

Chapter 14A Options on Wheat Futures

14A00. SCOPE OF CHAPTER

This chapter is limited in application to put and call options on Wheat futures contracts. In addition to the rules of this chapter, transactions in options on Wheat futures shall be subject to the general rules of the Exchange insofar as applicable.

14A01. OPTIONS CHARACTERISTICS

14A01.A. Contract Months

Trading may be conducted in the nearby Wheat futures options contract month and any succeeding months, provided however, that the Exchange may determine not to list a contract month. For options that are traded in months in which Wheat futures are not traded, the underlying futures contract is the next futures contract that is nearest to the expiration of the option. For example, the underlying futures contract for the February option contract is the March futures contract.

14A01.B. Trading Unit

One 5,000 bushel Wheat futures contract of a specified contract month.

14A01.C. Minimum Fluctuations

The premium for Wheat futures options shall be in multiples of one-eighth (1/8) of one cent per bushel of a 5,000 bushel Wheat futures contract which shall equal \$6.25 per contract.

However, a position may be initiated or liquidated in Wheat futures options at a premium ranging from \$1.00 to \$6.00 in \$1.00 increments per option contract.

14A01.D. Trading Hours

The hours of trading for options on Wheat futures contracts shall be determined by the Exchange. Wheat futures options shall be opened and closed for all months and strike prices simultaneously or in such other manner as determined by the Exchange.

On the last day of trading in an expiring option, the expiring Wheat futures options shall be closed with a public call, made strike price by strike price, immediately following the close of the open outcry trading session for the corresponding Wheat futures contract.

14A01.E. Exercise Prices¹

Trading shall be conducted for put and call options with striking prices in integral multiples of five (5) cents and ten (10) cents per bushel per Wheat futures contract as follows:

A referencing price shall be determined each quarter on the first business day in March, July, September, and December and shall equal the daily settlement price of the nearest expiring Wheat futures contract. The chosen referencing price shall be multiplied by 50 percent and divided by 10 without remainder to determine the reference number of 10 cent strikes. The chosen referencing price shall be multiplied by 25 percent and divided by 5 without remainder to determine the reference number of 5 cent strikes.

1.
 - a. At the commencement of trading for each option contract, the Exchange shall list a strike closest to the previous day's settlement price of the underlying Wheat futures contract (the at-the-money strike), and the reference number of 10 cent strikes in integral multiples of ten cents above and below the at-the-money strike. If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two.
 - b. Over time, new ten cent strikes will be added to ensure that all strikes within the reference number of 10 cent strikes above and below the previous day's settlement price in the underlying futures contract are listed.
2.
 - a. At the commencement of trading for options that are traded in months in which Wheat futures are not traded, and for standard option months the business day they become the second listed month, the Exchange shall list a strike closest to

¹ Revised April 2008, August 2008.

the previous day's settlement price of the underlying Wheat futures contract (the at-the-money strike), and the reference number of 5 cent strikes in integral multiples of five cents above and below the at-the-money strike. If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two. For example, five-cent strike price intervals for the September contract would be added on the first business day after the expiration of the July options contract.

- b. Over time, new five-cent strike prices will be added to ensure that all strikes within the reference number of 5 cent strikes above and below the previous day's settlement price in the underlying futures are listed.
3. All strikes will be listed prior to the opening of trading on the following business day. Upon demand and at the discretion of the Exchange, new out-of-current-range strike prices at regularly defined intervals may be added for trading on as soon as possible basis. The Exchange may modify the procedures for the introduction of strikes as it deems appropriate in order to respond to market conditions. As new reference numbers of 5 and 10 cent strikes are determined each quarter, existing strikes outside the newly determined strike ranges without open interest may be de-listed.

14A01.F. Position Limits

In accordance with Rule 559, Position Limits and Exemptions, no person shall own or control positions in excess of:

1. 600 futures contracts net long or net short in the spot month subject to the special provisions regarding the May contract.
2. 5,000 futures-equivalent contracts net long or net short in any single contract month excluding the spot month. Additional futures contracts may be held outside of the spot month as part of futures/futures spreads within a crop year provided that the total of such positions, when combined with outright positions, does not exceed the all months combined limit.
3. 6,500 futures-equivalent contracts net long or net short in all months combined.

Refer to Rule 559. for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

14A01.G. Reserved

14A01.H. Nature of Options on Wheat Futures

The buyer of one Wheat futures put option may exercise his option at any time prior to expiration (subject to Regulation 14A02.A.), to assume a short position in one Wheat futures contract of a specified contract month at a striking price set at the time the option was purchased. The seller of one Wheat futures put option incurs the obligation of assuming a long position in one Wheat futures contract of a specified contract month at a striking price set at the time the option was sold, upon exercise by a put option buyer.

The buyer of one Wheat futures call option may exercise his option at any time prior to expiration (subject to Rule 14A02.A.), to assume a long position in one Wheat futures contract of a specified contract month at a striking price set at the time the option was purchased. The seller of one Wheat futures call option incurs the obligation of assuming a short position in one Wheat futures contract of a specified contract month at a striking price set at the time the option was sold, upon exercise by a call option buyer.

14A01.I. Termination of Trading

Subject to the provisions of Rule 14A01.D., no trades in Wheat futures options expiring in the current month shall be made after the close of the open outcry trading session for the corresponding Wheat futures contract on the last Friday which precedes by at least two business days, the last business day of the month preceding the option month. If such Friday is not a business day, the last day of trading shall be the business day prior to such Friday.

14A01.J. Contract Modification

Specifications shall be fixed as of the first day of trading of a contract except that all options must conform to government regulations in force at the time of exercise. If the U.S. government, an agency, or duly constituted body thereof issues an order, ruling, directive, or law inconsistent with these rules, such order, ruling, directive, or law shall be construed to become part of the rules and all open and new options contracts shall be subject to such government orders.

14A02. EXERCISE AND ASSIGNMENT

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise and assignment of Wheat Options.

14A02.A. Exercise of Option

The buyer of a Wheat futures option may exercise the option on any business day prior to expiration by giving notice of exercise to the Clearing House by 6:00 p.m., or by such other time designated by the Exchange, on such day.

After the close on the last day of trading, all in-the-money options shall be automatically exercised, unless notice to cancel automatic exercise is given to the Clearing House. Notice to cancel automatic exercise shall be given to the Clearing House by 6:00 p.m., or by such other time designated by the Exchange, on the last day of trading.

Unexercised Wheat futures options shall expire at 7:00 p.m. on the last day of trading.

14A02.B. Assignment

Exercise notices accepted by the Clearing House shall be assigned through a process of random selection to clearing members' open short positions in the same series. A clearing member to which an exercise notice is assigned shall be notified thereof as soon as practicable after such notice is assigned by the Clearing House.

The clearing member assigned an exercise notice shall be assigned a short position in the underlying futures contract if a call is exercised or a long position if a put is exercised. The clearing member representing the option buyer shall be assigned a long position in the underlying futures contract if a call is exercised and a short position if a put is exercised.

All such futures positions shall be assigned at a price equal to the exercise price of the option and shall be marked to market in accordance with Rule 814 on the trading day of acceptance by the Clearing House of the Exercise Notice.

14A03. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES

(Refer to Rule 701.).

14A04. CORRECTIONS TO OPTIONS EXERCISES

Corrections to option exercises, including automatic exercises, may be accepted by the Clearing House after the 6:00 p.m. deadline and up to the beginning of final option expiration processing provided that such corrections are necessary due to: (1) a bona fide clerical error, (2) an un-reconciled Exchange option transaction(s), or (3) an extraordinary circumstance where the clearing firm and customer are unable to communicate final option exercise instructions prior to the deadline. The decision as to whether a correction is acceptable will be made by the President of the Clearing House, or the President's designee, and such decision will be final.

14A05. OPTION PREMIUM LIMITS

Trading is prohibited during any day except for the last day of trading in a Wheat futures option at a premium of more than the trading limit for the Wheat futures contract above and below the previous day's settlement premium for that option.

14A06. 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.