

## Chapter 432B

### CME Hurricane Index Seasonal Maximum Cat-In-A-Box Binary Contract

#### 432B00. SCOPE OF CHAPTER

This chapter is limited in application to binary contracts on the seasonal maximum value of the respective CME Hurricane Index™ (“CHI”™) for Cat-In-A-Box. In addition to this chapter, binary contracts on the CHI Seasonal Maximum Cat-In-A-Box shall be subject to the general rules and regulations of the Exchange insofar as applicable.

For purposes of this chapter, unless otherwise specified, times referred herein shall refer to and indicate Chicago time.

#### 432B01. CONTRACT SPECIFICATIONS

CHI Seasonal Maximum Cat-In-A-Box values will be calculated by MDA Information Systems, Inc., using the methods described in the “CME Hurricane Index: Scope and Definitions” document, for hurricanes entering the geographic areas specified in Chapter 432.

Separate binary contracts will be listed for trading on the maximum CHI Cat-in-a-Box final settlement value for hurricanes that enter a specific geographic area (e.g., Galveston-Mobile) between January 1 and December 31 inclusive of a calendar year.

#### 432B02. CALL OPTIONS CHARACTERISTICS

##### 432B02.A. Trading Schedule

Binary contracts shall be scheduled for trading during such hours in such months as may be determined by the Exchange.

##### 432B02.B. Trading Unit

The unit of trading shall be \$10,000.

##### 432B02.C. Minimum Fluctuations

The price of a binary contract shall be quoted in points, in a range between 0 (zero) and 100. Each point represents \$100. For example, a quote of 12.24 points represents a price of \$1,224. The minimum fluctuation shall be 0.01 points (also known as one tick), equal to \$1.

##### 432B02.D. [Reserved]

##### 432B02.E. Exercise Prices

Exercise prices shall be stated in terms of the respective CHI. Eligible exercise prices shall be at intervals of 1 CHI index point (e.g., 10, 11, 12, etc.).

At the commencement of trading in a contract, binary contracts shall be listed at intervals of 1 CHI index point in a range of 1 to 50 CHI index points. New binary contracts may be listed for trading up to and including the termination of trading.

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

##### 432B02.F. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

**432B02.G. [Reserved]**

**432B02.H. [Reserved]**

**432B02.I. Termination of Trading**

Trading shall terminate at 9:00 a.m. on the first Exchange Business Day that is at least five calendar days following December 31.

**432B02.J. [Reserved]**

**432B02.K. [Reserved]**

### **432B03. EXERCISE AND ASSIGNMENT**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of CHI binary contracts.

**432B03.A. Exercise of Binary Contract by Buyer**

A binary contract may be exercised by the buyer on any Business Day that the contract is traded. Exercise of a binary contract 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.

A binary contract that is in the money (i.e., the respective CHI is equal to or greater than the exercise price) and has not been liquidated 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 buyer, be exercised automatically.

**432B03.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 before the opening of Regular Trading Hours on the following Business Day.

The buyer of a binary contract shall receive \$10,000 if the seasonal maximum of the respective CHI is equal to or greater than the exercise price, and shall receive zero dollars (\$0) otherwise. The seller of a binary contract shall be obligated to pay \$10,000 if the seasonal maximum of the respective CHI is equal to or greater than the exercise price, and shall be obligated to pay zero dollars (\$0) otherwise.

For example, on January 5, 2006, the 2005 Galveston-Mobile Seasonal Maximum Cat-In-A-Box binary contract would have been settled at 22.4 CHI index points. Therefore, buyers of such binary contracts with exercise prices equal to or less than 22 would have received \$10,000 for each such binary contract from the sellers of each such binary contract, and buyers of such binary contracts with exercise prices of 23 or greater would have received nothing.

**432B03.C. Final Settlement**

All binary contracts remaining open at the termination of trading shall be settled using the respective CHI seasonal maximum Cat-In-A-Box final value reported by MDA Information Systems, Inc., using the methodology in effect on that date.

Clearing members holding open positions in a CHI seasonal maximum Cat-In-A-Box binary contract that is in the money at the termination of trading in that contract shall make payment to or receive payment from the Clearing House in accordance with normal variation performance bond procedures. All such positions shall be settled at a price of 100 points, equal to \$10,000, 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.

**432B04. [RESERVED]**

**432B05.-06. [RESERVED]**

(End Chapter 432B)

## **INTERPRETATIONS AND SPECIAL NOTICES RELATING TO CHAPTER 432B**

### **LIMITATION OF LIABILITY AND DISCLAIMER**

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