

## Special Executive Report

S-4576

May 18, 2007

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### **1. CME-CARVILL HURRICANE INDEX SEASONAL FUTURES & OPTIONS AND CME-CARVILL HURRICANE INDEX SEASONAL MAXIMUM FUTURES & OPTIONS CONTRACTS ARE SCHEDULED TO LAUNCH ON MONDAY, MAY 21, 2007**

CME-Carvill Hurricane Indexes are scheduled to launch on Monday, May 21, 2007. The following contracts will be listed for trading:

- Gulf Coast (Brownsville, TX to AL/FL Border)
- Florida (AL/FL Border to Fernandina Beach, FL)
- Southern Atlantic Coast (Fernandina Beach, FL to NC/VA Border)
- Northern Atlantic Coast (NC/VA Border to Eastport, ME)
- Eastern US (Brownsville, TX to Eastport, ME)

**Seasonal:** Separate futures contracts will be listed for trading on the accumulated Carvill Hurricane Index (CHI) for all hurricanes that occur within a specific location (e.g., all hurricanes that make landfall in the Gulf Coast) between June 1 and November 30 inclusive of a calendar year.

**Seasonal Maximum:** Separate futures contracts will be listed for trading on the maximum final settlement value of the CHI for hurricanes that occur within a specific location (e.g., hurricanes

that make landfall in the Gulf Coast) between June 1 and November 30 inclusive of a calendar year.

CME-Carvill Hurricane Indexes futures will trade exclusively on the CME Globex electronic trading platform. Options on CME-Carvill Hurricane Indexes futures will be pit traded.

## **2. CME-CARVILL HURRICANE INDEX SEASONAL & SEASONAL MAXIMUM SPECIFICATIONS AND RULES**

### **CME-Carvill Hurricane Index Seasonal Futures**

Contract Size:	\$1,000 times the seasonal total for the respective Carvill Hurricane Index (CHI™)
Quotation:	CHI Index Points
Minimum Price Increment:	0.1 CHI Index Point
Tick Value:	0.1 CHI Index Point = \$100
Contracts Traded:	Expressed in terms of the accumulated CHI for all hurricanes that occur within a specific location between June 1 and November 30 inclusive of a calendar year.
Locations:	<ul style="list-style-type: none"> <li>• Gulf Coast (Brownsville, TX to AL/FL Border)</li> <li>• Florida (AL/FL Border to Fernandina Beach, FL)</li> <li>• Southern Atlantic Coast (Fernandina Beach, FL to NC/VA Border)</li> <li>• Northern Atlantic Coast (NC/VA Border to Eastport, ME)</li> <li>• Eastern US (Brownsville, TX to Eastport, ME)</li> </ul>
Termination of Trading:	Trading shall terminate at 9:00 a.m. Chicago time on the first Exchange business day that is at least two calendar days following the end of the hurricane season on November 30.
Settlement:	All futures contracts remaining open at the termination of trading shall be settled using the respective CHI seasonal final value reported by Carvill America.
Position Limits:	Position accountability for positions exceeding 10,000 contracts in any contract month.
Electronic Trading Hours:	5:00 P.M. to 3:15 P.M. the following day (9:00 A.M. on LTD)

### **Options on CME-Carvill Hurricane Index Seasonal Futures**

Contract Size:	\$1,000 times the seasonal total for the respective Carvill Hurricane Index (CHI™)
Quotation:	CHI Index Points
Minimum Price Increment:	0.1 CHI Index Point
Tick Value:	0.1 CHI Index Point = \$100
Contracts Traded:	Expressed in terms of the accumulated CHI for all hurricanes that occur within a specific location between June 1 and November 30 inclusive of a calendar year.
Locations:	<ul style="list-style-type: none"> <li>• Gulf Coast (Brownsville, TX to AL/FL Border)</li> <li>• Florida (AL/FL Border to Fernandina Beach, FL)</li> <li>• Southern Atlantic Coast (Fernandina Beach, FL to NC/VA Border)</li> <li>• Northern Atlantic Coast (NC/VA Border to Eastport, ME)</li> <li>• Eastern US (Brownsville, TX to Eastport, ME)</li> </ul>
Termination of Trading:	Same date and time as underlying futures
Strike Price Interval:	1 Index Point (e.g. 10, 11, 12, etc.)
Exercise:	American Style (Exercised any time up to and including LTD)
Position Limits:	Position accountability for positions exceeding 10,000 futures-equivalent contracts net on the same side of the market in any contract month.
Trading Hours:	8:30 A.M. to 3:15 P.M.

The text of the contract rules for CME-Carvill Hurricane Index Seasonal Futures and Options is as follows:

**CHAPTER 427**  
**CME-Carvill Hurricane Index™ Seasonal Futures**

**42700. SCOPE OF CHAPTER**

This chapter is limited in application to futures trading on the seasonal total of the CME-Carvill Hurricane Index (CHI™). The procedures for trading, clearing and settlement, and any other matters not specifically covered herein shall be governed by the rules of the Exchange.

**42701. COMMODITY SPECIFICATIONS**

CHI values will be calculated by Carvill America, using the methods described in the “Carvill Hurricane Index: Scope and Definitions” document, for hurricanes making landfall in the following locations:

- Gulf Coast (Brownsville, TX to AL/FL Border)
- Florida (AL/FL Border to Fernandina Beach, FL)
- Southern Atlantic Coast (Fernandina Beach, FL to NC/VA Border)
- Northern Atlantic Coast (NC/VA Border to Eastport, ME)
- Eastern US (Brownsville, TX to Eastport, ME)

Separate futures contracts will be listed for trading on the accumulated CHI for all hurricanes that occur within a specific location (e.g., all hurricanes that make landfall in the Gulf Coast) between June 1 and November 30 inclusive of a calendar year.

**42702. FUTURES CALL**

**42702.A. Trading Schedule**

Futures contracts shall be scheduled for trading during such hours in such months as may be determined by the Board of Directors.

**42702.B. Size of Trading Unit**

The size of the unit of trading shall be \$1,000 times the respective CHI seasonal total.

**42702.C. Price Increments**

The minimum price fluctuation on the respective CHI seasonal futures shall be 0.1 index point, and have a value of \$100.

**42702.D. Position Accountability**

A person owning or controlling more than 10,000 contracts net long or net short in any contract month shall provide, in a timely fashion, upon request by the Exchange, information regarding the nature of the position, trading strategy, and hedging information if applicable. For positions involving options on the respective CME-Carvill Hurricane Index Seasonal futures, this rule is superseded by the option position accountability rule.

**42702.E. Accumulation of Positions**

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, shall be cumulated.

**42702.F. [RESERVED]**

**42702.G. Termination of Trading**

Futures trading shall terminate at 9:00 A.M. on the first Exchange business day that is at least two calendar days following the end of the hurricane season on November 30.

**42702.H. Contract Modification**

Specifications shall be fixed as of the first day of trading of a contract, except that all contracts must conform to government regulations in force at the time of final settlement. If any U.S. governmental agency or body with jurisdiction over the trading of the contract or with jurisdiction respecting the trading or final settlement of the CHI seasonal futures issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such governmental orders.

**42702.I [Reserved]**

**42703. SETTLEMENT PROCEDURES**

**42703.A. Final Settlement Price**

All futures contracts remaining open at the termination of trading shall be settled using the respective CHI seasonal final value reported by Carvill America, using the methodology in effect on that date. For example, on December 2, 2005, the 2005 Gulf Coast seasonal contract would have been settled at 28.9 CHI index points.

**42703.B. Final Settlement**

Clearing members holding open positions in a CHI seasonal futures contract 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 based on a settlement price equal to the final settlement price.

**42704. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

(Refer to Rule 701. – ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES)

**42705. - 06. [RESERVED]**

(End Chapter 427)

**INTERPRETATIONS AND SPECIAL NOTICES  
RELATING TO CHAPTER 427**

**LIMITATION OF LIABILITY AND DISCLAIMER**

Carvill America grants the Exchange the rights to use the Carvill Hurricane Index (CHI) in connection with the trading of futures contracts and options on futures contracts based upon such CHI. Carvill America makes no warranty, express or implied, as to the results to be obtained by any person or any entity from the use of the Data in connection with the trading of futures contracts, options on futures contracts or any other use. Carvill America makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to the CHI. Without limiting any of the foregoing, in no event shall Carvill America have any liability for any special, punitive, indirect, or consequential damages (including lost profits), even if notified of the possibility of such damages.

**Chapter 427A  
Options on CME-Carvill  
Hurricane Index™ Seasonal Futures**

**427A00. SCOPE OF CHAPTER**

This chapter is limited in application to trading in put and call options on CME-Carvill Hurricane Index (CHI™) Seasonal futures contracts. The procedures for trading, clearing and settlement and any other matters not specifically covered herein shall be governed by the rules of the Exchange.

**427A01. OPTION CHARACTERISTICS**

**427A01.A. Contract Months and Trading Hours**

Options contracts shall be listed for such contract months and scheduled for trading during such hours as may be determined by the Board of Directors.

**427A01.B. Trading Unit**

The trading unit shall be an option to buy, in the case of the call, or to sell, in the case of the put, one respective CHI seasonal futures contract as specified in Chapter 427.

**427A01.C. Minimum Fluctuations**

The price of an option shall be quoted in terms of the respective CHI. Each index point represents \$1,000. For example, a quote of 2 index points represents \$2,000. The minimum fluctuation shall be 0.1 CHI (also known as one tick), equal to \$100.

**427A01.D. [Reserved]**

**427A01.E. Exercise Prices**

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

At the commencement of option trading in a contract month, the eligible put and call options are at intervals of 1 index point in a range of 1 to 50 index points. New options may be listed for trading up to and including the termination of trading.

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

**427A01.F. Position Accountability**

A person owning or controlling a combination of options and underlying futures contracts that exceeds 10,000 futures-equivalent contracts net on the same side of the market in any individual contract shall provide, in a timely fashion, upon request by the Exchange, information regarding the nature of the position, trading strategy, and hedging information if applicable.

For the purpose of this rule, the futures equivalent of an option contract is 1 times the previous business day's IOM risk factor for the option series. Also for purposes of this rule, a long call option, a short put option, and a long underlying futures contract are on the same side of the market; similarly, a short call option, a long put option, and a short underlying futures contract are on the same side of the market.

**427A01.G. Accumulation of Positions**

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, shall be cumulated.

**427A01.H. [RESERVED]**

**427A01.I. Termination of Trading**

Options trading shall terminate on the same date and time as the underlying futures contract.

**427A01.J. Contract Modifications**

Specifications shall be fixed as of the first day of trading of a contract except that all options must conform to government regulations in force at the time of exercise. If the U.S. government, an agency or duly constituted body thereof issues an order, ruling, directive or law inconsistent with these rules, such order, ruling, directive or law shall be construed to become part of these rules and all open and new options contracts shall be subject to such governmental orders.

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

**427A02.A. Exercise of Option by Buyer**

An option may be exercised by the buyer on any business day the option is traded. Exercise of an option 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.

An option that is in the money 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 option buyer, be exercised automatically.

**427A02.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 in the underlying futures contract on the following business day.

The clearing member assigned an exercise notice shall be assigned a short position in the underlying futures contract if a call is exercised or a long position if a put is exercised. The clearing member representing the option buyer shall be assigned a long position in the underlying futures contract if a call is exercised and a short position if a put is exercised.

All such futures positions shall be assigned at a price equal to the exercise price of the option 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.

**427A03. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

(Refer to Rule 701. – ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES)

(End Chapter 427A)

**INTERPRETATIONS AND SPECIAL NOTICES  
RELATING TO CHAPTER 427A**

**CLARIFICATION OF NON-AGRICULTURAL OPTION SPECULATIVE POSITION LIMIT RULE**

(Special Executive Report S-1618, March 31, 1986)

Please note that the non-agricultural option speculative position limit rule, in effect at this time, supersedes the speculative position rule for the underlying futures contract. Therefore, for example, a trader may hold a gross futures position that exceeds the futures position limit rule if that gross position is part of a spread with options, such that the net position across options and futures is less than the applicable limit set in the options rule.

**LIMITATION OF LIABILITY AND DISCLAIMER**

Carvill America grants the Exchange the rights to use the Carvill Hurricane Index (CHI) in connection with the trading of futures contracts and options on futures contracts based upon such CHI. Carvill America makes no warranty, express or implied, as to the results to be obtained by any person or any entity from the use of the Data in connection with the trading of futures contracts, options on futures contracts or any other use. Carvill America makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to the CHI. Without limiting any of the foregoing, in no event shall Carvill America have any liability for any special, punitive, indirect, or consequential damages (including lost profits), even if notified of the possibility of such damages.

**CME-Carvill Hurricane Index Seasonal Maximum Futures**

Contract Size:	\$1,000 times the respective Carvill Hurricane Index (CHI™)
Quotation:	CHI Index Points
Minimum Price Increment:	0.1 CHI Index Point
Tick Value:	0.1 CHI Index Point = \$100
Contracts Traded:	Expressed in terms of the CHI for the largest hurricane to make landfall within a specific location between June 1 and November 30 inclusive of a calendar year
Locations:	<ul style="list-style-type: none"> <li>• Gulf Coast (Brownsville, TX to AL/FL Border)</li> <li>• Florida (AL/FL Border to Fernandina Beach, FL)</li> <li>• Southern Atlantic Coast (Fernandina Beach, FL to NC/VA Border)</li> <li>• Northern Atlantic Coast (NC/VA Border to Eastport, ME)</li> <li>• Eastern US (Brownsville, TX to Eastport, ME)</li> </ul>
Termination of Trading:	Trading shall terminate at 9:00 a.m. Chicago time on the first Exchange business day that is at least two calendar days following the end of the hurricane season on November 30.
Settlement:	All futures contracts remaining open at the termination of trading shall be settled using the respective CHI seasonal maximum final value reported by Carvill America.
Position Limits:	Position accountability for positions exceeding 10,000 contracts in any contract month.
Electronic Trading Hours:	5:00 P.M. to 3:15 P.M. the following day (9:00 A.M. on LTD)

**Options on CME-Carvill Hurricane Index Seasonal Maximum Futures**



Contract Size:	\$1,000 times the respective Carvill Hurricane Index (CHI™)
Quotation:	CHI Index Points
Minimum Price Increment:	0.1 CHI Index Point
Tick Value:	0.1 CHI Index Point = \$100
Contracts Traded:	Expressed in terms of the CHI for the largest hurricane to make landfall within a specific location between June 1 and November 30 inclusive of a calendar year
Locations:	<ul style="list-style-type: none"> <li>• Gulf Coast (Brownsville, TX to AL/FL Border)</li> <li>• Florida (AL/FL Border to Fernandina Beach, FL)</li> <li>• Southern Atlantic Coast (Fernandina Beach, FL to NC/VA Border)</li> <li>• Northern Atlantic Coast (NC/VA Border to Eastport, ME)</li> <li>• Eastern US (Brownsville, TX to Eastport, ME)</li> </ul>
Termination of Trading:	Same date and time as underlying futures
Strike Price Interval:	1 Index Point (e.g. 10, 11, 12, etc.)
Exercise:	American Style (Exercised any time up to and including LTD)
Position Limits:	Position accountability for positions exceeding 10,000 futures-equivalent contracts net on the same side of the market in any contract month.
Trading Hours:	8:30 A.M. to 3:15 P.M.

The text of the contract rules for CME-Carvill Hurricane Index Seasonal Maximum Futures and Options is as follows:

**CHAPTER 428**  
**CME-Carvill Hurricane Index™ Seasonal Maximum Futures**

**42800. SCOPE OF CHAPTER**

This chapter is limited in application to futures trading on the seasonal maximum value of the CME-Carvill Hurricane Index (CHI™). The procedures for trading, clearing and settlement, and any other matters not specifically covered herein shall be governed by the rules of the Exchange.

**42801. COMMODITY SPECIFICATIONS**

CHI values will be calculated by Carvill America, using the methods described in the “Carvill Hurricane Index: Scope and Definitions” document, for hurricanes making landfall in the following locations:

- Gulf Coast (Brownsville, TX to AL/FL Border)
- Florida (AL/FL Border to Fernandina Beach, FL)
- Southern Atlantic Coast (Fernandina Beach, FL to NC/VA Border)
- Northern Atlantic Coast (NC/VA Border to Eastport, ME)
- Eastern US (Brownsville, TX to Eastport, ME)

Separate futures contracts will be listed for trading on the maximum final settlement value of the CHI for hurricanes that occur within a specific location (e.g., hurricanes that make landfall in the Gulf Coast) between June 1 and November 30 inclusive of a calendar year.

**42802. FUTURES CALL**

**42802.A. Trading Schedule**

Futures contracts shall be scheduled for trading during such hours in such months as may be determined by the Board of Directors.

**42802.B. Size of Trading Unit**

The size of the unit of trading shall be \$1,000 times the respective CHI.

**42802.C. Price Increments**

The minimum price fluctuation on the respective CHI seasonal maximum futures shall be 0.1 index point, and have a value of \$100.

**42802.D. Position Accountability**

A person owning or controlling more than 10,000 contracts net long or net short in any contract month shall provide, in a timely fashion, upon request by the Exchange, information regarding the nature of the position, trading strategy, and hedging information if applicable. For positions involving options on the respective CME-Carvill Hurricane Index Seasonal maximum futures, this rule is superseded by the option position accountability rule.

**42802.E. Accumulation of Positions**

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, shall be cumulated.

**42802.F. [RESERVED]**

**42802.G. Termination of Trading**

Futures trading shall terminate at 9:00 A.M. on the first Exchange business day that is at least two calendar days following the end of the hurricane season on November 30.

**42802.H. Contract Modification**

Specifications shall be fixed as of the first day of trading of a contract, except that all contracts must conform to government regulations in force at the time of final settlement. If any U.S. governmental agency or body with jurisdiction over the trading of the contract or with jurisdiction respecting the trading or final settlement of the CHI seasonal maximum futures issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such governmental orders.

**42802.I [Reserved]**

**42803. SETTLEMENT PROCEDURES**

**42803.A. Final Settlement Price**

All futures contracts remaining open at the termination of trading shall be settled using the respective CHI seasonal maximum final value reported by Carvill America, using the methodology in effect on that date. For example, on December 2, 2005, the 2005 Gulf Coast seasonal maximum contract would have been settled at 19.0 CHI index points (e.g., Hurricane Katrina).

**42803.B. Final Settlement**

Clearing members holding open positions in a CHI seasonal maximum futures contract 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 based on a settlement price equal to the final settlement price.

**42804. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

(Refer to Rule 701. – ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES)

**42805. - 06. [RESERVED]**

(End Chapter 428)

## **LIMITATION OF LIABILITY AND DISCLAIMER**

Carvill America grants the Exchange the rights to use the Carvill Hurricane Index (CHI) in connection with the trading of futures contracts and options on futures contracts based upon such CHI. Carvill America makes no warranty, express or implied, as to the results to be obtained by any person or any entity from the use of the Data in connection with the trading of futures contracts, options on futures contracts or any other use. Carvill America makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to the CHI. Without limiting any of the foregoing, in no event shall Carvill America have any liability for any special, punitive, indirect, or consequential damages (including lost profits), even if notified of the possibility of such damages.

### **Chapter 428A Options on CME-Carvill Hurricane Index™ Seasonal Maximum Futures**

#### **428A00. SCOPE OF CHAPTER**

This chapter is limited in application to trading in put and call options on CME-Carvill Hurricane Index (CHI™) Seasonal Maximum futures contracts. The procedures for trading, clearing and settlement and any other matters not specifically covered herein shall be governed by the rules of the Exchange.

#### **428A01. OPTION CHARACTERISTICS**

##### **428A01.A. Contract Months and Trading Hours**

Options contracts shall be listed for such contract months and scheduled for trading during such hours as may be determined by the Board of Directors.

##### **428A01.B. Trading Unit**

The trading unit shall be an option to buy, in the case of the call, or to sell, in the case of the put, one respective CHI seasonal maximum futures contract as specified in Chapter 428.

##### **428A01.C. Minimum Fluctuations**

The price of an option shall be quoted in terms of the respective CHI. Each index point represents \$1,000. For example, a quote of 2 index points represents \$2,000. The minimum fluctuation shall be 0.1 CHI (also known as one tick), equal to \$100.

##### **428A01.D. [Reserved]**

##### **428A01.E. Exercise Prices**

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

At the commencement of option trading in a contract month, the eligible put and call options are at intervals of 1 index point in a range of 1 to 30 index points. New options may be listed for trading up to and including the termination of trading.

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

##### **428A01.F. Position Accountability**

A person owning or controlling a combination of options and underlying futures contracts that exceeds 10,000 futures-equivalent contracts net on the same side of the market in any individual contract shall provide, in a timely fashion, upon request by the Exchange, information regarding the nature of the position, trading strategy, and hedging information if applicable.

For the purpose of this rule, the futures equivalent of an option contract is 1 times the previous business day's IOM risk factor for the option series. Also for purposes of this rule, a long call option, a short put option, and a long underlying futures contract are on the same side of the market; similarly, a short call option, a long put option, and a short underlying futures contract are on the same side of the market.

**428A01.G. Accumulation of Positions**

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, shall be cumulated.

**428A01.H. [RESERVED]**

**428A01.I. Termination of Trading**

Options trading shall terminate on the same date and time as the underlying futures contract.

**428A01.J. Contract Modifications**

Specifications shall be fixed as of the first day of trading of a contract except that all options must conform to government regulations in force at the time of exercise. If the U.S. government, an agency or duly constituted body thereof issues an order, ruling, directive or law inconsistent with these rules, such order, ruling, directive or law shall be construed to become part of these rules and all open and new options contracts shall be subject to such governmental orders.

**428A02. EXERCISE**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of CHI seasonal maximum options.

**428A02.A. Exercise of Option by Buyer**

An option may be exercised by the buyer on any business day the option is traded. Exercise of an option 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.

An option that is in the money 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 option buyer, be exercised automatically.

**428A02.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 in the underlying futures contract on the following business day.

The clearing member assigned an exercise notice shall be assigned a short position in the underlying futures contract if a call is exercised or a long position if a put is exercised. The clearing member representing the option buyer shall be assigned a long position in the underlying futures contract if a call is exercised and a short position if a put is exercised.

All such futures positions shall be assigned at a price equal to the exercise price of the option 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.

**428A03. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

(Refer to Rule 701. – ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES)

(End Chapter 428A)

## CLARIFICATION OF NON-AGRICULTURAL OPTION SPECULATIVE POSITION LIMIT RULE

(Special Executive Report S-1618, March 31, 1986)

Please note that the non-agricultural option speculative position limit rule, in effect at this time, supersedes the speculative position rule for the underlying futures contract. Therefore, for example, a trader may hold a gross futures position that exceeds the futures position limit rule if that gross position is part of a spread with options, such that the net position across options and futures is less than the applicable limit set in the options rule.

## LIMITATION OF LIABILITY AND DISCLAIMER

Carvill America grants the Exchange the rights to use the Carvill Hurricane Index (CHI) in connection with the trading of futures contracts and options on futures contracts based upon such CHI. Carvill America makes no warranty, express or implied, as to the results to be obtained by any person or any entity from the use of the Data in connection with the trading of futures contracts, options on futures contracts or any other use. Carvill America makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to the CHI. Without limiting any of the foregoing, in no event shall Carvill America have any liability for any special, punitive, indirect, or consequential damages (including lost profits), even if notified of the possibility of such damages.

If you have any questions about these rules, please contact Charles Piszczor, Associate Director, Commodity Product Development, at (312) 930-4536.

### **3. INITIAL CME-CARVILL HURRICANE INDEX SEASONAL & SEASONAL MAXIMUM FUTURES AND OPTIONS**

The Exchange will list for trading the following CME-Carvill Hurricane Indexes futures:

	Seasonal	Seasonal Maximum
Gulf Coast (Brownsville TX to AL/FL Border)	HGA	HGM
Florida (AL/FL Border to Fernandina Beach FL)	HFA	HFM
Southern Atlantic Coast (Fernandina Beach FL to NC/VA Border)	HSA	HSS
Northern Atlantic Coast (NC/VA Border to Eastport ME)	HNA	HNM
Eastern US (Brownsville TX to Eastport ME)	HXA	HXM

**Seasonal:** Separate futures contracts will be listed for trading on the accumulated CHI for all hurricanes that occur within a specific location (e.g., all hurricanes that make landfall in the Gulf Coast) between June 1 and November 30 inclusive of a calendar year.

**Seasonal Maximum:** Separate futures contracts will be listed for trading on the maximum final settlement value of the CHI for hurricanes that occur within a specific location (e.g., hurricanes that make landfall in the Gulf Coast) between June 1 and November 30 inclusive of a calendar year.

If you have any questions about these procedures, please contact Charles Piszczor, Associate Director, Commodity Product Development, at (312) 930-4536.

**4. CME-CARVILL HURRICANE INDEX SEASONAL & SEASONAL MAXIMUM OPTIONS STRIKE PRICES**

**Seasonal:** Exercise prices shall be stated in terms of the CME-Carvill Hurricane Index Seasonal futures contract. Eligible exercise prices shall be at intervals of 1 index point (e.g., 10, 11, 12 etc.). The eligible put and call options are at intervals of 1 index point in a range from 1 through 50.

**Seasonal Maximum:** Exercise prices shall be stated in terms of the CME-Carvill Hurricane Index Seasonal Maximum futures contract. Eligible exercise prices shall be at intervals of 1 index point (e.g., 10, 11, 12 etc.). The eligible put and call options are at intervals of 1 index point in a range from 1 through 30.

If you have any questions about strike price listings, please contact Charles Piszczor, Associate Director, Commodity Product Development, at (312) 930-4536.

**5. CLEARING & CME GLOBEX FEES FOR CME-CARVILL HURRICANE INDEX SEASONAL & SEASONAL MAXIMUM FUTURES AND OPTIONS**

<b>Account</b>	<b>Clearing Fees (per side)</b>	<b>CME Globex Fees (per side)</b>
Equity/Clearing Member	\$0.02	\$0.125
106.I Members and their 100% owned subsidiaries	\$0.02	\$0.125
Rule 106.D Lessees/ Rule 106.F Employees	\$0.07	\$0.125
106 H/N Firms	\$0.12	\$0.125
Customers of Member Firms	\$0.16	\$0.375
Block Trade Surcharge		\$0.44

CME-Carvill Hurricane Indexes futures are eligible for inclusion in the New Product Access Program. CME-Carvill Hurricane Indexes futures and options contracts will be assigned to the IOM Division, and the fee schedule used for CME Weather products will apply.

If you have any questions regarding clearing fees, please contact Julie Balzarini, Accounting, at (312) 648-5470.

**6. REPORTABLE POSITION LEVELS**

For purposes of Rule 817. - REPORTS OF LARGE POSITIONS, the minimum levels at which positions must be reported to the Exchange are as follows for CME-Carvill Hurricane Indexes futures and options:

<u>ALTERNATIVE INVESTMENT</u>	<u>REPORTABLE LEVEL</u>
CME-Carvill Hurricane Indexes Futures	25 contracts
CME-Carvill Hurricane Indexes Options	25 contracts

If you have any questions about these levels, please contact Paula Evans, Market Surveillance, at (312) 930-3085.

**7. PERFORMANCE BONDS FOR THE CME-CARVILL HURRICANE INDEX SEASONAL & SEASONAL MAXIMUM FUTURES**

If you have any questions about these requirements, please contact the Risk Control Department at (312) 648-3888.

**8. CME GLOBEX ERROR TRADE POLICY**

The CME Globex error trade policy for all CME-Carvill Hurricane Indexes calls for a no bust range of .50 index points or less.

If you have any questions, please contact John Restivo, Director, CME Globex Control Center (GCC), at (312) 648-5475.

**9. SELECTED QUOTE VENDORS**

If you have any questions, please contact Laura Sutor, Market Data Analyst, Market Data Operations, at (312) 648-5480.