

Chapter 16D
Cash-Settled Options on Denatured Fuel Ethanol
Forward Month Calendar Swaps
(Clearing only)

16D00. SCOPE OF CHAPTER¹

This chapter is limited in application to transactions in cash-settled put and call options on Denatured Fuel Ethanol Forward Month Swaps, 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 Forward Month Swaps 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 Forward Month Swaps shall also be subject to the provisions of Chapter 8-F of the CME Rulebook.

16D01. OPTIONS CHARACTERISTICS

16D01.A. Contract Months Available for Clearing Entry

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

16D01.B. Clearing Unit

One 14,500 gallon Denatured Fuel Ethanol Forward Month Swap of a specified contract month on the Chicago Board of Trade.

16D01.C. Minimum Fluctuations

The premium for cash-settled Denatured Fuel Ethanol Forward Month Swap options shall be in multiples of \$0.0001 per gallon which shall equal \$1.45 per contract.

However, a position may be initiated or liquidated in cash-settled options on Denatured Fuel Ethanol Forward Month Swaps at a premium ranging from \$0.10 to \$1.40, in \$0.10 increments per option contract.

16D01.D. Hours for Clearing Entry

The hours for clearing entry of cash-settled options on Denatured Fuel Ethanol Forward Month Swap 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.

16D01.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 Forward Month Swap 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 Ethanol Forward Month Swap 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 the hours for clearing entry of the underlying CBOT Denatured Fuel Ethanol Forward Month Swap contract on

¹ Revised May 2008.

the following business day.

The Exchange may modify the procedures for the introduction of strikes as it deems appropriate in order to respond to market conditions.

16D01.F. Position Accountability¹

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

16D01.G. Reserved

16D01.H. Nature of Cash-Settled Options on Denatured Fuel Ethanol Forward Month Swaps

On expiration of a put option the buyer of one cash-settled Denatured Fuel Ethanol Forward Month Swap put option will be entitled to receive the value of that put option. The value of a cash-settled Denatured Fuel Ethanol Forward Month Swap 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 Forward Month Swap contract multiplied by 14,500 gallons, or zero, whichever is greater. The seller of one cash-settled Denatured Fuel Ethanol Forward Month Swap 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 Forward Month Swap call option will be entitled to receive the value of that call option. The value of a cash-settled Denatured Fuel Ethanol Forward Month Swap call option at expiration will be defined as the difference between the settlement price of the underlying CBOT Denatured Fuel Ethanol Forward Month Swap contract and the strike price multiplied by 14,500 gallons, or zero, whichever is greater. The seller of one cash-settled Denatured Fuel Ethanol Forward Month Swap call option incurs the obligation to pay the value of that call option.

16D01.I. Last Day of Clearing

The last day of clearing for cash-settled options on Denatured Fuel Ethanol Forward Month Swaps shall be the last trading day of the underlying Denatured Fuel Ethanol Forward Month Swap contract.

16D01.J. Reserved

16D02. EXERCISE OF OPTION

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

16D03. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES

(Refer to Rule 701.).

16D04. RESERVED

16D05. RESERVED

16D06. 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.