

## Chapter 401A

### Options on S&P GSCI™ Commodity Index Futures

#### 401A00. SCOPE OF CHAPTER

This chapter is limited in application to trading in put and call options on the S&P GSCI Commodity Index futures contract ("GSCI options"). 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.

#### 401A01. OPTION CHARACTERISTICS

##### 401A01.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 Directors.

##### 401A01.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 S&P GSCI Commodity Index futures contract as specified in Chapter 401.

##### 401A01.C. Minimum Fluctuations <sup>1</sup>

The price of an option shall be quoted in S&P GSCI Futures Price Index points. Each 0.005 Index point shall represent \$1.25. The minimum fluctuation shall be 0.05 Index points representing \$12.50 (also known as one tick). Trades may also occur at a price of .025 Index points (\$6.25, also known as one-half tick) whether or not such trades result in the liquidation of positions for both parties to the trade.

##### 401A01.D. Underlying Futures Contract <sup>2</sup>

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.

##### 401A01.E. Exercise Prices <sup>3</sup>

The exercise prices shall be stated in terms of the S&P GSCI Commodity Index futures contract which is deliverable upon exercise of the option. For all contract months, the exercise prices shall be even-numbered integers, e.g., 180, 182, 184, etc. In addition, for the nearest contract month, some exercise prices shall be at odd-number integers, e.g. 180, 181, 182, etc., as is described below.

At the commencement of option trading in a contract month the Exchange shall list all eligible exercise prices in a range of 20 index points above and below the previous day's settlement price of the underlying futures contract. If the previous day's settlement price equals an eligible exercise price, then that exercise price shall be listed also.

When a sale, bid, offer, or settlement price in the underlying futures contract occurs at, or passes through, any 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 20 index point range above (or below) the

<sup>1</sup> Revised December 1992; May 1996; May 1999.

<sup>2</sup> Revised December 1992; May 1996.

<sup>3</sup> Revised May 1996, December 2001; November 2008.

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 last day of trading.

When a contract month becomes the nearest contract month, the Exchange shall add exercise prices at an interval of odd-numbered integers in a range of 12 index points above and below the previous day's settlement price of the underlying futures contract. If the previous day's futures contract equals an eligible odd-numbered exercise price, then that exercise price shall also be listed. Thereafter, when a sale, bid, offer, or settlement price in the underlying futures contract occurs at, or passes through, an odd-numbered 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 12 index point range above (or below) the exercise price at which or through which the underlying futures sale, bid, offer, or settlement price occurred.

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.

#### **401A01.F. Position Limits**

No person shall own or control a combination of options and underlying futures contracts that exceeds 10,000 futures-equivalent contracts net on the same side of the market in all contract months combined.

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.

#### **401A01.G. Accumulation of Positions**

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.

#### **401A01.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 and shall not apply to other option positions exempted pursuant to Rule 559.

#### **401A01.I. Termination of Trading <sup>1</sup>**

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

#### **401A01.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.

### **401A02. EXERCISE**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of the S&P GSCI Commodity Index options.

#### **401A02.A. Exercise of Option by Buyer <sup>2</sup>**

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

An option that is in the money<sup>1</sup> and has not been liquidated or exercised prior to the termination of

<sup>1</sup> Revised May 1996.

<sup>2</sup> Revised June 1996.

trading shall, in the absence of contrary instructions delivered to the Clearing House by 7:00 p.m. on the business day of expiration by the clearing member representing the option buyer, be automatically exercised.

If the Final Settlement Price of the underlying futures contract, as determined in Rule 40103.A, occurs on any day other than the last day of trading, exercise and final settlement of the option will occur on that same day.

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.<sup>2</sup>

#### **401A02.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.

#### **401A03. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

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

(End Chapter 401A)

### **INTERPRETATIONS AND SPECIAL NOTICES RELATING TO CHAPTER 401A**

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<sup>1</sup> An option is in the money if the settlement price of the underlying futures contract lies above the exercise price in the case of a call, or lies below the exercise price in the case of a put. In the case of an option in the February bi-monthly cycle, the settlement price shall be the Final Settlement Price as determined in Rule 40103.A.

<sup>2</sup> Adopted August 1995.

**CLARIFICATION OF NON-AGRICULTURAL OPTION SPECULATIVE POSITION LIMIT RULE**

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

Please note that the non-agricultural option speculative position limit rule, in effect at this time, 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 options rule.