



## Special Executive Report

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**DATE:** May 19, 2011

**SER#:** 5734

**SUBJECT: Gold Option – Expansion of to Listing Schedule  
Silver and Copper Options – Addition of Strike Prices**

Effective Sunday, June 19, 2011, for trade date Monday, June 20, 2011, the Commodity Exchange, Inc. (COMEX or Exchange) will expand the listing schedule for the Gold Option contract (Chapter 115, commodity code OG) and offer additional strike prices for the Silver Option (Chapter 116, commodity code SO) and Copper Option (Chapter 117, commodity code HX) contracts. These changes have been made to provide greater flexibility to the trading community. In order to effectuate these changes, the following rule amendments will be implemented effective trade date June 20, 2011. Gold, Silver and Copper options are listed for trading on the COMEX trading floor and CME Globex and for submission for clearing through CME ClearPort.

### **Gold Options**

The Exchange is expanding the listing of certain cycle and non-cycle months for the Gold Option contract. While the June/December cycle months are currently listed for 72 months, the February, April, August and October contracts are currently only listed over the next 12 calendar months and the non-cycle months are listed for two months at a time. This expansion will enable the Gold Option contract to be listed over the next 20 consecutive calendar months, with the exception of the June/December cycle months which shall continue to be listed for 72 months.

(underline indicates addition; strikethrough indicates deletion)

#### **115.02. TRADING MONTHS**

~~Gold options shall be listed for trading on February, April, June, August, October and December futures contracts, in accordance with their expiration cycle.~~

(a) ~~Options which expire in the months of January, March, May, July, September and November in the twelve-month period commencing from the current calendar month (the "March expiration cycle") shall be listed for trading for expiration into gold futures contracts in the nearest six of the following months: February, April, June, August, October and December, respectively. In addition, options which expire in all the May and November calendar months falling within a 72-month period shall be listed for trading for expiration into the June and December gold futures contracts, respectively, after the applicable underlying futures contract is listed for trading.~~

(b) Options which expire in February, April, June, August, October, and December (the "February expiration cycle") shall be listed for trading of the nearest of the following six futures contract delivery months: February, April, June, August, October and December. Gold options shall be listed for trading on each of the nearest twenty (20) consecutive futures contract months. In addition, June and December option contract months shall be listed for seventy-two (72) months from the current listed month.

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

### **Silver Options**

The Exchange is offering additional out-of-the-money strike prices based on the level of futures prices.

Specifically, intervals would be divided for the first three months and all other months. For the first three months, the intervals would be set at \$.05 with additional strike prices at \$.25 intervals above and below

the \$.05 intervals, regardless of the price. For all other months, the strike prices would be set at \$.10 with additional strike prices at \$.25 above or below the \$.10 intervals if the price is greater than \$25.00/troy ounce. If the price is less than \$25.00/troy ounce, the intervals would be set at \$.05 with additional strike prices at \$25 above or below the \$.05 intervals.

(underline indicates addition; strikethrough indicates deletion)

### **116.03. STRIKE PRICES**

(a) For the first three (3) trading months, sStrike 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); ~~and~~ (iii) the twenty strike prices which are twenty increments lower than the strike price described in (i) of this Rule 116.03(a). ~~t~~ Hereafter, 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, 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 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.

(~~c~~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.

(~~d~~e) 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.

### **Copper Options**

The Exchange is offering additional out-of-the-money strike prices based on the level of futures prices.

Specifically, for the first three months, strike prices are at an interval of \$.01. An additional ten strike prices will be listed at \$.05 increments above and below the highest and lowest one-cent increment, respectively, beginning with the strike price evenly divisible by \$.05. For all other trading months, strike prices are at an interval of \$.05 if the underlying futures price is less than \$2.00 per pound. If the underlying futures price is greater than \$2.00 per pound, strike prices are at an interval of \$.05 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 \$.05 increment and an additional ten strike prices will be listed at \$.25 increments below the lowest \$.05 increment, beginning with the first available strike that is evenly divisible by \$.25.

(underline indicates addition; strikethrough indicates deletion)

**117.04.**

**STRIKE PRICES**

(a) For the first three (3) trading months, sStrike prices for copper option contracts shall be in the following increments per pound of copper for all trading months at an interval of one cent (\$.01). Trading in puts and calls on the first day of a new option contract month shall be at the following forty-one strike prices: (i) the previous day's settlement price for copper 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; ~~and~~ (ii) the twenty strike prices which are the twenty increments higher than the strike price described in (i) of this Rule 117.04(a); ~~and~~ (iii) the twenty strike prices which are twenty increments lower than the strike price described in (i) of this Rule 117.04(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 \$.05 increments above the highest one cent increment as described in (ii) of this Rule 117.04 (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 \$.05 increments below the lowest five-cent increment as described in (iii) of this Rule 117.04 (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 \$2.00 per pound, strike prices shall be the same as in Rule 117.04 (a). If the underlying futures price is greater than \$2.00 per pound, strike prices for copper option contracts shall be in the following increments per pound of copper 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 copper futures contracts in the corresponding delivery month rounded off to the nearest \$.05 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 \$.05 increments higher than the strike price described in (i) of this Rule 117.04(b); (iii) the twenty \$.05 strike prices which are twenty increments lower than the strike price described in (i) of this Rule 117.04 (b); (iv) an additional ten strike prices for both call and put options will be listed at \$.25 increments above the highest \$.05 increment as described in (ii) of this Rule 117.04 (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 \$.05 increment as described in (iii) of this Rule 117.04(b), beginning with the first available such strike that is evenly divisible by \$.25.

(c) Notwithstanding the provisions of sections (a) and (b) of this Rule 117.04~~(a)~~, if the Exchange determines that trading in copper 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 copper futures contract at which a new strike price will be introduced, or the period preceding the expiration of a copper option contract in which no new strike prices may be introduced.

(d) In addition to strike prices authorized pursuant to other sections of this Rule 117.04, the ~~President of the~~ Exchange ~~or his designee~~ may direct that additional strike prices be added.

Please refer questions on this subject to:

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