



To: Trading Permit Holders

From: Market Operations

Date: February 27, 2012

Re: Monthly "Fair Value" Settlement of CME Stock Index Futures and Options.

The Chicago Mercantile Exchange (CME) conducts a special "fair value"¹ settlement procedure for domestic stock index futures and options on the last business day of each month. On these days, the CME calculates the daily settlement price for its domestic stock index futures and options contracts on the basis of their fair value relative to the daily close of the underlying cash index as reflected at 3:15 p.m. (Chicago time).

CBOE conducts special "closing rotations" on the days in which special settlement procedures are employed at the CME in order to allow the Exchange's domestic broad-based index options to be valued on the same "fair value" basis as related index futures. Accordingly, on the last business day of each month in 2012 the CBOE shall conduct special month end closing rotations in the S&P 500 Index (SPX).

Special closing rotations are held for the sole purpose of determining theoretical fair values for these option contracts. **No orders, including orders resting in the Exchange's limit order book, are allowed to trade during these special closing rotations.**

Questions concerning the above may be directed to Kerry Winters at (312) 786-7312.

Replaces RG12-023

¹ "Fair value" of futures represents the price at which futures should theoretically trade in relation to cash index values in the absence of transaction costs. It is typically calculated as a function of the underlying index value plus the financing cost of owning the underlying stock portfolio, less dividends paid up to the futures expiration.