

Trading SOFR Options

Partner Content (CME Group) – Following the successful launch of SOFR futures on 7 May 2018, liquidity, price discovery, volume and open interest of SOFR futures have developed such that Options on Three-Month SOFR futures are the natural next step in the development of the SOFR ecosystem. On 6 January 2020, CME will launch Options on Three-Month SOFR futures (SOFR Options).¹ SOFR Options can be executed on three venues: open outcry, CME Globex, and as a block trade submitted via CME ClearPort. Each of these platforms will offer customers access to deep and diverse pools of liquidity.

In nearly all respects, the design of SOFR Options mirror Options on Three-Month Eurodollar futures (Eurodollar Options). This paper provides in-depth descriptions of SOFR Options:

- Product Suite
- Contract Specifications
- Comparing Three-Month SOFR and Eurodollar Futures Volatility
- Spreading SOFR and Eurodollar Options

Product Suite

The Option contract listing calendar –generally– will be as follows:

- **Quarterly Standard** Options (SR3) expiring in each of the nearest 16 March Quarterly months (March, June, September, December); **Serial Standard Options** (SR3) expiring in each of the nearest 4 non-March Quarterly months (January, February, April, May, July, August, October, November);
- **Quarterly** One-Year (S0) Two-Year (S2), Three-Year (S3), Four-Year (S4), and Five-Year (S5), Mid-Curve Options expiring in each of the nearest 5 March Quarterly months; **Serial** One-Year, Two-Year, Three-Year, Four-Year, and Five-Year **Mid-Curve** Options expiring in each of the nearest 4 non-March Quarterly months; and
- **Quarterly** Three-Month, Six-Month, and Nine-Month Mid-Curve Options expiring in the nearest March Quarterly month. **Serial** Three-Month, Six-Month, and Nine-Month Mid-Curve Options expiring in each of the nearest 2 non-March Quarterly months; and
- **Weekly** One-Year, Two-Year, and Three-Year Mid-Curve Options expiring on each of the nearest 2 Fridays not scheduled for expiration of Quarterly or Serial Options.

Please refer to the table (Exhibit 1) below for the complete array of SOFR Options listed at launch, including commodity codes and underlying futures contract months.

Continue reading the article in full here: **Trading SOFR Options**