

Chapter 259A

Options on South African Rand Futures

259A00. SCOPE OF CHAPTER

This chapter is limited in application to trading in put and call options on South African rand futures contracts. 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.

259A01. OPTION CHARACTERISTICS

259A01.A. Contract Months, Trading Hours, and Trading Halts

Options contracts shall be listed for such contract months (i.e., expirations) and scheduled for trading during such hours, except as indicated below, as may be determined by the Board of Directors.¹

There shall be no trading in any South African rand option contract when the primary futures contract for that currency is limit bid or offered.²

For purposes of this rule, the primary futures contract shall be defined as the futures contract trading in the lead month configuration in the pit.³

For purposes of this rule, Exchange staff for the South African rand currency shall have the responsibility of determining during RTH whether the primary futures contract is limit bid or offered. During Electronic Trading Hours (ETH), the determination shall be made by the GLOBEX Control Center.⁴

259A01.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 South African rand futures contract as specified in Chapter 259.

259A01.C. Price Increments

The price of an option shall be quoted in U.S. dollars per South African rand. Each \$.000025 per South African rand (two and one-half points) shall represent \$12.50. For example, a quote of .000875 represents an option price of \$437.50 (87.5 points x \$5.00 per point). The minimum fluctuation shall be two and one-half points (also known as one tick). A trade may also occur at a price of \$.0000125 (\$6.25, also known as one-half tick), whether or not it results in the liquidation of positions for both parties to the trade.

259A01.D. Underlying Futures Contract⁵

1. Monthly Options

The underlying futures contract is the same as the option contract month (i.e., the January futures is the contract underlying the January option).⁶

2. Weekly Options

For weekly South African rand options that expire before the monthly option, the underlying futures contract is the same as the option contract month. For weekly South African rand options that expire after the monthly option, the underlying futures contract is the futures contract of the next consecutive calendar month. For example, if Friday, May 9th is the expiration of the monthly option (whose underlying futures contract is the May futures), then for the option expiring Friday, May 2nd, the underlying futures contract is the May futures. In this same example, for the options expiring on the Fridays, May 16th, May 23rd, and May 30th, the underlying futures contract is the June futures.

¹ Revised January 1995, December 2001.

² Revised December 1995.

³ Revised September 1990; November 1995; December 1998.

⁴ Revised September 1990; November 2000.

⁵ Revised November 1986; March 1992; January 1995; November 1995.

⁶ Revised June 1997; June 1998; August 1998; September 2000.

259A01.E. Position Limits and Accountability¹

A person owning or controlling a combination of options and underlying futures contracts that exceeds 6,000 futures-equivalent contracts net on the same side of the market in all contract months combined for South African rand futures and options shall provide, in a timely fashion, upon request by the Exchange, information regarding the nature of the position, trading strategy, and hedging information if applicable. In addition, the Exchange President or his designee or the Business Conduct Committee may require, at their discretion, that such positions not be further increased. However, in no event shall a person own or control more than 5,000 futures-equivalent contracts in the spot month on or after the day one week prior to the underlying futures termination of trading day for the South African rand.²

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 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.

259A01.F. Accumulation of Positions³

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.

259A01.G. Exemptions⁴

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.

259A01.H. Termination of Trading⁵**1. Monthly Options on South African Rand Futures⁶**

Trading in monthly options on monthly South African rand futures contracts shall terminate at the close of trading on the second Friday immediately preceding the third Wednesday of the contract month. If the foregoing date for termination is a scheduled Exchange holiday, trading in monthly options shall terminate on the immediately preceding business day. In the event that the underlying futures market does not open on the scheduled expiration day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

2. Weekly Options on South African Rand Futures

Trading in weekly options on the South African rand futures contract shall terminate at the close of trading on those Fridays that are not also the termination of trading of a monthly option as described in the immediately preceding paragraph. If the foregoing date for termination is a scheduled Exchange holiday, trading in weekly options shall terminate on the immediately preceding business day. In the event that the underlying futures market does not open on the scheduled expiration day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

259A01.I. 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

¹ See "Interpretations & Special Notices" at the end of this chapter. Paragraph one applicable to September 1988, December 1988 and all subsequently listed contracts. Revised March 1986; November 1986; December 1987; September 1988; February 1991; January 1992; April 1993; April 1995; November 1995; July 1996; April 1998; August 2000; June 2003.

² Adopted May 1997.

³ Revised September 1986.

⁴ See "Interpretations & Special Notices" at the end of this chapter. Revised March 1986; November 1986; December 1987; September 1988.

⁵ Revised December 1986; February 1990; March 1992; January 1995; November 1995; June 1997 April 1998; September 2000; December 2001.

⁶ Effective June 1997. Revised December 2001.

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.

259A01.J. Exercise Prices¹

Regular exercise prices shall be stated in terms of U.S. dollars per South African rand at intervals of \$0.00250, e.g., \$0.21750, \$0.22000, \$0.22250, etc.

259A02. LISTING OF EXERCISE PRICES²

1. Monthly Options³

At the commencement of trading in a contract month for monthly options on South African rand futures, the Exchange shall list put and call options at the regular exercise price that is nearest the previous day's settlement price of the underlying futures contract. In addition, the Exchange shall list put and call options at the next eight higher and next eight lower regular exercise prices for options on South African rand futures.

When a sale, bid, offer, or settlement price in the underlying futures occurs within half a regular exercise price interval of the eighth highest or eighth lowest existing regular exercise price for options on South African rand futures, put and call options at the next higher or next lower regular exercise price shall be listed for 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.

2. Weekly Options

Upon demand, the Exchange shall list any exercise price for the weekly options that is eligible for listing for the nearest monthly option with the same underlying futures contract.

3. Dynamically-Listed Exercise Prices.

Upon demand and at the discretion of the Exchange, new out-of-current-range exercise prices at regularly defined intervals may be added for trading on as soon as possible basis.

259A03. EXERCISE⁴

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of option contracts on South African rand futures.

259A03.A. Exercise of Option by Buyer⁵

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 any day of exercise except on the termination of trading day.

All South African rand options that are in the money⁶ and have not been liquidated or exercised prior to the termination of trading, shall be exercised automatically.

259A03.B. Assignment⁷

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 before the opening of Regular Trading Hours 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 is exercised or a long position if a put is exercised. The

¹ Revised November 2002.

² Revised November 1986; June 1987; August 1990; April 1998.

³ Effective June 1997. Revised September 2000, December 2001; November 2002.

⁴ Revised April 1998.

⁵ Revised December 1986; February 1990; March 1992; December 1995, March 2008.

⁶ An option is in the money if the settlement price of the underlying futures contract at termination lies above the exercise price in the case of a call, or lies below the exercise price in the case of a put.

⁷ Revised February 1990.

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.

259A04. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES

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

(End Chapter 259A)

INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER 259A

CLARIFICATION OF NEW NON-AGRICULTURAL OPTION SPECULATIVE POSITION LIMIT RULE

(Special Executive Report S-1618, March 31, 1986)

Please note that the new non-agricultural option speculative position limit rule supersedes the speculative position rule for the underlying futures contract. Therefore, for example, a trader may hold a gross futures position that exceeds the futures position limit rule if that gross position is part of a spread with options, such that the net position across options and futures is less than the applicable limit set in the option rule.