Chapter 1104

Coal (API 4) fob Richards Bay (Argus/McCloskey) Average Price Option

110401. **Description**

110401.1 The Coal (API 4) fob Richards Bay (Argus/McCloskey) Average Price Option is a financially settled option referencing Coal (API 4) fob Richards Bay (Argus/McCloskey) Swap contract. It is an Asian style average price option, which is financially settled on exercise, and may be exercised on its expiration day only.

110401.2 The CME Clearing Europe commodity code shall be EMFO.

110402. **Contract Size**

110402.1 The contract size shall be 1,000 metric tons.

110403. **Contract Months**

110403.1 Coal (API 4) fob Richards Bay (Argus/McCloskey) Average Price Options shall be available for consecutive calendar months for the balance of the current calendar year and four additional full calendar years.

110404. **Prices**

110404.1 Prices shall be quoted in U.S. dollars and cents per metric ton.

110404.2 The minimum price fluctuation shall be $0.01 per metric ton.

110404.3 There shall be no maximum price fluctuation.

110404.4 A cabinet trade may occur at the price of $0.001 per metric ton or $1.00 per contract.

110405. **Daily Settlement Prices**

110405.1 The Clearing House shall establish settlement prices in respect of open positions for the purposes of position valuation and variation margin calculation, as described in the Clearing Procedures.

110406. **Premium Payment**
Option premium shall be paid by the buyer to the Clearing House, and received by the seller from the Clearing House in full following the trade. Payments shall be made as directed by the Clearing House.

**Strike Prices**

Transactions in Coal (API 4) fob Richards Bay (Argus/McCloskey) Average Price Options may be submitted to the Clearing House with strike prices in increments of $0.05 per metric ton, subject to any limits on the range of available strike prices published by the Clearing House.

**Option Exercise**

Coal (API 2) cif ARA (Argus/McCloskey) Average Price Options may be exercised only on the last trading day, as described in 110409.1.

**Termination of Trading**

Trade submission shall cease on the last Friday of the contract month. If such Friday is a UK holiday, the contract will expire on the UK business day immediately prior to the last Friday of the contract month unless such day is not an Exchange business day, in which case the contract will expire on the Exchange business day immediately prior.

On the last trading day, as described in 110409.1, the final time for trade submission shall be 4:30pm London time.

**Expiry**

A Coal (API 2) cif ARA (Argus/McCloskey) Average Price Option Contract shall expire on the last Friday of the contract month. If such Friday is a UK holiday, the contract will expire on the UK business day immediately prior to the last Friday of the contract month unless such day is not an Exchange business day, in which case the contract will expire on the Exchange business day immediately prior as described in 110409.1.

On the Expiry Day, as described in 110410.1, the Coal (API 2) cif ARA (Argus/McCloskey) Average Price Option Contract shall expire at 4.30pm New York time. Where an option is to be exercised by the buyer, such exercise must be notified to the Clearing House by the expiration time. Any Coal (API 2) cif ARA (Argus/McCloskey) Average Price Option for which the Clearing House has not been notified of exercise by the expiration time shall be deemed to be abandoned.
The Clearing House shall confirm the assignment of a Coal (API 2) cif ARA (Argus/McCloskey) Average Price Option Contract to the seller as soon as reasonably practicable following the expiration time.

**Underlying Reference Price**

The Underlying Reference Price for each contract month is equal arithmetic average of settlement price for Coal (API 2) cif ARA (Argus/McCloskey) Swap first nearby contract settlement prices for each business day that it is determined during the contract month, except as set forth below.

**Final Settlement**

Final settlement for the Coal (API 2) cif ARA (Argus/McCloskey) Average Price Option Contract shall be by financial settlement.

For call options, on expiration, the Final Settlement Value will be the greater of the Underlying Reference Price minus the Strike Price or zero, multiplied by the contract size. On exercise, the buyer shall receive the Final Settlement Value as directed by the Clearing House. On assignment, the seller shall pay the Final Settlement Value as directed by the Clearing House.

For put options, on expiration, the Final Settlement Value will be the greater of the Strike Price minus the Underlying Reference Price or zero, multiplied by the contract size. On exercise, the buyer shall receive the Final Settlement Value as directed by the Clearing House. On assignment, the seller shall pay the Final Settlement Value as directed by the Clearing House.

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