

# Weekly Options on Live Cattle Futures

## Frequently Asked Questions

*September 2011*

---

### **1. Why did CME Group decide to launch Weekly options on Live Cattle futures?**

The addition of Weekly options will complement the Live Cattle options complex by giving market participants increased trading flexibility in managing their existing option positions, as well as increased trading opportunities due to the many advantages offered by these options. First, option buyers avoid paying the time value in a long-dated option, thus, the lower premium for Weekly options makes option trading more affordable. Second, Weekly options enable targeted trading based on high impact economic events occurring in specific time frames, such as USDA Cattle on Feed and crop reports.

### **2. What are the ticker symbols for the Weekly Live Cattle option contracts?**

The ticker symbols for the Weekly Live Cattle options contracts are indicated in the table below.

<b>Open Outcry</b>	<b>Globex</b>
<b>LC1-5</b>	<b>LE1-5</b>

### **3. What is the naming convention for Weekly Live Cattle options?**

The naming convention is Symbol + Week of the Month + Month Code + Year. For example, the CME open outcry symbol for a Weekly Live Cattle option expiring on the fifth Friday in September 2011 is LC5U11.

### **4. How do Weekly options work?**

Weekly options are essentially short-dated serial options. All Weeklies will have the same contract specifications — American style exercise, strike price ranges, strike price increments, minimum option premium increments, daily and final settlement — as the standard or serial options. The only distinctions between Weeklies and standard or serial options are the listing cycles and ticker symbols.

### **5. At what time do Weekly options expire?**

Similar to standard and serial options, the final settlement for an expiring Weekly option will be based upon the daily settlement price of its underlying futures contract (generally as of 1:00 p.m., Chicago time) on the Weekly option's last trading day. Whether the expiring Weekly is in- or out-of-the- money for the purpose of exercise assignments, will be determined at this time. Weeklies that expire in-the-money shall be automatically exercised unless contrary instructions are given to CME Clearing no later than 7:00 p.m., Chicago time. (CME Clearing Firms may require earlier notification of contrary instructions.)

### **6. How many Weekly Live Cattle option expirations will be listed at any given time?**

Three weeklies will be listed at a time for each futures product.

## 7. When do Weekly options expire?

Weeklies will be listed to expire every Friday, except for those Fridays on which standard or serial options are scheduled to expire. Weeklies **will not** be listed for expiration on the same date as the expiration of a standard or serial option. Thus, every Friday there will be an option expiring: a standard, a serial, or a Weekly option. In cases where Friday is a holiday, the Weekly that would otherwise be scheduled to expire will expire on the preceding Exchange business day. The table shows an example of the expiration schedule for Live Cattle options for September, October, November and December 2011.

First Trade Date	Expiration Date	Week	Option Type	Outcry Symbol	Underlying Futures	Globex Symbol
September 2011						
9/26/2011	9/30/2011	5	Weekly	LC5U11	Oct-11	LE5U11
October 2011						
10/4/2010	10/7/2011	n/a	Standard	LCV11	Oct-11	LEV11
9/26/2011	10/14/2011	2	Weekly	LC2V11	Dec-11	LE2V11
9/26/2011	10/21/2011	3	Weekly	LC3V11	Dec-11	LE3V11
10/3/2011	10/28/2011	4	Weekly	LC4V11	Dec-11	LE4V11
November 2011						
9/6/2011	11/4/2011	n/a	Serial	LCX11	Dec-11	LEX11
10/17/2011	11/11/2011	2	Weekly	LC2X11	Dec-11	LE2X11
10/24/2011	11/18/2011	3	Weekly	LC3X11	Dec-11	LE3X11
10/31/2011	11/25/2011	4	Weekly	LC4X11	Dec-11	LE4X11
December 2011						
12/6/2010	12/2/2011	n/a	Standard	LCZ11	Dec-11	LEZ11
11/14/2011	12/9/2011	2	Weekly	LC2Z11	Feb-12	LE2Z11
11/21/2011	12/16/2011	3	Weekly	LC3Z11	Feb-12	LE3Z11
11/28/2011	12/23/2011	4	Weekly	LC4Z11	Feb-12	LE4Z11
12/12/2011	12/30/2011	5	Weekly	LC5Z11	Feb-12	LE5Z11

There is no Week 1 October 2011 Weekly Live Cattle option, because the October standard Live Cattle option expiration occurs on that Friday. There is also no Week 1 November 2011 Weekly Live Cattle option, because the November serial Live Cattle option expiration occurs on that Friday.

## 8. Do Weekly Live Cattle options exercise physically or by cash settlement?

Each Weekly option exercises physically into its underlying futures contract. If a Weekly expires prior to the nearby expiration date of the related standard option, then it will exercise into the nearby underlying futures. If the Weekly expires after the nearby expiration date of the related standard option, but before the expiration date of the nearby underlying futures, then it will exercise into the first-deferred underlying futures.

For the Week 5 option expiring in September, the October 2011 Live Cattle futures contract is the underlying reference because that Weekly option expires prior to the expiration of the October standard option. However, for the Weeks 2, 3 and 4 options expiring in October, the December 2011 futures contract becomes the underlying reference, because these Weekly options expire after the expiration of the October 2011 standard option. For the Weeks 2, 3 and 4 options in November, the December 2011



futures contract remains the underlying reference, because the expiration of the November 2011 serial option does not change the underlying futures.

**9. When will a new Weekly option be listed?**

The Exchange will list new Weeklies for expiration following the latest expiration of a Weekly option.

**10. Will a new Weekly Live Cattle option be listed following expiration of a standard or serial option?**

The Exchange will not list new Weeklies for trading following expiration of standard or serial options.

**11. Will the introduction of Weekly Live cattle options cause any changes in the schedule of listings or expirations for standard or serial options?**

The expiration schedule for standard and serial Live Cattle options will remain the same.

---

For more information visit [www.cmegroup.com/weeklyags](http://www.cmegroup.com/weeklyags)

**Contacts:**

**Jack Cook, Associate Director, Commodity Research and Product Development**

**312-930-3295**

[Jack.Cook@cmegroup.com](mailto:Jack.Cook@cmegroup.com)

**Tom Clark, Associate Director, Product and Services**

**312-930-4595**

[Thomas.Clark@cmegroup.com](mailto:Thomas.Clark@cmegroup.com)

Live Cattle options are listed with and subject to the rules and regulations of CME.

CME Group is a trademark of CME Group Inc. The Globe logo, CME, Chicago Mercantile Exchange and Globex are trademarks of Chicago Mercantile Exchange Inc. CBOT and Chicago Board of Trade are trademarks of the Board of Trade of the City of Chicago. NYMEX and New York Mercantile Exchange are trademarks of New York Mercantile Exchange, Inc. COMEX is a trademark of Commodity Exchange, Inc.

The information within this brochure has been compiled by CME Group for general purposes only. CME Group assumes no responsibility for any errors or omissions. Additionally, all examples in this brochure are hypothetical situations, used for explanation purposes only, and should not be considered investment advice or the results of actual market experience. All matters pertaining to rules and specifications herein are made subject to and are superseded by official CME, NYMEX and CBOT rules. Current rules should be consulted in all cases concerning contract specifications, which may change at any time.

Copyright © 2011 CME Group. All rights reserved.