Chapter 101A
Options on Live Cattle Futures

101A00. SCOPE OF CHAPTER

This chapter is limited in application to trading in put and call options on the Live Cattle futures contract. The procedures for trading, clearing, inspection, delivery and settlement and any other matters not specifically covered herein shall be governed by the rules of the Exchange.

101A01. OPTION CHARACTERISTICS

101A01.A. Contract Months and Trading Hours [1]

Options contracts shall be listed for such contract months and scheduled for trading during such hours as may be determined by the Board of Directors.

101A01.B. Trading Unit

The trading unit shall be an option to buy, in the case of the call, or to sell, in the case of the put, one Live Cattle futures contract as specified in Chapter 101.

101A01.C. Minimum Fluctuations [2][3]

The price of an option shall be quoted in cents per pound. Minimum price fluctuations shall be in multiples of $.00025 per pound (also known as one tick). A trade may occur at a price of $.000125 per pound ($5.00, also known as one-half tick), whether or not it results in the liquidation of positions for both parties to the trade.

101A01.D. Underlying Futures Contract [4]

1. Options in the February Bi-Monthly Cycle

For monthly options that expire in the February bi-monthly cycle (i.e., February, April, June, August, October and December), the underlying futures contract is the futures contract for the month in which the option expires. For example, the underlying futures contract for an option that expires in February is the February futures contract.

2. Options in the January Bi-Monthly Cycle

For monthly options that expire in months other than those in the February bi-monthly cycle (i.e., January, March, May, July, September, and November), the underlying futures contract is the next futures contract in the February bi-monthly cycle that is nearest to the expiration of the option. For example, the underlying futures contract for an option that expires in January is the February futures contract.

3. Weekly Options

For weekly options, if the weekly option expires prior to the expiration date of the nearby option in the February bi-monthly cycle, then the underlying future is the nearby contract. If the weekly option expires after the expiration date of the nearby option in the February bi-monthly cycle but before the expiration date of the nearby futures, then the underlying future is the first-deferred contract.

101A01.E. Exercise Prices [5]

1. Options in the February Bi-Monthly Cycle

The exercise prices shall be stated in terms of cents per pound. For all contract months, exercise prices shall be at intervals of 2¢; e.g., 60¢, 62¢, 64¢, etc. In addition, for the first two contract month, some exercise prices shall also be at intervals of 1¢; e.g., 60¢, 61¢, 62¢, etc., as is described below.

[1] Revised December 2001.
[2] Revised December 1988; December 1992.
[3] Revised December 1988; December 1992.
[4] Effective September 1992; September 2011..
[5] Revised December 1991; September 1992; January 1997; December 1997; January 2001, December 2001; December 2003; April 2006; January 2011; September 2011.

At the commencement of option trading in a contract month, the Exchange shall list put and call options at intervals of 2¢ in a range 24¢ above and below the previous day's settlement price of the underlying futures contract. When a sale, bid, offer, or settlement price in the underlying futures contract occurs at, or passes through an exercise price, the Exchange shall list on the next trading day put and call options at the next higher (or next lower) exercise price within a 24¢ range above (or below) the exercise price at which or through which the underlying futures sale, bid, offer, or settlement price occurred.

When a contract becomes the second nearest contract month in the February bi-monthly cycle, the Exchange shall add exercise prices at 1¢ intervals at a range 24¢ above and below the previous day's settlement price. Thereafter, when a sale, bid, offer, or settlement price occurs at, or passes through, any exercise price, the Exchange shall on the next trading day list put and call options at the next higher (or next lower) exercise price within a 24¢ range above (or below) the exercise price through which the underlying futures sale, bid, offer, or settlement price occurred. In addition, when a sale, bid, offer, or settlement price occurs at, or passes through, any even-numbered exercise prices; e.g., 60¢, 62¢, 64¢, the Exchange shall on the next trading day list put and call options at the next higher (or next lower) even-numbered exercise price within a 24¢ range above (or below) the exercise price through which the underlying futures sale, bid, offer, or settlement price occurred.

When a contract becomes the nearest contract month in the February bi-monthly cycle, the Exchange shall add exercise prices at 1¢ intervals within the range that exercise prices at 2¢ intervals have been listed.

New options may be listed for trading up to and including the termination of trading. [1]

The Board may modify the provisions governing the establishment of exercise prices as it deems appropriate.

The Exchange may modify the procedure for the introduction of strike prices as it deems appropriate in order to respond to market conditions.

2. Options in the January Bi-Monthly Cycle

Upon demand evidenced in the respective options pit, the Exchange shall list put and call options at any exercise price listed for trading in the next February bi-monthly cycle futures options that is nearest the expiration of the option. New options may be listed for trading up to and including the termination of trading. The Exchange may modify the procedure for the introduction of strike prices as it deems appropriate in order to respond to market conditions.

3. Weekly Options

At the commencement of option trading, the Exchange shall list put and call options at intervals of 1¢ in a range 24¢ above and below the previous day's settlement price of the underlying futures contract. When a sale, bid, offer, or settlement price in the underlying futures contract occurs at, or passes through an exercise price, the Exchange shall list on the next trading day put and call options at the next higher (or next lower) exercise price within a 24¢ range above(or below) the exercise price at which or through which the underlying futures sale, bid, offer, or settlement price occurred.

New options may be listed for trading up to and including the termination of trading. The Board may modify the provisions governing the establishment of exercise prices as it deems appropriate. The Exchange may modify the procedure for the introduction of strike prices as it deems appropriate in order to respond to market conditions.

101A01.F. Position Limits [2]

No person shall own or control a combination of options and underlying futures that exceeds 6,300 futures equivalent contracts net on the same side of the market in any contract month.

For the purpose of this rule, the futures equivalent of an option contract is 1 times the previous business day's IOM risk factor for the option series. Also for purposes of this rule, a long call

[1] Revised July 1995.
[2] Revised March 1988; December 1990; August 1993; December 1997; November 2000; January 2001, March 2005, March 2006, March 2008.

option, a short put option, and a long underlying futures contract are on the same side of the market; similarly, a short call option, a long put option, and a short underlying futures contract are on the same side of the market.

101A01.G. Accumulation of Positions [1]

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, shall be cumulated.

101A01.H. Exemptions [2]

The foregoing position limits shall not apply to commercially appropriate risk reducing option positions defined in accordance with Regulation 1.3(z)(1) of the CFTC and meeting the requirements of Rule 559 and shall not apply to other option positions exempted pursuant to Rule 559.

101A01.I. Termination of Trading [3]

1. Options in the February Bi-Monthly Cycle

1. Options in the February Bi-Monthly Cycle
Options trading shall terminate on the first Friday of the delivery month of the underlying futures contract. If that Friday is not a business day, then trading shall terminate on the immediately preceding business day.
2. Options in the January Bi-Monthly Cycle
For monthly options that expire in months other than those in the February bi-monthly cycle, options trading shall terminate on the first Friday of the contract month, which is also a business day.
3. Weekly Options
For weekly options, trading shall terminate on Friday, except that no weekly option shall be designated to terminate on any Friday that is also the termination date for an option in either the January or February bi-monthly cycle. If that Friday is not a business day, then trading shall terminate on the immediately preceding business day.

101A01.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 these rules and all open and new options contracts shall be subject to such governmental orders.

101A02. EXERCISE

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of Live Cattle options.

101A02.A. Exercise of Option by Buyer

An option may be exercised by the buyer on any business day that the option is traded. To exercise an option, the clearing member representing the buyer shall present an exercise notice to the Clearing House by 7:00 p.m. on the day of exercise.

An option that is in the money and has not been liquidated or exercised prior to the termination of trading shall, in the absence of contrary instructions delivered to the Clearing House by 7:00 p.m. on the day of expiration by the clearing member representing the option buyer, be exercised

[1] Revised September 1986.
[2] Revised September 1988.
[3] Revised January 1990 effective with February 1991 and all subsequently listed contracts. Revised September 1992; December 1997; January 2001; September 2011.

automatically. [1]

Corrections to option exercises may be accepted by the Clearing House after the 7:00 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 unreconciled 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 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. [2]

101A02.B. Assignment

Exercise Notices accepted by the Clearing House shall be assigned through a process of random selection to clearing members with 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, but not later than 45 minutes prior to the opening of trading in the underlying futures contract on the following business day.

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

101A03. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES

(Refer to Rule 701. – ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES)

101A04.-29. [RESERVED]

FLEXIBLE LIVE CATTLE OPTIONS [3]

101A30. SCOPE OF FLEXIBLE OPTION RULES

Unless otherwise noted below, the following flexible option rules supersede the standard option regulations presented in the earlier part of the chapter.

101A31. FLEXIBLE OPTION CHARACTERISTICS

101A31.A. Nature of Flexible Contracts

Flexible options on Live Cattle futures shall be permitted in puts and calls that do not have the same underlying futures contract, and the same strike price, and the same exercise style, and the same expiration date as the standard listed options that are already available for trading.

Trading in standard options under certain flexible trading procedures shall be permitted prior to the listing of such options. Once and if these options are listed for trading as standard options, they will be traded only as standard options subject to the standard option trading requirements. Upon such listing, all existing open positions established under flexible procedures shall be fully fungible with transactions in the respective standard option series for all purposes under these regulations.

101A31.B. Trading Unit

The minimum size for requesting a quote and/or trading in a flexible option series is 10 contracts, where each contract represents an option to buy, in the case of a call, or to sell, in the case of a put, one Live Cattle futures contract as specified in Chapter 101. However, parties may request a

[1] Revision effective December 27, 1991. An option is in the money if the settlement price of the underlying futures contract at the termination of trading lies above the exercise price in the case of a call, or lies below the exercise price in the case of a put.
[2] Adopted August 1995.
[3] Effective June 1998.

quote and/or trade for less than 10 contracts in order to entirely close out a position in a flexible series.

Respondents to a request for quote must be willing to trade at least 10 contracts. However, a respondent may trade less than 10 contracts if the respondent is entirely closing out a position in the series.

101A31.C. Minimum Fluctuations

(Refer to Rule 101A01.C.–Minimum Fluctuations)

101A31.D. Underlying Futures Contracts

The underlying futures contract for a flexible option shall be any Live Cattle futures contract that is currently available for trading, as specified in Chapter 101.

101A31.E. Exercise Prices

Exercise prices shall be stated in terms of the Live Cattle futures contract that is deliverable upon exercise of the option and may be at intervals of .25 cents per pound for all levels from .25 to 1,000; e.g., 62.25, 62.50.

101A31.F. Position Limits

(Refer to Rule 101A01.F.–Position Limits)

101A31.G. Accumulation of Positions

(Refer to Rule 101A01.G.–Accumulation of Positions)

101A31.H. Exemptions

(Refer to Rule 101A01.H.–Exemptions)

101A31.I. Termination of Trading

Flexible option expiration dates may be specified for any Exchange business day up to and including the first Friday of the delivery month of the underlying futures contract. If that Friday is not a business day, then expiration dates may be specified for any Exchange business day up to and including the immediately preceding business day.

A new flexible option series may not be opened on its last day of trading. However, an existing flexible option series may be traded on its last day of trading.

101A31.J. Contract Modification

(Refer to Rule 101A01.J.–Contract Modification)

101A32. EXERCISE

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of flexible options on Live Cattle futures.

101A32.A. Exercise of Flexible Option by Buyer

Flexible options may be specified to have either American-style or European-style exercise.

A flexible option with American-style exercise may be exercised by the buyer on any business day that the option is traded and also on its expiration date. To exercise the option, the clearing member representing the buyer shall present an exercise notice to the Clearing House by 7:00 P.M. on the day of exercise.

A flexible option with European-style exercise may be exercised by the buyer only on the day that the option expires. To exercise the option, the clearing member representing the buyer shall present an exercise notice to the Clearing House by 7:00 P.M. on the day of exercise.

Any flexible option that is in the money and has not been liquidated or exercised prior to its expiration date shall, in the absence of contrary instructions delivered to the Clearing House by 7:00 P.M. on the day of termination of trading by the clearing member representing the option buyer, be exercised automatically.

101A32.B. Assignment

(Refer to Rule 101A02.B.–Assignment)

101A33. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES

(Refer to Rule 701. – ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES)

101A34. INITIATING A FLEXIBLE OPTION CONTRACT SERIES

For each trading session, the opening of trading in any flexible option series shall occur through a Request For Quote (RFQ). No RFQ's will be accepted prior to ten minutes after the daily scheduled opening time of the underlying futures. No RFQ's will be accepted within thirty minutes of the daily scheduled closing time of the underlying futures.

101A35. RESPONSE TIME INTERVAL

No trades against the first RFQ submitted for a flexible option series on any trading day may occur prior to the end of the Response Time Interval. The Response Time Interval shall be a 5 minute period and will begin immediately upon acceptance of an RFQ by the designated flexible option pit official. The designated flexible option pit official shall signal the end of the Response Time Interval for each RFQ.

101A36. RFQ TRADING INTERVAL

A flexible option series shall be immediately open for trading following the Response Time Interval. Priority for RFQ's is determined by order of submission to the RFQ official, except that all RFQ's submitted before the open shall be treated equally.

101A37. EXPIRATION OF AN RFQ

Trading in a given flexible option series following an RFQ shall remain open for the remainder of the trading session.

101A38. REPORTING OF FLEXIBLE OPTION TRADES

It shall be the responsibility of the participants in a flexible option trade to report the quantities and prices to the designated flexible option pit official in a timely manner, including any later trades in open flexible contract term series.

(End Chapter 101A)