



## Special Executive Report

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**DATE: October 28, 2011**

**SER#: 5991**

### **SUBJECT: Silver Options – Trading Month Listing and Strike Prices**

Effective Sunday, December 4, 2011, for trade date Monday, December 5, 2011, the Commodity Exchange, Inc. (COMEX or Exchange) will expand the strike price listing rule for its Silver option contract (commodity code SO) from 10 strike price increments to 40 strike price increments. The expansion of the Silver Option strike price increments (Rule 116.03, Strike Prices) has been made to provide greater flexibility to the trading community. The Commodity Futures Trading Commission (CFTC) will be notified of these strike price interval changes during the week of December 12, 2011 via the weekly notification procedures set out in Part 40 of the CFTC Regulations.

Also effective Sunday, December 4, 2011, for trade date Monday, December 5, 2011, and pending all relevant CFTC regulatory review periods, the Exchange will amend Rule 116.02 (Trading Months of Silver Options) in order to clarify the contract month listing rule.

Silver Options are listed for trading on the COMEX trading floor and CME Globex and for submission for clearing through CME ClearPort.

(underline indicates addition; strikethrough indicates deletion)

#### **Chapter 116 Silver Option**

#### **116.03. STRIKE PRICES**

For all months:

~~(a) For the first three (3) trading months, strike prices for silver option contracts shall be in the following increments per troy ounce of silver for at an interval of five cents (\$.05). Trading in puts and calls on the first day of a new option contract month shall be at the following twenty strike prices: (i) the previous day's settlement price for silver futures contracts in the corresponding delivery month rounded off to the nearest strike price unless such settlement price is precisely midway between two strike prices, in which case it shall be rounded off to the higher price; (ii) the twenty strike prices which are twenty increments higher than the strike price described in (i) of this Rule 116.03(a); (iii) the twenty strike prices which are twenty increments lower than the strike price described in (i) of this Rule 116.03(a), thereafter, additional strike prices are added such that there will be at least twenty strike price increments above and below the at-the-money option; (iv) an additional ten strike prices for both call and put options will be listed at \$.25 increments above the highest five-cent increment as described in (ii) of this Rule 116.03 (a), beginning with the first available such strike that is evenly divisible by \$.25; and (v) an additional ten strike prices for both call and put options will be listed at \$.25 increments below the lowest five-cent increment as described in (iii) of this Rule 116.03(a), beginning with the first available such strike that is evenly divisible by \$.25.~~

(b) For all other trading months, 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..

~~strike prices shall be the same as in Rule 116.03 (a). If the underlying futures price is greater than \$25.00 per ounce, strike prices are at an interval of \$.10 for the 20 strike prices above and 20 strike prices below the at-the-money strike price. An additional 10 strike prices will be listed at \$.25 increments above the highest \$.10 increment and an additional ten strike prices will be listed at \$.25 increments below the lowest \$.10 increment, beginning with the first available strike that is evenly divisible by \$.25; 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.~~

~~strike prices for silver option contracts shall be in the following increments per troy ounce of silver at an interval of ten cents (\$.10). Trading in puts and calls on the first day of a new option contract month shall be at the following twenty strike prices: (i) the previous day's settlement price for silver futures contracts in the corresponding delivery month rounded off to the nearest \$.10 strike price unless such settlement price is precisely midway between two strike prices, in which case it shall be rounded off to the higher price; (ii) the twenty strike prices which are twenty \$.10 increments higher than the strike price described in (i) of this Rule 116.03(b); (iii) the twenty \$.10 strike prices which are twenty increments lower than the strike price described in (i) of this Rule 116.03(b); (iv) an additional ten strike prices for both call and put options will be listed at \$.25 increments above the highest \$.10 increment as described in (ii) of this Rule 116.03 (b) beginning with the first available such strike that is evenly divisible by \$.25; and (v) an additional ten strike prices for both call and put options will be listed at \$.25 increments below the lowest \$.10 increment as described in (iii) of this Rule 116.03(b), beginning with the first available such strike that is evenly divisible by \$.25.~~

(~~b~~) Notwithstanding the provisions of sections (a) ~~and (b)~~ 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.

## 116.02. TRADING MONTHS OF SILVER OPTIONS

~~Silver options shall be listed for trading on the nearest five of the on 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. Contracts, in accordance with their expiration cycle:~~

~~(a) Options which expire in the months of February, April, June, August, and November in the twelve-month period commencing from the current calendar month (the "February expiration cycle") shall be listed for trading for expiration into silver futures contracts in the nearest five of the following months: March, May, July, September and December, respectively. In addition, options which expire in all the June and November calendar months during the period commencing eighteen months from the current calendar month shall be listed for trading for expiration into the July and December silver futures contracts, respectively, after the applicable underlying futures contract is listed for trading.~~

~~(b) Options which expire in January, March, May, July, September, October, and December (the "January expiration cycle") shall be listed for trading of the nearest of the following five futures contract delivery months: March, May, July, September and December.~~

~~(c) Notwithstanding the provisions of this subsection, if the Board determines that trading in silver options will be facilitated thereby, the Board may, by resolution, add additional months that are not currently listed.~~

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