Rule 21.6. Designation of Government Security Options (Treasury Bonds and Notes)

Government security options dealt in on the Exchange are designated by reference to the issuer of the underlying Government security, principal amount, expiration month (and year for the longest term option series), exercise price or nominal exercise price, type (put or call), stated or nominal rate of interest and stated date of maturity or nominal term to maturity (e.g. a specific coupon call option expiring in March and having an exercise price of 96% of the \$100,000 principal amount of a 13 3/8% Treasury bond that matures on August 15, 2001, is designated as a Treasury 13 3/8%—8/15/01 March 96 call. A market basket call option expiring in March and having a nominal exercise price of 68% of the \$100,000 principal amount of a hypothetical 8% Treasury bond with a 15-year remaining term to maturity is designated as a Market basket Treasury 8%—15-year March 68 call).

Rule 21.6 replaces Rule 5.1.

Rule 21.7. Approval of Underlying Treasury Securities for Specific Coupon Options (Treasury Bonds and Notes)

Treasury securities may be approved as underlying securities for Exchange transactions in specific coupon options by the Board (or the Committee designated by the Board) subject to such requirements as to size of original issuance, aggregate principal amount outstanding, years to maturity or other characteristics as the Board (or the Committee designated by the Board) deems necessary or appropriate in the interest of maintaining a fair and orderly market or for the protection of investors.

. . . Interpretations and Policies:

.01 The original public sale of an underlying Treasury security shall be at least \$1 billion principal amount.

.02 In order to limit underlying Treasury securities for specific coupon options to the most recently issued and actively traded issues, ordinarily the approval of such an underlying security will only extend for a period of no more than 15 months from the date of its initial approval, and series of options opened thereafter will relate to more recently issued Treasury securities; provided, however, that such approval may be extended in the event of the reopening of the underlying security by the Treasury, or in the event of issues where a reasonably active secondary market exists. Further, even prior to the end of such 15-month period, the Board (or the Committee designated by the Board) shall withdraw approval of an underlying Treasury security at any time if it determines on the basis of information made publicly available by the Treasury that the security has a public issuance of less than \$750 million, excluding stripped securities.

.03 The Board (or the Committee designated by the Board) may determine, for any reason, to withdraw approval of any Treasury securities as underlying securities; and, after any announcement by the Exchange of any such withdrawal, each TPH organization shall, prior to effecting any option transaction for a customer in such Treasury securities, inform such customer of that fact.

Amended June 18, 2010 (10-058).

.04 The Exchange may list Treasury bonds that have never been listed on the Exchange or have been delisted when, based on information made publicly available by the Treasury, the bond has a public issuance of \$1 billion, excluding stripped securities.

Rule 21.7 and Interpretations and Policies 21.7.01, .02, .03 and .04 replace Rules 5.3 and 5.4.

Rule 21.8. Terms of Treasury Security Options (Treasury Bonds and Notes)

(a) General. A single Treasury security option covers \$100,000 principal amount of the underlying security. The expiration month and exercise price of Treasury security options of each series shall be determined by the Board (or the Committee designated by the Board) at the time each series of options is first opened for trading.

(b) Expiration Months. Unless the Board (or the Committee designated by the Board) otherwise provides and so indicates at the post at which the option is traded, Treasury security options may

expire at three-month intervals or in sequential monthly expiration. There may be up to five expiration months, none further out than fifteen months.

(c) **Exercise Price.** The exercise price of each series of Treasury security options shall be fixed at a percentage of principal amount which is an integral multiple of 0.5%. In the case of a specific coupon Treasury security option, the exercise price so determined shall be reasonably close to the percentage of principal amount at which the underlying security is traded in the primary market at the time the series of options is first opened for trading. The exercise price of such additional series will ordinarily be fixed at an integral multiple of 0.5%, but the Board (or the Committee designated by the Board), upon two business days' notice, may fix exercise prices at different intervals, provided that all such exercise prices are reasonably close to the market prices of the underlying securities. Notice of any additional series opened for trading shall be given. In the case of market basket Treasury bond options, the exercise price so determined shall be a percentage of the principal amount of a hypothetical underlying Treasury bond bearing an 8% nominal rate of interest and a 15-year nominal term to maturity which results in a yield reasonably close to the highest market yield of Treasury bonds qualified for delivery upon exercise in accordance with Rule 21.24(b), as determined by the Exchange at the time the series of options is first opened for trading.

Rule 21.8 supplements Rule 5.5.

Rule 21.9. **Series of Treasury Security Options Open for Trading (Treasury Bonds and Notes)**

(a) **Initial Series of Specific Coupon Options.** The Board (or the Committee designated by the Board) may open for trading specific coupon Treasury security options at any time following the auction sale of the underlying security. At the time options are initially opened for trading on a newly auctioned underlying Treasury security, series of options on that security for up to five different expiration months will ordinarily be opened simultaneously, expiring in from 1 up to 15 months.

(b) **Additional Series of Options to Reflect Price Changes.** After a class of specific coupon Treasury security options has been opened for trading in accordance with paragraph (a) of this Rule, additional series of options of the same class may be opened to reflect substantial changes in prices of the underlying Treasury securities.

(c) **Market Basket Options.** Market basket Treasury bond options may be opened for trading in up to five expirations, expiring in from one to 15 months. Thereafter, additional series will be opened expiring in the most distant month, to replace expiring short-term options. Additional series will also be opened to reflect substantial changes in the yield of underlying Treasury bonds. Notice of any such additional series opened for trading shall be given.

Rule 21.9 replaces paragraph (a) of Rule 5.6 and supplements Rule 5.6(b).]

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[Rule 21.11. **Trading Rotations**

(a) The opening rotation in each series of each class of Government securities options shall be overseen by an Exchange employee designated as the Post Coordinator for Government securities options and shall be held as promptly following availability of opening quotations on the quotation display mechanism(s) approved by the Exchange as the Post Coordinator deems appropriate under the circumstances. Generally, the Post Coordinator shall open first those series of a class with respect to which the greatest buying and selling interest has been expressed (deferring opening relatively inactive series); provided, however, that more than one series may be opened simultaneously. These procedures may be altered or supplemented by the Board (or its designee).

(b) In the event that current quotations are not available for Government securities underlying a class of specific coupon options or relating to a class of market basket options within a reasonable time after 8:00 a.m. (Chicago time), the Post Coordinator for that class shall report the delay to a Floor Official and an inquiry shall be made to determine the cause of the delay. The opening rotation for Government securities options of that class shall be delayed until such current quotations are available, unless two Floor Officials determine that the interests of a fair and orderly market are best served by opening trading.

Rule 21.11 Rule 6.2.]

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[Rule 21.14. Priority of Bids and Offers

The following rules of priority shall be observed with respect to bids and offers for Government securities options:

(a) Priority of bids. The highest bid shall have priority, but where two or more bids for the same option contract represent the highest price, priority shall be afforded to such bids in the sequence in which they are made.

(b) Priority of offers. The lowest offer shall have priority, but where two or more offers for the same option contract represent the lowest price, priority shall be afforded to such offers in the sequence in which they are made.

(c) Openings. Any order present at the post at least five (5) minutes prior to commencement of the opening rotation for that series of Government securities options shall be entitled to participate in the opening.

. . . Interpretations and Policies:

.01 Deleted January 31, 1986.

Rule 21.14 replaces Rules 6.45 and 6.46.]

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[Rule 21.18. Limit Order Book for Government Securities Options

Notwithstanding any provision in the Rules to the contrary, there shall be no limit order book for Government securities options.]

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[Rule 21.26. Exchange Approval

Deleted October 25, 1983. See Rule 21.19A.

Rule 21.27. Supervision of Accounts and Communications

Deleted October 25, 1983. See Rule 21.19A.

. . . Interpretations and Policies:

.01 Deleted October 25, 1983. See Rule 21.19A.

.02 Deleted October 25, 1983. See Rule 21.19A.

Rule 21.28. Government Securities-Qualified Customer Personnel

Deleted October 25, 1983. See Rule 21.19A.

Rule 21.29. Approval of Accounts

Deleted October 25, 1983. See Rule 21.19A.

. . . Interpretations and Policies:

.01 Deleted October 25, 1983. See Rule 21.19A.]

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[Rule 21.31. Special Rules for Treasury Bill Options

(a) General. The foregoing rules of this Chapter XXI applicable to Government security options shall apply equally to Treasury bill options except to the extent otherwise indicated.

(b) Definitions. The following definitions shall apply to Treasury bill options:

(i) The term “Treasury bill” means a non-interest bearing Government security issued by the U.S. Treasury and sold at an original issue discount from par, with a term to maturity of not more than 1 year at the time of original issuance.

(ii) The term “exercise price” means the specified annualized discounted price (expressed as a percentage of the principal amount of the underlying Treasury bills) at which the underlying Treasury bills may be purchased or sold upon exercise of the option.

(iii) The term “exercise discount” means the complement of the exercise price (100% - exercise price = exercise discount).

(iv) The term “adjusted aggregate exercise discount” means the exercise discount applicable to the principal amount of Treasury bills covered by the option, adjusted to reflect the term to maturity of the underlying Treasury bills. The adjusted aggregate exercise discount is calculated as follows: (A) the exercise discount is multiplied by a fraction, the numerator of which is the number of days to maturity of the longest maturity Treasury bills deliverable upon exercise of the option under the rules of the Clearing Corporation, and the denominator of which is 360; (B) this amount (which is the exercise discount adjusted to reflect the term to maturity of the underlying Treasury bills) is then multiplied by the principal amount of the underlying Treasury bills covered by the option. For example, if the exercise price of a 13-week (91-day) Treasury bill is 86, the adjusted exercise discount is calculated by multiplying the exercise discount of 14% (100% - 86%) by 91/360, resulting in an adjusted exercise discount of 3.539% (rounded to the nearest 0.001%). Multiplying this percentage by \$1,000,000 results in an adjusted aggregate exercise discount of \$35,390.00.

(v) The term “aggregate exercise price” means the principal amount of underlying Treasury bills covered by an option reduced by the adjusted aggregate exercise discount. In the example used to illustrate the calculation of the adjusted aggregate exercise discount, the discount so calculated (\$35,390.00) is subtracted from \$1 million principal amount of Treasury bills covered by the 13-week Treasury bill option, which results in an aggregate exercise price of \$964,610.00.

(c) Terms of Treasury Bill Options.

(i) Unless the Board (or its designee) otherwise provides and so indicates at the post at which the option is traded, Treasury bill options shall expire in the months of March, June, September and December, and a series of options of a given expiration month shall generally be opened for trading about 15 months prior to such expiration month.

(ii) The current market price of an underlying Treasury bill is calculated by multiplying (A) the principal amount of the underlying Treasury bill by (B) a percentage calculated as follows, 100 minus (x) the highest asked yield quotation (in the case of a call) or (y) the lowest bid yield quotation (in the case of a put) in the over-the-counter market as reported at or about the close of trading on the preceding trading day by the quotation reporting system approved by the Clearing Corporation under its rules governing the determination of the “daily underlying security marking price,” adjusting such yield quotations to reflect the term to maturity of the underlying Treasury bill.

(iii) “Out of the money” is calculated by determining the amount by which the aggregate exercise price of a call is greater than the current market price (calculated as provided above in this rule) of the longest maturity underlying securities deliverable under the rules of the Clearing Corporation, or the amount by which the aggregate exercise price of a put is less than the current market price of the longest maturity underlying securities deliverable under the rules of the Clearing Corporation.

(iv) The exercise price of each series of Treasury bill options shall be fixed at a percentage of the principal amount which is an integral multiple of 1%. Each time a series of Treasury bill options in a new expiration month is introduced for trading, two or three different exercise prices will be

established for that expiration month that are reasonably close to the annualized discounted price at which the underlying Treasury bills are currently traded. Thereafter, additional series of Treasury bill options may be opened in the expiration months previously opened for trading to reflect changes in prices of the underlying Treasury bills. Ordinarily, new exercise prices will be fixed at intervals of 1%, but different intervals may apply from time to time, depending upon market conditions and the current price volatility of the underlying Treasury bills. Notice of each series of Treasury bill options opened for trading shall be given.

(d) **Premium Bids and Offers.** Bids and offers for Treasury bill options shall be expressed to the nearest 1/100 of 1% (nearest basis point) of an amount which is the principal amount of the underlying Treasury bills multiplied by a fraction, the numerator of which is the number of weeks to maturity of the specified underlying Treasury bill, and the denominator of which is 52. For example, a bid of 1.15% for a 13-week Treasury bill option covering \$1 million principal amount of underlying Treasury bills means that the actual premium bid for the option will be \$2,875.00 ($1.15\% \times \$1,000,000 \times 13/52$). Similarly, a bid of 1.15% for a 26-week Treasury bill option covering \$500,000 principal amount of underlying Treasury bills will also be \$2,875.00 ($1.15\% \times \$500,000 \times 26/52$).

(e) **Exercise and Settlement.** Although Treasury bill options are exercisable at any time prior to their expiration, the settlement of exercise transactions takes place in accordance with the Rules of the Clearing Corporation only on Thursday or Friday of each week. Options that are exercised effective at the Clearing Corporation on or before Tuesday of each week will be settled on the Thursday or Friday of that week, and options so exercised on or after Wednesday of each week will be settled on the Thursday or Friday of the following week. The party obligated to make delivery of underlying Treasury bills may choose whether to make delivery on the applicable Thursday or Friday, but in either case the aggregate exercise price payable on settlement is determined as if settlement were made on the applicable Thursday. Delivery of underlying Treasury bills upon exercise of a 13-week Treasury bill option shall consist of the principal amount of underlying Treasury bills covered by the option having a remaining term to maturity of 13 or fewer weeks from settlement Thursday (which may be 13-week Treasury bills issued in that week's auction or may be previously issued 52, 26 or 13-week Treasury bills with 13 or fewer weeks remaining until maturity). Delivery of underlying Treasury bills upon exercise of a 26-week Treasury bill option shall consist of the principal amount of underlying Treasury bills covered by the option having a remaining term to maturity of 26 or fewer weeks from settlement Thursday (which may be 26-week Treasury bills issued in that week's auction or may be previously issued 52, 26 or 13-week Treasury bills with 26 or fewer weeks remaining until maturity). Notwithstanding the foregoing, the aggregate exercise price payable upon the exercise of 13-week or 26-week Treasury bill options is calculated on the basis of the delivery of 13-week or 26-week Treasury bills, respectively, with no adjustment for delivery, as permitted under this Rule, of shorter maturity Treasury bills.

(f) **Position Limits, Exercise Limits and Related Reports.** The position limits and exercise limits applicable to Treasury bill options under Rules 21.3 and 21.4, respectively, shall be, in each case, \$500 million principal amount of underlying 13-week Treasury bills and \$250 million principal amount of underlying 26-week Treasury bills. Reports of large positions required under Rules 4.13, 4.14 and 21.5 shall be required in the case of options covering \$100 million or more principal

amount of underlying 13-week Treasury bills and \$50 million or more principal amount of underlying 26-week Treasury bills.

(g) Obligations of Market-Makers. Without limiting the general obligation to deal for his own account as required under Rule 8.7(a) and (b), a Market-Maker holding an appointment in Treasury bill options, in the course of maintaining a fair and orderly market, is expected to bid and/or offer so as to create differences of:

- (i) no more than 10 basis points for each option for which the bid is less than one;
- (ii) no more than 20 basis points for each option for which the bid is one or more but less than 5;
- (iii) no more than 30 basis points for each option for which the bid is 5 or more but less than 10;
and
- (iv) no more than 40 basis points for each option for which the bid is 10 or more.

The above differentials apply only to the two nearest term series of each class of Treasury bill options; for all longer term series the maximum bid/offer differentials are double those listed above.]

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EXHIBIT 5B

(additions are underlined; deletions are [bracketed])

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Rules of Cboe Exchange, Inc.
(Effective October 7, 2019)

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CHAPTER 4. OPTIONS LISTING

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SECTION F. GOVERNMENT SECURITY OPTIONS

The rules in this Chapter 4, Section F are applicable only to options where the underlying security is a Government security (as defined below). Certain of these rules apply to all options on Government securities; other rules, as indicated, apply only to options on Treasury notes and bonds; Rule 4.56 applies only to options on Treasury bills. In addition, the rules in Chapters 1 through 15 are also applicable to options where the underlying security is a Government security, in some cases supplemented by rules in this Chapter 4, Section F, except for rules that have been replaced in respect of Government security options by rules in this Chapter 4, Section F and except where the context otherwise requires. Whenever a rule in this Chapter 4, Section F supplements or, for purposes of this Chapter 4, Section F, replaces rules in Chapters 1 through 15, that fact is indicated following the rule in this Chapter 4, Section F.

Rule 4.50. Definitions**Adjusted Aggregate Exercise Price (Market Basket Option; Treasury Bonds and Notes)**

The term “adjusted aggregate exercise price” in respect of a market basket option means the nominal exercise price of the option, adjusted in accordance with Rule 6.22(b) to reflect the rate of interest and remaining term to maturity of the underlying Government security actually delivered upon exercise, multiplied by the principal amount of the underlying Government security delivered.

Aggregate Exercise Price (Specific Coupon Option; Treasury Bonds and Notes)

The term “aggregate exercise price” in respect of a specific coupon option means the exercise price of an option contract multiplied by the principal amount of the underlying Government security covered by the option.

Call

The term “call” means an option under which the holder of the option has the right, in accordance with the terms of the option, to purchase from the Clearing Corporation the principal amount of the underlying Government security covered by the option.

Covered

The term “covered” in respect of a short position in a Government security call option contract means that the writer holds in the same account on a principal for principal basis: (1) a long position in underlying Government securities that qualify for delivery upon exercise; (2) a long Government security call option position for the same underlying security as the short call position where the expiration date of the long call position is the same as or subsequent to the expiration date of the short call position and the exercise price(s) of the long call position is equal to or less than the exercise price of the short call position; or (3) a custodial or Treasury security escrow receipt meeting the conditions of Rule 10.12(f). The term “covered” in respect of a short position in a Government security put option contract means that the writer holds in the same account on a principal for principal basis: (1) a long Government security put option position for the same underlying security as the short put position where the expiration date of the long put position is the same as or subsequent to the expiration date of the short put position and the exercise price(s) of the long put position is equal to or greater than the exercise price of the short put position or (2) a Government security put guarantee letter meeting the conditions of Rule 10.12(f).

Rule 4.50 replaces corresponding definitions set forth in Rule 1.1.

Exercise Price (Specific Coupon Option; Treasury Bonds and Notes)

The term “exercise price” in respect of a specific coupon option means the specified percentage of the principal amount at which the underlying Government security may be purchased or sold upon the exercise of the option contract.

Government Security

The term “Government security” means a bond, note, bill, or other evidence of indebtedness that is a direct obligation of, or an obligation guaranteed as to principal or interest by, the United States or a corporation in which the United States has a direct or indirect interest (except debt securities guaranteed as to timely payment of principal and interest by the Government National Mortgage Association). Securities issued or guaranteed by individual departments or agencies of the United States are sometimes referred to by the title of the department or agency involved (e.g., “Treasury security” means a security issued by the United States Treasury).

Market Basket Option (Treasury Bonds and Notes)

The term “market basket option” means an option having a designated hypothetical underlying Government security bearing a nominal rate of interest and remaining term to maturity in accordance with Rules designating the terms of the option, but where delivery upon exercise may be made in underlying securities of the same issuer bearing various qualified rates of interest and terms to maturity.

Nominal Exercise Price (Market Basket Option; Treasury Bonds and Notes)

The term “nominal exercise price” in respect of a market basket option means the specified percentage of the principal amount at which the hypothetical underlying Government security may be purchased or sold upon the exercise of the option.

Put

The term “put” means an option under which the holder of the option has the right, in accordance with the terms and provisions of the option, to sell to the Clearing Corporation the principal amount of the underlying Government security covered by the option.

Specific Coupon Option (Treasury Bonds and Notes)

The term “specific coupon option” means an option having a specifically identified underlying Government security, which is required to be delivered upon exercise.

Treasury Note

The term “Treasury note” means a note issued by the U.S. Treasury with a term to maturity of at least two years but no more than ten years at the time of original issuance.

Treasury Bond

The term “Treasury bond” means a bond issued by the U.S. Treasury with a term to maturity of more than ten years at the time of original issuance.

Rule 4.51. Designation of Government Security Options (Treasury Bonds and Notes)

Government security options dealt in on the Exchange are designated by reference to the issuer of the underlying Government security, principal amount, expiration month (and year for the longest term option series), exercise price or nominal exercise price, type (put or call), stated or nominal rate of interest and stated date of maturity or nominal term to maturity (e.g. a specific coupon call option expiring in March and having an exercise price of 96% of the \$100,000 principal amount of a 13 3/8% Treasury bond that matures on August 15, 2001, is designated as a Treasury 13 3/8%—8/15/01 March 96 call. A market basket call option expiring in March and having a nominal exercise price of 68% of the \$100,000 principal amount of a hypothetical 8% Treasury bond with a 15-year remaining term to maturity is designated as a Market basket Treasury 8%—15-year March 68 call).

Rule 4.51 replaces Rule 4.1.

Rule 4.52. Approval of Underlying Treasury Securities for Specific Coupon Options (Treasury Bonds and Notes)

Treasury securities may be approved as underlying securities for Exchange transactions in specific coupon options by the Board (or the Committee designated by the Board) subject to such requirements as to size of original issuance, aggregate principal amount outstanding, years to maturity or other characteristics as the Board (or the Committee designated by the Board) deems

necessary or appropriate in the interest of maintaining a fair and orderly market or for the protection of investors.

Interpretations and Policies:

.01 The original public sale of an underlying Treasury security shall be at least \$1 billion principal amount.

.02 In order to limit underlying Treasury securities for specific coupon options to the most recently issued and actively traded issues, ordinarily the approval of such an underlying security will only extend for a period of no more than 15 months from the date of its initial approval, and series of options opened thereafter will relate to more recently issued Treasury securities; provided, however, that such approval may be extended in the event of the reopening of the underlying security by the Treasury, or in the event of issues where a reasonably active secondary market exists. Further, even prior to the end of such 15-month period, the Board (or the Committee designated by the Board) shall withdraw approval of an underlying Treasury security at any time if it determines on the basis of information made publicly available by the Treasury that the security has a public issuance of less than \$750 million, excluding stripped securities.

.03 The Board (or the Committee designated by the Board) may determine, for any reason, to withdraw approval of any Treasury securities as underlying securities; and, after any announcement by the Exchange of any such withdrawal, each TPH organization shall, prior to effecting any option transaction for a customer in such Treasury securities, inform such customer of that fact.

.04 The Exchange may list Treasury bonds that have never been listed on the Exchange or have been delisted when, based on information made publicly available by the Treasury, the bond has a public issuance of \$1 billion, excluding stripped securities.

Rule 4.52 and Interpretations and Policies 4.52.01, .02, .03 and .04 replace Rules 4.3 and 4.4.

Rule 4.53. Terms of Treasury Security Options (Treasury Bonds and Notes)

(a) *General.* A single Treasury security option covers \$100,000 principal amount of the underlying security. The expiration month and exercise price of Treasury security options of each series shall be determined by the Board (or the Committee designated by the Board) at the time each series of options is first opened for trading.

(b) *Expiration Months.* Unless the Board (or the Committee designated by the Board) otherwise provides and so indicates at the post at which the option is traded, Treasury security options may expire at three-month intervals or in sequential monthly expiration. There may be up to five expiration months, none further out than fifteen months.

(c) *Exercise Price.* The exercise price of each series of Treasury security options shall be fixed at a percentage of principal amount which is an integral multiple of 0.5%. In the case of a specific coupon Treasury security option, the exercise price so determined shall be reasonably close to the percentage of principal amount at which the underlying security is traded in the primary market at the time the series of options is first opened for trading. The exercise price of such additional series

will ordinarily be fixed at an integral multiple of 0.5%, but the Board (or the Committee designated by the Board), upon two business days' notice, may fix exercise prices at different intervals, provided that all such exercise prices are reasonably close to the market prices of the underlying securities. Notice of any additional series opened for trading shall be given. In the case of market basket Treasury bond options, the exercise price so determined shall be a percentage of the principal amount of a hypothetical underlying Treasury bond bearing an 8% nominal rate of interest and a 15-year nominal term to maturity which results in a yield reasonably close to the highest market yield of Treasury bonds qualified for delivery upon exercise in accordance with Rule 6.22(b), as determined by the Exchange at the time the series of options is first opened for trading.

Rule 4.53 supplements Rule 4.5.

Rule 4.54. Series of Treasury Security Options Open for Trading (Treasury Bonds and Notes)

(a) *Initial Series of Specific Coupon Options.* The Board (or the Committee designated by the Board) may open for trading specific coupon Treasury security options at any time following the auction sale of the underlying security. At the time options are initially opened for trading on a newly auctioned underlying Treasury security, series of options on that security for up to five different expiration months will ordinarily be opened simultaneously, expiring in from 1 up to 15 months.

(b) *Additional Series of Options to Reflect Price Changes.* After a class of specific coupon Treasury security options has been opened for trading in accordance with paragraph (a) of this Rule, additional series of options of the same class may be opened to reflect substantial changes in prices of the underlying Treasury securities.

(c) *Market Basket Options.* Market basket Treasury bond options may be opened for trading in up to five expirations, expiring in from one to 15 months. Thereafter, additional series will be opened expiring in the most distant month, to replace expiring short-term options. Additional series will also be opened to reflect substantial changes in the yield of underlying Treasury bonds. Notice of any such additional series opened for trading shall be given.

Rule 4.54 replaces paragraph (a) of Rule 4.6 and supplements Rule 4.6(b).]

Rule 4.55. Special Rules for Treasury Bill Options

(a) *General.* The foregoing rules of this Chapter 4, Section F applicable to Government security options shall apply equally to Treasury bill options except to the extent otherwise indicated.

(b) *Definitions.* The following definitions shall apply to Treasury bill options:

(1) The term "Treasury bill" means a non-interest bearing Government security issued by the U.S. Treasury and sold at an original issue discount from par, with a term to maturity of not more than 1 year at the time of original issuance.

(2) The term “exercise price” means the specified annualized discounted price (expressed as a percentage of the principal amount of the underlying Treasury bills) at which the underlying Treasury bills may be purchased or sold upon exercise of the option.

(3) The term “exercise discount” means the complement of the exercise price (100% - exercise price = exercise discount).

(4) The term “adjusted aggregate exercise discount” means the exercise discount applicable to the principal amount of Treasury bills covered by the option, adjusted to reflect the term to maturity of the underlying Treasury bills. The adjusted aggregate exercise discount is calculated as follows: (A) the exercise discount is multiplied by a fraction, the numerator of which is the number of days to maturity of the longest maturity Treasury bills deliverable upon exercise of the option under the rules of the Clearing Corporation, and the denominator of which is 360; (B) this amount (which is the exercise discount adjusted to reflect the term to maturity of the underlying Treasury bills) is then multiplied by the principal amount of the underlying Treasury bills covered by the option. For example, if the exercise price of a 13-week (91-day) Treasury bill is 86, the adjusted exercise discount is calculated by multiplying the exercise discount of 14% (100% - 86%) by 91/360, resulting in an adjusted exercise discount of 3.539% (rounded to the nearest 0.001%). Multiplying this percentage by \$1,000,000 results in an adjusted aggregate exercise discount of \$35,390.00.

(5) The term “aggregate exercise price” means the principal amount of underlying Treasury bills covered by an option reduced by the adjusted aggregate exercise discount. In the example used to illustrate the calculation of the adjusted aggregate exercise discount, the discount so calculated (\$35,390.00) is subtracted from \$1 million principal amount of Treasury bills covered by the 13-week Treasury bill option, which results in an aggregate exercise price of \$964,610.00.

(c) Terms of Treasury Bill Options.

(1) Unless the Board (or its designee) otherwise provides and so indicates at the post at which the option is traded, Treasury bill options shall expire in the months of March, June, September and December, and a series of options of a given expiration month shall generally be opened for trading about 15 months prior to such expiration month.

(2) The current market price of an underlying Treasury bill is calculated by multiplying (A) the principal amount of the underlying Treasury bill by (B) a percentage calculated as follows, 100 minus (x) the highest asked yield quotation (in the case of a call) or (y) the lowest bid yield quotation (in the case of a put) in the over-the-counter market as reported at or about the close of trading on the preceding trading day by the quotation reporting system approved by the Clearing Corporation under its rules governing the determination of the “daily underlying security marking price,” adjusting such yield quotations to reflect the term to maturity of the underlying Treasury bill.

(3) “Out of the money” is calculated by determining the amount by which the aggregate exercise price of a call is greater than the current market price (calculated as provided above in this rule) of the longest maturity underlying securities deliverable under the rules of the

Clearing Corporation, or the amount by which the aggregate exercise price of a put is less than the current market price of the longest maturity underlying securities deliverable under the rules of the Clearing Corporation.

(4) The exercise price of each series of Treasury bill options shall be fixed at a percentage of the principal amount which is an integral multiple of 1%. Each time a series of Treasury bill options in a new expiration month is introduced for trading, two or three different exercise prices will be established for that expiration month that are reasonably close to the annualized discounted price at which the underlying Treasury bills are currently traded. Thereafter, additional series of Treasury bill options may be opened in the expiration months previously opened for trading to reflect changes in prices of the underlying Treasury bills. Ordinarily, new exercise prices will be fixed at intervals of 1%, but different intervals may apply from time to time, depending upon market conditions and the current price volatility of the underlying Treasury bills. Notice of each series of Treasury bill options opened for trading shall be given.

(d) *Premium Bids and Offers.* Bids and offers for Treasury bill options shall be expressed to the nearest 1/100 of 1% (nearest basis point) of an amount which is the principal amount of the underlying Treasury bills multiplied by a fraction, the numerator of which is the number of weeks to maturity of the specified underlying Treasury bill, and the denominator of which is 52. For example, a bid of 1.15% for a 13-week Treasury bill option covering \$1 million principal amount of underlying Treasury bills means that the actual premium bid for the option will be \$2,875.00 ($1.15\% \times \$1,000,000 \times 13/52$). Similarly, a bid of 1.15% for a 26-week Treasury bill option covering \$500,000 principal amount of underlying Treasury bills will also be \$2,875.00 ($1.15\% \times \$500,000 \times 26/52$).

(e) *Exercise and Settlement.* Although Treasury bill options are exercisable at any time prior to their expiration, the settlement of exercise transactions takes place in accordance with the Rules of the Clearing Corporation only on Thursday or Friday of each week. Options that are exercised effective at the Clearing Corporation on or before Tuesday of each week will be settled on the Thursday or Friday of that week, and options so exercised on or after Wednesday of each week will be settled on the Thursday or Friday of the following week. The party obligated to make delivery of underlying Treasury bills may choose whether to make delivery on the applicable Thursday or Friday, but in either case the aggregate exercise price payable on settlement is determined as if settlement were made on the applicable Thursday. Delivery of underlying Treasury bills upon exercise of a 13-week Treasury bill option shall consist of the principal amount of underlying Treasury bills covered by the option having a remaining term to maturity of 13 or fewer weeks from settlement Thursday (which may be 13-week Treasury bills issued in that week's auction or may be previously issued 52, 26 or 13-week Treasury bills with 13 or fewer weeks remaining until maturity). Delivery of underlying Treasury bills upon exercise of a 26-week Treasury bill option shall consist of the principal amount of underlying Treasury bills covered by the option having a remaining term to maturity of 26 or fewer weeks from settlement Thursday (which may be 26-week Treasury bills issued in that week's auction or may be previously issued 52, 26 or 13-week Treasury bills with 26 or fewer weeks remaining until maturity). Notwithstanding the foregoing, the aggregate exercise price payable upon the exercise of 13-week or 26-week Treasury bill options is calculated on the

basis of the delivery of 13-week or 26-week Treasury bills, respectively, with no adjustment for delivery, as permitted under this Rule, of shorter maturity Treasury bills.

(f) *Position Limits, Exercise Limits and Related Reports.* The position limits and exercise limits applicable to Treasury bill options under Rules 8.40 and 8.42(e), respectively, shall be, in each case, \$500 million principal amount of underlying 13-week Treasury bills and \$250 million principal amount of underlying 26-week Treasury bills. Reports of large positions required under Rules 8.43, and 8.44 shall be required in the case of options covering \$100 million or more principal amount of underlying 13-week Treasury bills and \$50 million or more principal amount of underlying 26-week Treasury bills.

(g) *Obligations of Market-Makers.* Without limiting the general obligation to deal for his own account as required under Rule 5.51, a Market-Maker holding an appointment in Treasury bill options, in the course of maintaining a fair and orderly market, is expected to bid and/or offer so as to create differences of:

(1) no more than 10 basis points for each option for which the bid is less than one;

(2) no more than 20 basis points for each option for which the bid is one or more but less than 5;

(3) no more than 30 basis points for each option for which the bid is 5 or more but less than 10; and

(4) no more than 40 basis points for each option for which the bid is 10 or more.

The above differentials apply only to the two nearest term series of each class of Treasury bill options; for all longer term series the maximum bid/offer differentials are double those listed above.

Rule 4.56. Wire Connections

The Exchange will permit Trading Permit Holders to establish and maintain wire connections with other Trading Permit Holders and non-Trading Permit Holders for the purpose of obtaining timely information on price movements in Government securities on which options are dealt in on the Exchange. Written notice of each such wire connection shall be promptly filed with the Exchange. The Exchange may condition or terminate the use of any such wire connection if the Board (or a Committee designated by the Board) deems such action to be necessary or appropriate in the interest of maintaining a fair and orderly market or for the protection of investors.

Rule 4.57. Trading Rotations

(a) The opening rotation in each series of each class of Government securities options shall be overseen by an Exchange employee designated as the Post Coordinator for Government securities options and shall be held as promptly following availability of opening quotations on the quotation display mechanism(s) approved by the Exchange as the Post Coordinator deems appropriate under the circumstances. Generally, the Post Coordinator shall open first those series of a class with respect to which the greatest buying and selling interest has been expressed (deferring opening

relatively inactive series); provided, however, that more than one series may be opened simultaneously. These procedures may be altered or supplemented by the Board (or its designee).

(b) In the event that current quotations are not available for Government securities underlying a class of specific coupon options or relating to a class of market basket options within a reasonable time after 9:00 a.m., the Post Coordinator for that class shall report the delay to a Floor Official and an inquiry shall be made to determine the cause of the delay. The opening rotation for Government securities options of that class shall be delayed until such current quotations are available, unless two Floor Officials determine that the interests of a fair and orderly market are best served by opening trading.

Rule 4.58. Priority of Bids and Offers

The following rules of priority shall be observed with respect to bids and offers for Government securities options:

(a) *Priority of bids.* The highest bid shall have priority, but where two or more bids for the same option contract represent the highest price, priority shall be afforded to such bids in the sequence in which they are made.

(b) *Priority of offers.* The lowest offer shall have priority, but where two or more offers for the same option contract represent the lowest price, priority shall be afforded to such offers in the sequence in which they are made.

(c) *Openings.* Any order present at the post at least five minutes prior to commencement of the opening rotation for that series of Government securities options shall be entitled to participate in the opening.

Rule 5.48 replaces Rules 5.85.

Rule 4.59. Limit Order Book for Government Securities Options

Notwithstanding any provision in the Rules to the contrary, there shall be no limit order book for Government securities options.

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