

Chapter 370

Henry Hub Natural Gas Option

370.01 EXPIRATION OF HENRY HUB NATURAL GAS OPTION

A Henry Hub Natural Gas Option on the Exchange shall expire at the close of trading on the business day immediately preceding the expiration of the underlying futures contract. The expiration date shall be announced prior to the listing of the option contract.

370.02 TRADING UNIT FOR THE HENRY HUB NATURAL GAS OPTIONS

A natural gas put or call option contract traded on the Exchange represents an option to assume a short or long position in the underlying futures contract traded on the Exchange.

370.03 TRADING MONTHS FOR HENRY HUB NATURAL GAS OPTIONS

Trading in Henry Hub Natural Gas Options shall be conducted in the months as shall be determined by the Board of Directors. Trading shall be commenced on the day fixed by resolution of the Board of Directors.

370.04 HOURS OF TRADING IN HENRY HUB NATURAL GAS OPTION

The hours of trading shall be the same as the hours of trading for the natural gas futures contracts. All such trading shall take place on the trading floor of the Exchange within the hours prescribed by the Board.

370.05 STRIKE PRICES FOR NATURAL GAS OPTIONS CONTRACT

(A) Trading shall be conducted for options with strike prices in increments as set forth below.

(B) On the first business day of the trading in an option contract month, trading shall be at the following strike prices;

(1) For the first three listed expiration months, (i) the previous day's settlement price for natural gas futures contracts in the corresponding delivery month rounded off to the nearest five-cent strike price unless such settlement price is precisely midway between two strike prices in which case it shall be rounded off to the lower strike price and (ii) the forty five-cent strike prices which are twenty increments higher than the strike price described in subsection (B)(1)(i) of this Rule and (iii) the twenty five-cent strike prices which are twenty increments lower than the strike price described in subsection (B)(1)(i) of this Rule and (iv) an additional ten strike prices for both call and put options will be listed at twenty-five cent increments above the highest five-cent increments as described in subsection (B)(1)(ii) of this rule beginning with the first available such strike that is evenly divisible by \$0.25 and (v) an additional ten strike prices for both call and put options will be listed at twenty-five cent increments below the lowest five-cent increment as described in subsection (B)(1)(iii) of this rule, beginning with the first available such strike that is evenly divisible by \$0.25.

(2) From the fourth listed trading month forward, (i) the previous day's settlement price for natural gas futures contracts in the corresponding delivery month rounded off to the nearest five-cent strike price unless such settlement price is precisely midway between two strike prices in which case it shall be rounded off to the lower strike price and (ii) the twenty five-cent strike prices which are twenty increments higher than the strike price described in subsection (B)(2)(i) of this Rule and (iii) the twenty five-cent strike prices which are twenty increments lower than the strike price described in subsection (B)(2)(i) of this Rule and (iv) an additional ten strike prices for both call and put options will be listed at twenty-five cent increments above the highest five-cent increments as described in subsection (B)(2)(ii) of this rule beginning with the first available such strike that is evenly divisible by \$0.25 and (v) an additional ten strike prices for both call and put options will be listed at twenty-five cent increments below the lowest five-cent increment as described in subsection (B)(2)(iii) of this rule, beginning with the first available such strike that is evenly divisible by \$0.25.

(C) Thereafter, on any business day prior to the expiration of the option, new consecutive strike prices for

both puts and calls will be added in the following manner;

(1) For the first three listed expiration months, (i) new consecutive strike prices for both puts and calls will be added such that at all times there will be at least forty five-cent strike prices above the at-the-money strike and twenty five-cent strikes below the at-the-money strike price available for trading in all options contract months and (ii) new twenty-five cent increment strikes will be added such that at all times there shall be ten twenty-five cent strike prices above the highest five-cent strike and ten twenty-five cent increment strikes below the lowest five-cent strike. The at-the-money strike price will be determined in accordance with the procedures set forth in Subsection (B)(1)(i) of this rule.

(2) From the fourth listed trading month forward, (i) new consecutive strike prices for both puts and calls will be added such that at all times there will be at least twenty five-cent strike prices above and below the at-the-money strike price available for trading in all options contract months and (ii) new twenty-five cent increment strikes will be added such that at all times there shall be ten twenty-five cent strike prices above the highest five-cent strike. The at-the-money strike price will be determined in accordance with the procedures set forth in Subsection (B)(2)(i) of this rule.

(D) Notwithstanding the provisions of subsections (A) through (C) of this Rule, if the Board determines that trading in natural gas options will be facilitated thereby, the Board may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded in the first day in any new option contract month, the number of new strike prices which will be introduced on each business day or the period preceding the expiration of a natural gas futures option in which no new strike prices may be introduced.

370.06 PRICES IN HENRY HUB NATURAL GAS OPTIONS

Prices shall be quoted in dollars and cents per million British thermal units (MMBtu) and prices shall be in multiples of \$.001 per MMBtu. A cabinet trade may occur at a price of \$.0001 per MMBtu.

370.07 ABSENCE OF PRICE FLUCTUATION LIMITATIONS FOR HENRY HUB NATURAL GAS OPTIONS

Trading in Henry Hub Natural Gas Options shall not be subject to price fluctuation limitations.

CHANGE HISTORY

370.01 Expiration of Henry Hub Natural Gas Option: (Amended: 09/20/93)

370.05 Strike Prices for Natural Gas Options Contract: (Amended: 05/94, 05/21/96, 09/03/96, 09/19/97, 12/12/97)