

Chapter 203A

Options on Northern Bleached Softwood Kraft Pulp – Europe Futures

203A00. SCOPE OF CHAPTER

This chapter is limited in application to trading in put and call options on the Northern Bleached Softwood Kraft Pulp-Europe 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.

203A01. OPTION CHARACTERISTICS

203A01.A. Contract Months and Trading Hours

Options contracts shall be listed for such contract months and scheduled for trading during such hours as may be determined by the Board of Governors, subject to the requirement that all such determinations be submitted to the Commodity Futures Trading Commission in accordance with the provisions of Section 5a(12) of the Commodity Exchange Act and all Commission regulations thereunder.

203A01.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 Northern Bleached Softwood Kraft Pulp-Europe futures contract as specified in Chapter 203.

203A01.C. Minimum Fluctuations

The price of an option shall be quoted in dollars per metric tonne. Minimum price fluctuations shall be in multiples of \$.50 per tonne. A trade may also occur at a price of \$.25 per tonne, whether or not it results in the liquidation of positions for both parties to the trade.

203A01.D. Underlying Futures Contract

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 January is the January futures contract.

203A01.E. Exercise Prices

The exercise prices shall be stated in terms of dollars per metric tonne at intervals of \$5, e.g., \$470, \$475, \$480, etc.

At the commencement of option trading in a contract month, the Exchange shall list put and call options in a range of \$100 above and below the previous day's settlement price of the underlying futures contract.

When a sale, bid or offer in the underlying futures contract occurs at, or passes through, an exercise price, put and call option contracts at the next higher (or lower) exercise price in a \$100 range shall commence trading on the next trading day. 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, subject to the provisions of Section 5a(12) of the Commodity Exchange Act and CFTC regulations thereunder.

203A01.F. Position Limits

No person shall own or control a combination of options and underlying futures that exceeds 1,000 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 the purposes of this rule, a long call 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.

203A01.G. Accumulation of Positions

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 position of all accounts in which a person or person have a

proprietary or beneficial interest, shall be cumulated.

203A01.H. Exemptions

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.A. and shall not apply to other option positions exempted pursuant to Rule 559.

203A01.I. Termination of Trading

Options trading shall terminate on the same date and time as the underlying futures contract

203A01.J. Contract Modifications

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 government orders.

203A02. EXERCISE

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of Northern Bleached Softwood Kraft Pulp-Europe options.

203A02.A. Exercise of Option by Buyer

An option may be exercised by the buyer on any business day 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 p.m. on the day of final settlement by the clearing member representing the option buyer, be exercised automatically.

203A02.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 following acceptance by the Clearing House of the Exercise Notice.

203A03. EMERGENCIES, ACTS OF GOD, ACTS OF GOVERNMENT

If exercise or assignment or any precondition or requirement of either is prevented by a strike, fire, accident, act of government or act of God, the seller or buyer shall immediately notify the Exchange President. If the President determines that emergency action may be necessary, he shall call a special meeting of the Board of Governors and arrange for the presentation of evidence respecting the emergency condition. If the Board determines that an emergency exists, it shall take such action as it deems necessary under the circumstances and its decision shall be binding upon all parties to the contract.

(End Chapter 203A)

**INTERPRETATIONS AND SPECIAL NOTICES
RELATING TO CHAPTER 203A****LIMITATION OF LIABILITY AND DISCLAIMER**

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