

## CORPORATE ACTIONS—Continued

Type		Adjustments		Notes
Action	Company	Close price/action	Share lot	
Spin Off .....	Component of Index (A).	Adj. Close=Close – (Ratio * Spun off company's Price).		Ratio=number of shares of spun-off company received for every share of parent company owned. Spun-off company be added at a weight such that the market capitalization of the two companies after the event is equal to the market capitalization of the parent prior to the event.
	Spun Off Company (B).	ADDED .....	Share Lot=((Share Lot A * Prev. Close A) – (Adj. Share Lot A * Adj. Close A))/Close B.	
Two Components Merge in an All Stock, Cash or Combination Deal.	Remaining Companies (A).		Adj. Share Lot=(Share Lot + B's Share Lot)/number of remaining components)/A's Close.	All remaining companies will be adjusted using the formula to the left. Their shares will increase based on their price so as to distribute the weight of the acquired company evenly.
	Acquired Company (B).	DELETED		
A Non-Component Takes Over a Component.	Acquirer (A) .....	ADDED .....	Adj. Share Lot=(B's Share Lot * B's Close)/A's Close.	The acquiring company will replace the acquired company in the index and the share lot will be adjusted.
	Acquired Component of Index (B).	DELETED		
Rights Issue .....	Component of Index (A).	Adj. Close=(Close+(Ratio * Subscription Price))/(1+Ratio).	Adj. Share Lot=(Close * Share Lot)/Adj. Close.	Ratio=number of rights received for 1 share of A.
Extraordinary Removal.	Replacement Company (A).	ADDED .....	Adj. Share Lot=(B's Share Lot * B's Close) A's Close.	Component B may be removed for: Bankruptcy proceedings, financial distress (as determined by Dow Jones), delisting from a primary exchange (NYSE, Nasdaq, Amex), or illiquidity (10 consecutive no-trade days). Replacement A would be the highest ranked (as of the most recent Selection Date) of the remaining securities in the industry group which qualify for inclusion.
	Component of Index (B).	DELETED		

*Position Limits*

The proposed rule change to Rule 1002(e) provides the methodology to calculate position limits<sup>12</sup> for any cash-settled futures contract on a narrow-based security index ("Stock Index"), including the *MicroSector Futures*. The Exchange would calculate two numbers: One is based on the market capitalization of each Stock Index future and the notional value compared to the

market capitalization of the Chicago Mercantile Exchange ("CME") position limit for its futures contract on the S&P 500 Index (referred to herein as the "Market Cap Method"), and the other is based on the current position limit permitted for single stock futures under CFTC Regulation 41.25<sup>13</sup> (referred to herein as the "SSF Limit Method"). The Exchange would impose a position limit on each Stock Index future equal to the lower number calculated by the two methods rounded to the nearest 1,000 contracts; provided, however, that if the

result of either calculation is less than 500, but not less than 400 for any such Future, the position limit will be rounded up to 1,000 contracts.

Under the Market Cap Method, the Exchange would determine the market capitalization of the S&P 500 Index,<sup>14</sup> then calculate the notional value of a position at the limit of the CME's S&P 500 Index futures contract (the "S&P 500 Notional Value Limit")<sup>15</sup> and

<sup>12</sup> Consistent with CFTC Regulation 41.25, position limits apply to positions in any cash-settled stock index future held during the last five trading days of an expiring contract.

<sup>13</sup> 17 CFR 41.25.

<sup>14</sup> The Exchange will calculate the market capitalization as of the Selection Date.

<sup>15</sup> The speculative position limit for the CME's S&P 500 Index futures contract is 20,000 contracts (in all months combined) and the contract