



## CIRCULAR 08/2007

<b>Date:</b> April 12, 2007	<b>Authorized by:</b> Satish Nandapurkar
<b>To:</b> All USFE Members and ISVs (Central Coordinators)	<b>Related Circulars/Bulletins:</b> N/A
<b>Priority:</b> High	<b>Contact:</b> Member Services +1-312-544-1144

Bulletin Attached

Binding Circular

Informational Circular

<b>Content may be most important for:</b> All Departments	<b>Attachments:</b> N/A
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### Introduction of Binary Event Futures

On March 22, 2007, USFE announced that it will introduce Binary Event Futures that let investors take a position on the proposed merger between the Chicago Board of Trade (CBOT) and the Chicago Mercantile Exchange (CME) or, separately, Chicago Board of Trade (CBOT) and the Intercontinental Exchange (ICE). The products will be available for trading in Production on Friday, April 20, 2007.

### **Description of Binary Event Futures:**

USFE's Binary Event Futures (BEF) allow traders to take a "yes" or "no" position on whether or not an event will take place on or before a specified date. The buyer of this futures contract holds the right to collect a fixed cash payout if the defined event occurs.

USFE's contracts are designed by the exchange to be easily understood and clearly defined. The "event" in question for each contract is established by exchange rules prior to listing, and may be associated with a financial, commercial or economic consequence. These fixed rules dictate if and when the contract is settled prior to expiration.

A fixed payment, netted in accordance with the rules of the Clearing Organization, will be due from the seller to the buyer upon the occurrence of the Underlying Event. All settlements occur and are guaranteed by USFE's clearing house, The Clearing Corporation.

### **Contract Specifications**

<b>Product Codes</b>	FECC	FECI
<b>Product ISIN</b>	US91201E2798	US91201E2616
<b>CUSIP Number</b>	91201E279	91201E261
<b>Underlying</b>	CBOT-CME Combination	CBOT-ICE Combination
<b>Quotation</b>	Probability Points	Probability Points
<b>Contract Size</b>	\$1,000.00	\$1,000.00
<b>Tick Size</b>	0.5	0.5
<b>Outright Tick Value</b>	\$5.00	\$5.00
<b>Maximum Screen Price</b>	100.0	100.0
<b>Final Settlement</b>	Cash settled to \$1,000.00 if underlying event occurs. Otherwise, contract settles at 0.	Cash settled to \$1,000.00 if underlying event occurs. Otherwise, contract settles at 0.

### **Trading Session:**

7:15 a.m. until 4:00 p.m., Monday through Friday. Please note that all hours reflect local time in Chicago, Illinois.

### **Expiration Months:**

Contracts will expire on the first business day of the expiration month. December 2007 expiration month will be listed. Additional expiration months may be added as necessary.

### **Contract Term:**

Underlying event occurs on or before the first business day of the expiration month.

**Last Trading Day:**

Contracts will cease trading at 4:00 p.m. on the expiration day.  
The last trading day of the December 2007 contract will be December 3, 2007.

**Final Settlement Price:**

The final settlement price will be determined by the events outlined in Rule 940 of the USFE rulebook. If the merger event occurs, the contract settles at 100.0. If the merger event does not occur, the contract settles at 0. Refer to Rule 940 for the payout criteria.

**Daily Settlement Price:**

The daily settlement price is based on market conditions at 3:15 p.m.

**Transaction Fees:**

Transaction fees will be as follows:  
\$0.50 a side  
\$1.00 a round turn  
\$0.50 settlement fee to close – waived

**Block Trading:**

The minimum size for an OTC Block Trade is 50 contracts.

**Reportable Positions:**

A person shall report any position that such person owns or controls in any single Binary Event Futures contract in the amount of 25 contracts or more.

**Position Accountability:**

A Person who owns or controls an aggregate position in Binary Event Futures of more than 20,000 futures contracts shall thereby be subject to the requirements of the Position Accountability rule. For these purposes, an aggregate position will be calculated by adding together all positions of the person in Binary Event Futures contracts based on related Underlying Events on USFE.

**Holiday Schedule:**

Refer to [http://www.usfe.com/products\\_calendar.html](http://www.usfe.com/products_calendar.html) for a complete listing of exchange holidays.

**Simulation:**

FECC and FECL are currently available in the USFE simulation environment. A copy of the current simulation calendar is located in the member section of the USFE website ([http://www.usfe.com/members\\_circulars.jsp](http://www.usfe.com/members_circulars.jsp)).

If you have any questions or require further information, please contact the USFE Member Services Team at +1-312-544-1144 or e-mail [usfe-support@usfe.com](mailto:usfe-support@usfe.com).