



Atlantic Basin Coal Options

In 2001 NYMEX, now a part of CME Group, began offering North American coal with the launch of Central Appalachian Coal futures. Since then, CME Group has taken coal risk management global, offering a comprehensive product slate of both thermal and coking coal covering the US, Atlantic and Pacific regions.

Whether companies are trading the US domestic coal contracts of Central Appalachian, PRB and CSX, the European API2 and API4 or the most recently launched Asian derivatives they can benefit from the flexibility of an over-the-counter (OTC) market combined with the security of central counterparty clearing.

To complement our existing API2 and API4 futures contracts, CME Group offers cleared monthly, quarterly and calendar options. These products provide traders with the choice and flexibility of a truly global suite of coal products with the security that clearing through CME Clearport provides.

Key Service Features

- Comprehensive slate of products
- Trade execution in the OTC market with clearing through CME ClearPort
- Straight-through processing capability from broker screens
- 24-hour access to CME ClearPort from around the globe with more than 17,000 registered users
- Competitive fee schedule
- Margin offsets across energy products
- \$8 billion CME Clearing financial safeguards package and more than 100 years of experience in clearing, settlement and risk management

For information on our suite of coal products, please visit cmegroup.com/coal, or contact one of the following Exchange representatives:

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Calendar Options

Coal (API 2) CIF ARA (Argus/McCloskey) Option on Calendar Futures Strip (NYMEX Code: CLA)

Coal (API 4) FOB Richards Bay (Argus/McCloskey) Option on Calendar Futures Strip (NYMEX Code: RLA)

These are physically delivered 'swaption' style contracts. They have an annual listing cycle, and expire 30 calendar days before the first day of the year (or if that is not a business day, the preceding business day). For example the 2013 contract expires on Friday, November 30, 2012. Quarterly and Annual contracts are submitted and reported under their initial calendar month, so an annual contract would be submitted under January.

On exercise, the options deliver a strip of the twelve monthly futures covering the underlying year. For example the 2013 option delivers positions in each of the Jan 2013 to Dec 2013 futures inclusive. Delivery for each futures contract is at the option's exercise price. On exercise, the buyer of a call option will receive a long position in futures. The buyer of a put option will receive a short position in futures. Futures positions will remain open until either they expire or there is a closing trade. Positions may also be offset against existing opposing futures positions in the account.

These options are not automatically exercised. If a position is to be exercised, clearing member firms must submit explicit exercise instructions. It is expected that those with open long positions will make this decision based on their view of the value of the calendar strip in the OTC market. Contrary instructions can also be submitted. The clearing firm deadline for submitting these instructions is 3:00 p.m. London time (10:00 a.m. New York time) on the expiry day. Holders of short positions receive details of their assignments by an email to their clearing firm as soon as practicable after the exercise deadline. This typically happens by 11:30 a.m. New York time.

The contracts result in physical delivery of futures positions. As an example, the mid-market price for a calendar year coal is \$121.30. An investor has purchased a \$115.00 strike price call, and exercises it. The investor receives a long position in each of the twelve monthly futures from Jan to Dec inclusive, each at an effective trade price of \$115.00. If these positions were marked to market at the prevailing mid-market prices, this would result in a \$75,600 variation margin credit.

Contract Specifications

	Coal (API 2) cif ARA (Argus/McCloskey) Option on Calendar Futures Strip		Coal (API 4) fob Richards Bay (Argus/McCloskey) Option on Calendar Futures Strip
Underlying Futures	Coal (API 2) cif ARA (Argus/McCloskey) Futures (Code: MTF)		Coal (API 4) fob Richards Bay (Argus/McCloskey) Futures (Code: MFF)
Product Symbol	CLA		RLA
Venue & Hours (NY Time/ET)	CME ClearPort	Sunday – Friday 6:00 p.m. – 5:15 p.m. (5:00 p.m. – 4:15 p.m. Chicago Time/CT) with a 45-minute break each day beginning at 5:15 p.m. (4:15 p.m. CT)	
	Open Outcry	Monday – Friday 9:00 a.m. to 2:30 p.m. (8:00 a.m. to 1:30 p.m. CT)	
Contract Unit	12 consecutive futures beginning with the underlying month of the option contract (each future is 1,000 metric tons, 12,000 metric tons in total)		
Price Quotation	U.S. dollars and cents per metric ton		
Min. Fluctuation	\$0.01 per metric ton		
Option Style	European (Exercise only on Expiration)		
Expiration of Trading	30 calendar days prior to the first calendar day of the first month in the strip. If such day is not a UK business day, the LTD shall be the first preceding UK business day. Last trade to be accepted at 2:30 p.m. London time. Options must be exercised by 3:00 p.m. London time.		
Listed Contracts	Nearest calendar year, with second calendar year listed in early March		
Strike Prices	Strike prices are listed in increments of \$0.50. New strike prices can be listed in real time to reflect trade submissions.		
Settlement Type	Physical delivery of futures		
Rulebook Chapter	910		918
Exchange Rule	These contracts are listed with, and subject to, the rules and regulations of NYMEX.		

Quarterly Options

Coal (API 2) CIF ARA (Argus/McCloskey) Option on Quarterly Futures Strip (NYMEX Code: CQA)

Coal (API 4) FOB Richards Bay (Argus/McCloskey) Option on Quarterly Futures Strip (NYMEX Code: RQA)

These are physically delivered 'swaption' style contracts. They have a quarterly listing cycle, and expire 30 calendar days before the first day of the quarter (or if that is not a business day, the preceding business day). For example the Q1 2013 contract expires on Friday, November 30, 2012. Quarterly and Annual contracts are submitted and reported under their initial calendar month, so a Q2 contract would be submitted under April.

On exercise, the options deliver a strip of three monthly futures covering the underlying quarter. For example the Q1 2013 option delivers positions in the Jan 2013, Feb 2013 and Mar 2013 futures. Delivery for each futures contract is at the options exercise price. On exercise, the buyer of a call option will receive a long position in futures. The buyer of a put option will receive a short position in futures. Futures positions will remain open until either they expire or there is a closing trade. Positions may also be offset against existing opposing futures positions in the account.

These options are not automatically exercised. If a position is to be exercised, clearing member firms must submit explicit exercise instructions. It is expected that those with open long positions will make this decision based on their view of the value of the three month strip in the OTC market. Contrary instructions can also be submitted. The clearing firm deadline for submitting these instructions is 3:00 p.m. London time (10:00 a.m. New York time) on the expiry day. Holders of short positions receive details of their assignments by an email to their clearing firm as soon as practicable after the exercise deadline. This typically happens by 11:30 a.m. New York time.

The contracts result in physical delivery of futures positions. As an example, mid-market prices for monthly coal are as follows: Jan \$119.25, Feb \$119.35, Mar \$119.40. The mid-market price for Q1 is therefore implied as \$119.33. An investor has purchased a \$120.00 strike price put, and exercises it. The investor receives a short position in each of the Jan, Feb and Mar futures, each at an effective trade price of \$120.00. If these positions were marked to market at the prevailing mid market prices, this would result in a \$2,000 variation margin credit.

Contract Specifications

	Coal (API 2) cif ARA (Argus/McCloskey) Option on Quarterly Futures Strip		Coal (API 4) fob Richards Bay (Argus/McCloskey) Option on Quarterly Futures Strip
Underlying Futures	Coal (API 2) cif ARA (Argus/McCloskey) Futures (Code: MTF)		Coal (API 4) fob Richards Bay (Argus/McCloskey) Futures (Code: MFF)
Product Symbol	CQA		RQA
Venue & Hours (NY Time/ET)	CME ClearPort	Sunday – Friday 6:00 p.m. – 5:15 p.m. (5:00 p.m. – 4:15 p.m. Chicago Time/CT) with a 45-minute break each day beginning at 5:15 p.m. (4:15 p.m. CT)	
	Open Outcry	Monday – Friday 9:00 a.m. to 2:30 p.m. (8:00 a.m. to 1:30 p.m. CT)	
Contract Unit	3 consecutive futures beginning with the underlying month of the option contract (each future is 1,000 metric tons, 3,000 metric tons in total)		
Price Quotation	U.S. dollars and cents per metric ton		
Min. Fluctuation	\$0.01 per metric ton		
Option Style	European (Exercise only on Expiration)		
Expiration of Trading	30 calendar days prior to the first calendar day of the first month in the strip. If such day is not a UK business day, the LTD shall be the first preceding UK business day. Last trade to be accepted at 2:30 p.m. London time. Options must be exercised by 3:00 p.m. London time.		
Listed Contracts	Nearest 10 consecutive quarters		
Strike Prices	Strike prices are listed in increments of \$0.50. New strike prices can be listed in real time to reflect trade submissions.		
Settlement Type	Physical delivery of futures		Financial
Rulebook Chapter	909		917
Exchange Rule	These contracts are listed with, and subject to, the rules and regulations of NYMEX.		

Monthly Options

Coal (API 2) CIF ARA (Argus/McCloskey) Option (NYMEX Code: MTO)

Coal (API 4) FOB Richards Bay (Argus/McCloskey) Option (NYMEX Code: MFO)

These are cash settled “Asian style” options. They have a monthly listing cycle and expire on the last Friday of the month. For example the November 2012 contract expires on Friday, November 30, 2012.

The reference price for exercise is the average price for the underlying assessment published each Friday during the contract month. This is the same value as the final settlement price for the API 2 and API 4 futures contracts.

These options will be automatically exercised against the reference price. Clearing member firms can submit options exercise instructions on behalf of their customers. Contrary instructions – to exercise an out-of-the-money option or abandon an in-the-money option – can also be submitted. The clearing firm deadline for submitting these instructions is 4:30 p.m. New York time on the expiry day.

The contracts are cash settled. As an example, if the monthly average price of the underlying assessment is \$119.56, and a market counterparty has purchased a \$112.50 strike price call option. The counterparty will receive $(119.56 - 112.50) \times 1000 = \$7,060$ per lot purchased. This payment is made through standard clearing payment cycles. The seller of the call option has to pay \$7,060.

Contract Specifications

	Coal (API 2) cif ARA (Argus/McCloskey) Option		Coal (API 4) fob Richards Bay (Argus/McCloskey) Option
Underlying Futures	Coal (API 2) cif ARA (Argus/McCloskey) Futures		Coal (API 4) fob Richards Bay (Argus/McCloskey) Futures
Product Symbol	MTO		MFO
Venue & Hours (NY Time/ET)	CME ClearPort	Sunday – Friday 6:00 p.m. – 5:15 p.m. (5:00 p.m. – 4:15 p.m. Chicago Time/CT) with a 45-minute break each day beginning at 5:15 p.m. (4:15 p.m. CT)	
	Open Outcry (New York)	Monday – Friday 9:00 a.m. to 2:30 p.m. (8:00 a.m. to 1:30 p.m. CT)	
Contract Unit	1,000 metric tons		
Price Quotation	Prices shall be quoted in U.S. dollars and cents per metric ton		
Min. Fluctuation	The minimum price fluctuation shall be \$0.01 per metric ton.		
Option Style	European (Exercise only on Expiration)		
Expiration of Trading	Option expiration shall be on the last Friday of the contract month. If such Friday is a UK holiday, the contract will expire on the UK business day immediately prior to the last Friday of the contract month unless such day is not an Exchange business day, in which case the contract will expire on the Exchange business day immediately prior the last Friday of the contract month.		
Listed Contracts	Current year plus the next four years. A new calendar year will be added following the termination of trading in the December contract of the current year.		
Strike Prices	Strike prices are listed in increments of \$0.50. New strike prices can be listed in real time to reflect trade submissions.		
Settlement Type	Financial		
Rulebook Chapter	927		929
Exchange Rule	These contracts are listed with, and subject to, the rules and regulations of NYMEX.		

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All matters pertaining to rules and specifications herein are made subject to and are superseded by official CME, CBOT and NYMEX rules. Current rules should be consulted in all cases concerning contract specifications.

Futures trading is not suitable for all investors, and involves the risk of loss. Futures are a leveraged investment, and because only a percentage of a contract's value is required to trade, it is possible to lose more than the amount of money deposited for a futures position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyles. And only a portion of those funds should be devoted to any one trade because they cannot expect to profit on every trade. 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.