

Chapter 16B

Cash-Settled Options on Denatured Fuel Ethanol Futures (Clearing only)

16B00. SCOPE OF CHAPTER¹

This chapter is limited in application to cash-settled put and call options on Denatured Fuel Ethanol futures, where the parties to the transaction are “eligible contract participants” as defined in Section 1a(12) of the Commodity Exchange Act. In addition to the rules of this chapter, transactions in cash-settled options on Denatured Fuel Ethanol futures shall be subject to the general rules of the Exchange insofar as applicable. The clearing and settlement of transactions in cash-settled put and call options on Denatured Fuel Ethanol futures shall also be subject to the provisions of Chapter 8-F of the CME Rulebook.

16B01. OPTIONS CHARACTERISTICS

16B01.A. Contract Months Available for Clearing Entry

Option contracts may be submitted for clearing entry on the nearby cash-settled Denatured Fuel Ethanol futures options contract month and any succeeding months, provided however, that the Exchange may determine not to list a contract month.

16B01.B. Clearing Unit

One 29,000 gallon Denatured Fuel Ethanol futures contract of a specified contract month on the Chicago Board of Trade.

16B01.C. Minimum Fluctuations

The premium for cash-settled Denatured Fuel Ethanol futures options shall be in multiples of \$0.001 per gallon of a 29,000 gallon Denatured Fuel Ethanol futures contract which shall equal \$29.00 per contract.

However, a position may be initiated or liquidated in cash-settled options on Denatured Fuel Ethanol futures at a premium ranging from \$1.00 to \$14.00, in \$1.00 increments per option contract.

16B01.D. Hours for Clearing Entry

The hours for clearing entry of cash-settled options on Denatured Fuel Ethanol futures contracts shall be determined by the Exchange. On the last day that clearing entry is available for an expiring option, the closing time for such clearing entry shall be 1:15 p.m. Chicago time.

16B01.E. Exercise Prices

Clearing shall be conducted for put and call options with striking prices (the “strikes”) in integral multiples of five (5) cents per gallon per Denatured Fuel Ethanol futures contract (i.e., 1.900, 1.950, 2.000, 2.050, 2.100 etc.) as follows:

1.
 - a. In integral multiples of five cents, at the commencement of trading for an option contract, the following strikes shall be listed: one with a strike closest to the previous day’s settlement price of the underlying Denatured Fuel Ethanol futures contract, the next ten consecutive higher and the next ten consecutive lower strikes (the “initial band”). If the previous day’s settlement price is midway between two strikes, the closest price shall be the larger of the two.
 - b. In integral multiples of five cents, over time, strikes shall be added as necessary to ensure that all strikes within \$0.50 of the previous day’s trading range of the underlying futures contract are listed (the “minimum band”).
 - c. No new strikes may be added by these procedures in the month in which an option expires.
2. All strikes will be available for clearing entry prior to the opening of trading of the underlying CBOT Denatured Ethanol Futures contract on the following business day.

The Exchange may modify the procedures for the introduction of strikes as it deems

¹ Revised May 2008.

appropriate in order to respond to market conditions.

16B01.F. Position Accountability¹

Position accountability, as defined in Rule 560, will apply to trading in Cash-Settled Options on Denatured Fuel Ethanol Futures.

16B01.G. Reserved

16B01.H. Nature of Cash-Settled Options on Denatured Fuel Ethanol Futures

On expiration of a put option the buyer of one cash-settled Denatured Fuel Ethanol futures put option will be entitled to receive the value of that put option. The value of a cash-settled Denatured Fuel Ethanol put option at expiration will be defined as the difference between the strike price of the put option and the settlement price of the underlying CBOT Denatured Ethanol futures contract multiplied by 29,000 gallons, or zero, whichever is greater. The seller of one cash-settled Denatured Fuel Ethanol futures put option incurs the obligation to pay the value of that put option.

On expiration of a call option the buyer of one cash-settled Denatured Fuel Ethanol futures call option will be entitled to receive the value of that call option. The value of a cash-settled Denatured Fuel Ethanol call option at expiration will be defined as the difference between the settlement price of the underlying CBOT Denatured Fuel Ethanol futures contract and the strike price multiplied by 29,000 gallons, or zero, whichever is greater. The seller of one cash-settled Denatured Fuel Ethanol futures call option incurs the obligation to pay the value of that call option.

16B01.I. Last Day of Clearing

The last day of clearing for cash-settled Denatured Fuel Ethanol options shall be the last trading day of the underlying Denatured Fuel Ethanol futures contract.

16B01.J. Reserved

16B02. EXERCISE OF OPTION

Cash-settled Denatured Fuel Ethanol Futures options will be cash settled on expiration day. For the avoidance of doubt, cash-settled Denatured Fuel Ethanol Futures options cannot be exercised at any time during the life of the option.

16B03. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES

(Refer to Rule 701.).

16B04. RESERVED

16A05. RESERVED

16B06. PAYMENT OF OPTION PREMIUM

The option premium must be paid in full by each clearing member to the Clearing House and by each option customer to his futures commission merchant at the time that the option is purchased, or within a reasonable time after the option is purchased.

¹ Revised May 2008.