

## **Chapter 16G**

### **Los Angeles ('LA') Denatured Fuel Ethanol Basis Swaps (Clearing Only)**

#### **16G00. SCOPE OF CHAPTER<sup>1</sup>**

This chapter is limited in application to the clearing of LA Denatured Fuel Ethanol Basis Swaps, where the parties to the transaction are "eligible contract participants" as defined in Section 1a(12) of the Commodity Exchange Act. Transactions in LA Denatured Fuel Ethanol Basis Swaps shall also be subject to the general rules of the Exchange insofar as applicable. The clearing and settlement of transactions in LA Denatured Fuel Ethanol Basis Swaps shall also be subject to the provisions of Chapter 8-F of the CME Rulebook.

#### **16G01. CONTRACT SPECIFICATIONS**

##### **16G01.A. Unit of Clearing**

The unit of clearing shall be 14,500 gallons of Denatured Fuel Ethanol.

##### **16G01.B. Hours for Clearing Entry**

The Exchange shall determine the hours during which LA Denatured Fuel Ethanol Basis Swaps may be submitted to the Clearing House.

Positions shall be initiated or closed out using off-exchange transactions.

##### **16G01.C. Minimum Price Increments**

Minimum price fluctuations shall be in multiples of one hundredth of one cent (\$0.0001) per gallon which shall equal \$1.45 per contract. Contracts shall not be cleared on any other price basis.

##### **16G01.D. Contract Months Available for Clearing Entry**

Clearing of LA Denatured Fuel Ethanol Basis Swaps is regularly conducted in all twelve months, but shall be permitted in the current delivery month and any succeeding months. The number of months in which clearing may occur shall be at the discretion of the Exchange.

##### **16G01.E. Position Accountability<sup>2</sup>**

Position accountability, as defined in Rule 560, will apply to trading in Los Angeles Denatured Fuel Ethanol Basis Swaps.

##### **16G01.F. Last Day of Clearing**

The last day of clearing of LA Denatured Fuel Ethanol Basis Swaps deliverable in the current delivery month shall be the last business day of the month.

##### **16G01.G. Liquidation During the Delivery Month**

After clearing of LA Denatured Fuel Ethanol Basis Swaps in the current delivery month has ceased, in accordance with Rule 16G01.F. of this chapter, outstanding contracts for such delivery shall be liquidated by cash settlement as prescribed in Rule 16G02.

#### **16G02. DELIVERY**

Delivery against LA Denatured Fuel Ethanol Basis Swaps must be made through the Clearing House. Delivery under these rules shall be on the final settlement day (as described in Rule 16G05.) and shall be accomplished by cash settlement.

Clearing members holding open positions in LA Denatured Fuel Ethanol Basis Swaps at the time of termination of clearing shall make payment to and receive payment through the Clearing House in accordance with normal variation settlement procedures based on a settlement price equal to the final settlement price (as described in Rule 16G03.).

#### **16G03. FINAL SETTLEMENT PRICE AND DAILY SETTLEMENT DURING THE LAST MONTH OF TRADING**

The final settlement price shall be determined on the final settlement day. The final settlement price shall be the average of the settlement prices for the CBOT LA Denatured Fuel Ethanol Basis Swap for each clearing day in the LA Denatured Fuel Ethanol Basis Swap contract

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<sup>1</sup> Revised May 2008.

<sup>2</sup> Revised May 2008.

month. For example, final settlement for an August LA Denatured Fuel Ethanol Basis Swap would be the average of the daily settlement prices for the August LA Denatured Fuel Ethanol Basis Swap contract during the month of August.

Daily settlement during the last month of clearing shall be the cumulative average of the difference between the Oil Price Information Service ("OPIS") LA Ethanol cash price minus the settlement price of the CBOT Denatured Fuel Ethanol futures contract following the CBOT LA Denatured Fuel Ethanol Basis Swap in that particular month. For example, the daily settlement price during the last month of clearing for the August LA Denatured Fuel Ethanol Basis Swap would be calculated as the cumulative average of the difference between the OPIS LA Ethanol Cash price minus the settlement price for the September Denatured Fuel Ethanol futures contract.

**16G04. DAILY SETTLEMENT PRICE**

Daily settlement other than settlement on the final settlement day (as described in Rule 16G05.) or during the last month of clearing shall be the OPIS LA Ethanol cash price minus the settlement price of the CBOT Denatured Fuel Ethanol futures contract for the contract month following the CBOT LA Denatured Fuel Ethanol Basis Swap contract month on that day. For example, the daily settlement price for the August LA Denatured Fuel Ethanol Basis Swap would be calculated as the OPIS LA Ethanol cash price minus the settlement price for the September Denatured Fuel Ethanol futures contract.

**16G05. FINAL SETTLEMENT DAY**

The final settlement day shall be defined as the first business day after the last clearing day of the contract month.

**16G06. DISPUTES**

All disputes between interested parties may be settled by arbitration as provided in the Rules.