

Chapter 116

Silver Option

116.01. DELETED

Deleted.

116.02. TRADING MONTHS OF SILVER OPTIONS

Silver options shall be listed for trading on the nearest five of the March, May, July, September, and December futures contracts. The nearest of the January, February, April, June, August, October, and November contract month shall be listed for trading for a period of two months from the current listed month. In addition, July and December options contract months shall be listed for sixty (60) months from the current listed month.

116.03. STRIKE PRICES

For all months:

(a) If the underlying futures price is less than \$25.00 per ounce, forty (40) strike prices in \$0.05 increments above and below the at-the-money strike price will be listed; and forty (40) strike prices in \$0.25 increments above and below the highest and lowest \$0.05 increment, respectively, will be listed; and ten (10) strike prices in \$1.00 increments above and below the highest and lowest \$0.25 increment, respectively, will be listed..

If the underlying futures price is greater than \$25.00 per ounce, forty (40) strike prices in increments of \$0.25 above or below the at-the-money strike price will be listed; and forty (40) strike prices in \$1.00 increments above and below the highest and lowest \$0.25 increment, respectively, will be listed.

(b) Notwithstanding the provisions of section (a) of this Rule 116.03, if the Exchange determines that trading in silver option contracts will be facilitated thereby, the Exchange may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded on the first day in any new option contract month, the price of the silver futures contract at which a new strike price will be introduced, or the period preceding the expiration of a silver option contract in which no new strike prices may be introduced.

(c) In addition to strike prices authorized pursuant to other sections of this Rule 116.03, the Exchange may direct that additional strike prices be added.

116.04. PRICE MULTIPLES FOR SILVER OPTIONS

Prices for silver options shall be in multiples of one-tenth of one cent per troy ounce of silver represented by the underlying futures contract.

116.05. PRICE LIMITS AND CESSATION OF TRADING IN SILVER OPTIONS

Trades in silver options shall not be subject to price limits.

116.06. PAYMENT OF PREMIUM

(a) The purchaser of a silver futures option shall pay the full premium therefor to the Clearinghouse not later than the time which the Clearinghouse requires on the business day following the purchase of the option.

(b) The grantor of a silver futures option shall receive the full premium therefor from the Clearinghouse not later than the close of business on the business day following the sale of the option.

116.07. DELETED

Deleted.

116.08. EXPIRATION AND EXERCISE OF SILVER OPTIONS

(a) A silver futures option shall expire at the close of trading four business days prior to the end of the month preceding the option contract month; provided, however, that (1) if such day is a Friday, the expiration date shall be the preceding business day or (2) if such day is the day immediately prior to an Exchange holiday, the expiration date shall be the preceding business day. In the event that the official Exchange holiday schedule changes subsequent to the listing of Silver futures option, the originally listed expiration date shall remain in effect. In the event that the originally

listed expiration day is declared a holiday, expiration will move to the business day immediately prior.

(b) An option which is subject to automatic exercise shall be exercised in accordance with the rules and procedures of the Clearinghouse. All other options shall expire unless Notice of Exercise is given to a Clearing Member not later than 3:00 P.M. on the option's Expiration Date. In the event that the originally listed expiration day is declared a holiday, expiration will move to the business day immediately prior.

116.09. NOTICE OF EXERCISE

(a) Notice of exercise of an option shall be presented to the Clearinghouse in accordance with such rules and procedures as the Clearinghouse may adopt.

(b) On the same day the Clearinghouse receives a notice of exercise of an option or automatically exercises an option the Clearinghouse shall allocate exercised options in accordance with its rules. On the following business day the Clearinghouse shall notify clearing members which of its short options were exercised.

(c) Clearing members shall make every effort to notify prior to 9:00 a.m. (New York time) on the following business day the grantor of any option who is allocated an exercised option. Clearing members shall, also, make every effort to notify prior to 9:00 a.m. (New York time) on the business day following the expiration of an option the grantor of any in-the-money option who is not allocated an exercised option.

(d) A Notice of Exercise for a silver futures call option shall be in the following form:

NOTICE OF EXERCISE OF A SILVER FUTURES CALL OPTION

New York, 20
(0:00 o'clock)

To ()

Take notice that effective upon the opening of silver trading on ,20 we shall purchase from you and you shall sell to us one Commodity Exchange, Inc. futures contract for 5000 troy ounces of silver at a price of dollars per troy ounce (the strike price of the option) for delivery between the first and last delivery days of (the option contract month).

Signed ()

(e) A Notice of Exercise for a silver futures put option shall be in the following form:

NOTICE OF EXERCISE OF SILVER FUTURES PUT OPTION

New York, 20
(0:00 o'clock)

To ()

Take notice that effective upon the opening of silver trading on ,20 we shall sell to you and you shall purchase from us one Commodity Exchange, Inc. futures contract for 5000 troy ounces of silver at a price of dollars per troy ounce (the strike price of the option) for delivery between the first and last delivery days of (the option contract month).

Signed ()

(f) A Notice of Exercise of a silver futures option cannot be transferred or assigned. A member receiving a Notice of Exercise of a silver futures call option shall be entered as the seller of a silver futures contract for delivery in the month corresponding to the option contract month at the strike price of the silver futures call option and a member receiving a Notice of Exercise of a put futures option shall be entered as the purchaser of a silver futures contract for the delivery month corresponding to the option contract month at the strike price of the silver futures put option.

116.10. FORM OF SILVER OPTIONS

(a) All silver options in the February and January expiration cycle shall be in the following form:

COMMODITY EXCHANGE, INC.
SILVER FUTURES OPTION

New York, N.Y. 20

A.B. has this day sold to C.D. and agreed to honor on timely notice of Exercise a (call) silver futures option, to (purchase) one contract of 5000 troy ounces of silver for (put) (sell)

for delivery in (the option contract month) at a price of \$_____ per troy ounce (the strike price). Upon the Notice of Exercise, the buyer and seller of this futures option shall become the buyer and seller, respectively, if the futures option is a futures call option, or the seller and buyer, respectively, if the futures option is a futures put option, of a Commodity Exchange, Inc. silver futures contract on the terms stated above.

The contract is, and any silver contract resulting from the exercise shall be, made in view of, and in all respects subject to the By-Laws, Rules and Resolutions of Commodity Exchange, Inc.

For and in consideration of a premium which the futures option buyer pays to the futures option seller, the undersigned accepts this contract with all its obligations and conditions.

Verbal contracts (which shall always be presumed to have been made in the approved form) shall have the same standing, force and effect as written ones, if notice in writing of such contracts shall have been given by one of the parties thereto to the other party during the day on which such contract is made.