

WEATHER PRODUCTS

CME Hurricane Index Binary Options

Overview

Binary Hurricane options are the newest additions to the family of CME Hurricane Index™ futures and options products. They are similar in many respects to standard options on futures, with strike (exercise) prices on a wide range of CME Hurricane Index values, but with a number of important differences.

Binary hurricane contracts:

- Provide the option holder with a fixed dollar payout upon exercise. This is unlike standard options, which provide the option holder with a position in the underlying futures contract, and the value of that underlying futures contract may vary widely depending on market conditions.
- Are offered only as “calls” (options to buy), since “puts” (options to sell) would result in a payout on an event that failed to occur.

Based on the CME Hurricane Index

Like all of CME Group’s hurricane offerings, binary hurricane options are based on the CME Hurricane Index (CHI™), a proprietary index that provides a numerical measure of the potential damage arising from a hurricane. Using publicly available data from the National Hurricane Center of the National Weather Service, the CHI calculates the potential for damage for each official storm by reference to its maximum wind velocity and size (radius). The CHI tracks storms in designated areas in the Gulf of Mexico and the eastern seaboard of the United States, from their origin until finality.

For more information about the CME Hurricane Index, visit www.cmegroup.com/binaryhurricanes.

Binaries can be used in the same way as the popular Industry Loss Warranties (ILWs). An ILW is an index-based reinsurance contract covering specific territories, attachment points, perils and

time periods. Unlike a traditional ultimate net loss catastrophe cover, an independent index determines whether a particular event triggers an ILW and whether a recovery can be made.

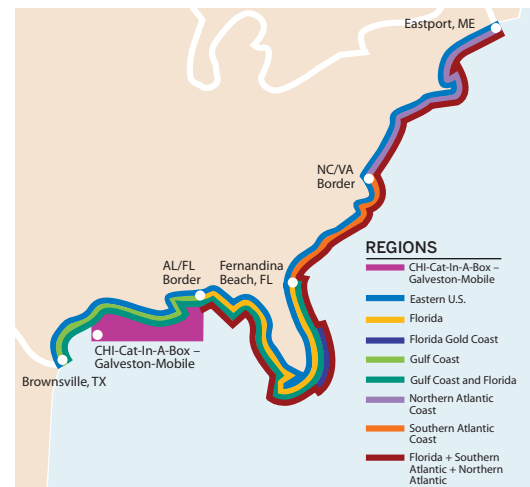
Binary hurricane options based on the CHI, however, provide more transparent pricing than ILWs, rapid payouts following a triggering event, and counterparty performance guaranteed by CME Clearing.

Benefits

- Simplified hedging process for anyone with hurricane exposure
- Substitute for creating complex call option spreads
- Convenient contract multiples and small pricing increment – precisely match dollar exposure to a specific number of binary contracts, in \$10,000 increments
- Greater pricing precision, since premiums can be traded in \$1 increments

Binary hurricane contracts are offered on Index (named storm), Seasonal (aggregate), Seasonal Max (largest storm of the season) and Second Event Seasonal Max Binary futures contracts:

- CHI-Cat-In-A-Box – Galveston-Mobile (area bounded by 95°30’0”W on the west, 87°30’0”W on the east, 27°30’0”N on the south, and the corresponding segment of the U.S. coastline on the north)
- Eastern U.S. (Brownsville, TX to Eastport, ME)
- Florida (AL/FL Border to Fernandina Beach, FL)
- Florida Gold Coast (Card Sound Bridge, FL to Jupiter Inlet, FL)
- Gulf Coast (Brownsville, TX to AL/FL Border)
- Gulf Coast and Florida (Brownsville, TX to Fernandina Beach, FL)
- Northern Atlantic Coast (NC/VA Border to Eastport, ME)
- Southern Atlantic Coast (Fernandina Beach, FL to NC/VA Border)
- Florida + Southern Atlantic + Northern Atlantic (AL/FL Border to Eastport, ME)



CME HURRICANE INDEX BINARY CONTRACT

Contract Size	\$10,000
Quote	Points (percent of \$10,000)
Minimum Price Increment	0.01 point
Tick Value	0.01 point = \$1
Contracts Traded	Binary contract in which buyer receives \$10,000 if the respective CHI value is equal to or greater than strike price; buyer receives nothing if the respective CHI value is less than strike price. Separate binary contracts will be listed for trading on named hurricanes making landfall in a specific geographic location (e.g., Eastern U.S.) between January 1 and December 31 inclusive of a calendar year. At the beginning of each season storm names are used from a list, starting with A and ending with Z, maintained by the World Meteorological Organization. In the event that more than 21 named events occur in a season, additional storms will take names from the Greek alphabet: Alpha, Beta, Gamma, Delta, and so on.
Locations	Named hurricanes making landfall in the Eastern U.S. (Brownsville, TX to Eastport, ME) Named hurricanes occurring within the CHI-Cat-In-A-Box – Galveston-Mobile (area bounded by 95°30'0"W on the West, 87°30'0"W on the East, 27°30'0"N on the South and the corresponding segment of the U.S. coastline on the North)
Termination of Trading	Trading shall terminate at 9:00 A.M. on the first Exchange business day that is at least five calendar days following the last forecast/advisory issued by the National Hurricane Center (NHC) for the named storm, provided that both the NHC and the Hydrometeorological Prediction Center have stopped issuing advisories for that named storm, but in no event shall trading terminate prior to the first Exchange business day that is at least five calendar days following January 1, or later than the first business day that is at least five calendar days following December 31. If a particular named storm is unused (i.e. that storm has not formed), trading shall terminate at 9:00 A.M. on the first Exchange business day that is at least five calendar days following December 31.
Strike Price Interval	1 CHI 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. CT (9:00 a.m. on LTD)

For more information on CME Hurricane Index Binary options, visit www.cmegroup.com/binaryhurricanes.

CME HURRICANE INDEX CAT-IN-A-BOX BINARY CONTRACT

Contract Size	\$10,000
Quote	Points (percent of \$10,000)
Minimum Price Increment	0.01 point
Tick Value	0.01 point = \$1
Contracts Traded	Binary contract in which buyer receives \$10,000 if the respective CHI Cat-In-A-Box value is equal to or greater than strike price; buyer receives nothing if the respective CHI Cat-In-A-Box value is less than strike price. Separate binary contracts will be listed for trading on named hurricanes entering a specific geographic area (e.g., Galveston-Mobile) between January 1 and December 31 inclusive of a calendar year. At the beginning of each season storm names are used from a list, starting with A and ending with Z, maintained by the World Meteorological Organization. In the event that more than 21 named events occur in a season, additional storms will take names from the Greek alphabet: Alpha, Beta, Gamma, Delta, and so on.
Locations	Galveston-Mobile (area bounded by 95°30'0"W on the west, 87°30'0"W on the east, 27°30'0"N on the south, and the corresponding segment of the U.S. coastline on the north)
Termination of Trading	Trading shall terminate at 9:00 A.M. on the first Exchange business day that is at least five calendar days following the dissipation or exit from the designated area of a named storm, provided that both the NHC and the Hydrometeorological Prediction Center have stopped issuing advisories for that named storm, but in no event shall trading terminate prior to the first Exchange business day that is at least five calendar days following January 1, or later than the first business day that is at least five calendar days following December 31. If a particular named storm is unused (i.e. that storm has not formed), trading shall terminate at 9:00 A.M. on the first Exchange business day that is at least five calendar days following December 31.
Strike Price Interval	1 CHI 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. CT (9:00 a.m. on LTD)

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CME HURRICANE INDEX SEASONAL BINARY OPTIONS

Contract Size	\$10,000
Quote	Points (percent of \$10,000)
Minimum Price Increment	0.01 point
Tick Value	0.01 point = \$1
Contracts Traded	Binary contract in which buyer receives \$10,000 if the respective CHI seasonal value is equal to or greater than strike price; buyer receives nothing if the respective CHI seasonal value is less than strike price. Separate binary contracts will be listed for trading on the accumulated CHI final settlement values for all hurricanes that make landfall in a specific location (e.g., Gulf Coast) between January 1 and December 31 inclusive of a calendar year
Locations	<ul style="list-style-type: none"> • Gulf Coast (Brownsville, TX to AL/FL Border) • Florida (AL/FL Border to Fernandina Beach, FL) • Gulf Coast and Florida (Brownsville, TX to Fernandina Beach, FL) • Florida Gold Coast (Card Sound Bridge, FL to Jupiter Inlet, FL) • Southern Atlantic Coast (Fernandina Beach, FL to NC/VA Border) • Northern Atlantic Coast (NC/VA Border to Eastport, ME) • Eastern U.S. (Brownsville, TX to Eastport, ME) • Florida + Southern Atlantic + Northern Atlantic (AL/FL Border to Eastport, ME)
Termination of Trading	Trading shall terminate at 9:00 A.M. on the first Exchange business day that is at least five calendar days following December 31.
Strike Price Interval	1 CHI 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. CT (9:00 a.m. on LTD)

For more information on CME Hurricane Index Binary options, visit www.cmegroup.com/binaryhurricanes.

CME HURRICANE INDEX SEASONAL CAT-IN-A-BOX BINARY OPTIONS

Contract Size	\$10,000
Quote	Points (percent of \$10,000)
Minimum Price Increment	0.01 point
Tick Value	0.01 point = \$1
Contracts Traded	Binary contract in which buyer receives \$10,000 if the respective CHI seasonal Cat-In-A-Box value is equal to or greater than strike price; buyer receives nothing if the respective CHI seasonal Cat-In-A-Box value is less than strike price. Separate binary contracts will be listed for trading on the accumulated CHI Cat-In-A-Box final settlement values for all hurricanes that enter a specific geographic area (e.g., Galveston-Mobile) between January 1 and December 31 inclusive of a calendar year.
Locations	Galveston-Mobile (area bounded by 95°30'0"W on the west, 87°30'0"W on the east, 27°30'0"N on the south, and the corresponding segment of the U.S. coastline on the north)
Termination of Trading	Trading shall terminate at 9:00 A.M. on the first Exchange business day that is at least five calendar days following December 31.
Strike Price Interval	1 CHI 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. CT (9:00 a.m. on LTD)

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CME HURRICANE INDEX SEASONAL MAXIMUM BINARY OPTIONS

Contract Size	\$10,000
Quote	Points (percent of \$10,000)
Minimum Price Increment	0.01 point
Tick Value	0.01 point = \$1
Contracts Traded	Binary contract in which buyer receives \$10,000 if the respective CHI seasonal maximum value is equal to or greater than strike price; buyer receives nothing if the respective CHI seasonal maximum value is less than strike price. Separate binary contracts will be listed for trading on the accumulated CHI final settlement values for all hurricanes that make landfall in a specific location (e.g., Gulf Coast) between January 1 and December 31 inclusive of a calendar year.
Locations	<ul style="list-style-type: none"> • Gulf Coast (Brownsville, TX to AL/FL Border) • Gulf Coast and Florida (Brownsville, TX to Fernandina Beach, FL) • Florida (AL/FL Border to Fernandina Beach, FL) • Florida Gold Coast (Card Sound Bridge, FL to Jupiter Inlet, FL) • Southern Atlantic Coast (Fernandina Beach, FL to NC/VA Border) • Northern Atlantic Coast (NC/VA Border to Eastport, ME) • Eastern U.S. (Brownsville, TX to Eastport, ME) • Florida + Southern Atlantic + Northern Atlantic (AL/FL Border to Eastport, ME)
Termination of Trading	Trading shall terminate at 9:00 A.M. on the first Exchange business day that is at least five calendar days following December 31.
Strike Price Interval	1 CHI 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. CT (9:00 a.m. on LTD)

For more information on CME Hurricane Index Binary options, visit www.cmegroup.com/binaryhurricanes.

CME HURRICANE INDEX SEASONAL MAXIMUM CAT-IN-A-BOX BINARY OPTIONS

Contract Size	\$10,000
Quote	Points (percent of \$10,000)
Minimum Price Increment	0.01 point
Tick Value	0.01 point = \$1
Contracts Traded	Binary contract in which buyer receives \$10,000 if the respective CHI seasonal maximum Cat-In-A-Box value is equal to or greater than strike price; buyer receives nothing if the respective CHI seasonal maximum Cat-In-A-Box value is less than strike price. Separate binary contracts will be listed for trading on the accumulated CHI Cat-In-A-Box final settlement values for all hurricanes that enter a specific geographic area (e.g., Galveston-Mobile) between January 1 and December 31 inclusive of a calendar year.
Locations	Galveston-Mobile (area bounded by 95°30'0"W on the west, 87°30'0"W on the east, 27°30'0"N on the south, and the corresponding segment of the U.S. coastline on the north)
Termination of Trading	Trading shall terminate at 9:00 A.M. on the first Exchange business day that is at least five calendar days following December 31.
Strike Price Interval	1 CHI 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. CT (9:00 a.m. on LTD)

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CME HURRICANE INDEX SECOND EVENT SEASONAL MAXIMUM BINARY OPTIONS

Contract Size	\$10,000
Quote	Points (percent of \$10,000)
Minimum Price Increment	0.01 point
Tick Value	0.01 point = \$1
Contracts Traded	Binary contract in which buyer receives \$10,000 if the respective CHI seasonal maximum value is equal to or greater than strike price; buyer receives nothing if the respective CHI seasonal maximum value is less than strike price. Separate binary contracts will be listed for trading on the second hurricane to make landfall in a specific location (e.g., Gulf Coast) between January 1 and December 31 inclusive of a calendar year with a particular maximum CHI value.
Locations	<ul style="list-style-type: none"> • Gulf Coast (Brownsville, TX to AL/FL Border) • Gulf Coast and Florida (Brownsville, TX to Fernandina Beach, FL) • Florida (AL/FL Border to Fernandina Beach, FL) • Florida Gold Coast (Card Sound Bridge, FL to Jupiter Inlet, FL) • Southern Atlantic Coast (Fernandina Beach, FL to NC/VA Border) • Northern Atlantic Coast (NC/VA Border to Eastport, ME) • Eastern U.S. (Brownsville, TX to Eastport, ME) • Florida + Southern Atlantic + Northern Atlantic (AL/FL Border to Eastport, ME)
Termination of Trading	Trading shall terminate at 9:00 A.M. on the first Exchange business day that is at least five calendar days following December 31.
Strike Price Interval	1 CHI 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. CT (9:00 a.m. on LTD)

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CME HURRICANE INDEX SECOND EVENT SEASONAL MAXIMUM CAT-IN-A-BOX BINARY OPTIONS

Contract Size	\$10,000
Quote	Points (percent of \$10,000)
Minimum Price Increment	0.01 point
Tick Value	0.01 point = \$1
Contracts Traded	Binary contract in which buyer receives \$10,000 if the respective CHI seasonal maximum value is equal to or greater than strike price; buyer receives nothing if the respective CHI seasonal maximum value is less than strike price. Separate binary contracts will be listed for trading on the second hurricane to enter a specific geographic area (e.g., Galveston-Mobile) between January 1 and December 31 inclusive of a calendar year with a particular maximum CHI value.
Locations	Galveston-Mobile (area bounded by 95°30'0"W on the west, 87°30'0"W on the east, 27°30'0"N on the south, and the corresponding segment of the U.S. coastline on the north)
Termination of Trading	Trading shall terminate at 9:00 A.M. on the first Exchange business day that is at least five calendar days following December 31.
Strike Price Interval	1 CHI 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. CT (9:00 a.m. on LTD)

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HURRICANE BINARY OPTIONS

CAT-IN-A-BOX GALVESTON-MOBILE		EASTERN U.S.
NAMES	BINARY OPTIONS	BINARY OPTIONS
A	P12	X12
B	P22	X22
C	P32	X32
D	P42	X42
E	P52	X52
F	P62	X62
G	P72	X72
H	P82	X82
I	P92	X92
J	P02	X02
K	S12	G1B
L	S22	G2B
M	S32	G3B
N	S42	G4B
O	S52	G5B
P	S62	G6B
R	S72	G7B
S	S82	G8B
T	S92	G9B
V	S02	G0B
W	NH1	F12
Alpha	NH2	F22
Beta	NH3	F32
Gamma	NH4	F42
Delta	NH5	F52
Epsilon	NH6	F62
Zeta	NH7	F72
Eta	NH8	F82
Theta	NH9	F92
Iota	NH0	F02

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HURRICANE SEASONAL BINARY OPTIONS

REGION	BINARY OPTIONS
Gulf Coast	BHG
Florida	BHF
Southern Atlantic Coast	BHS
Northern Atlantic Coast	BHR
Florida + Southern Atlantic + Northern Atlantic	BFA
Eastern U.S.	BHX
Cat-In-A-Box – Galveston-Mobile	BHB
Gulf Coast and Florida	BFG
Florida Gold Coast	BMF

HURRICANE SEASONAL MAXIMUM BINARY OPTIONS

REGION	BINARY OPTIONS
Gulf Coast	MHG
Florida	MHF
Southern Atlantic Coast	MHS
Northern Atlantic Coast	MHR
Florida + Southern Atlantic + Northern Atlantic	AOA
Eastern U.S.	MHX
Cat-In-A-Box – Galveston-Mobile	MHB
Gulf Coast and Florida	BGF
Florida Gold Coast	MFM

HURRICANE SECOND EVENT SEASONAL MAXIMUM BINARY OPTIONS

REGION	BINARY OPTIONS
Gulf Coast	MG2
Florida	MF2
Southern Atlantic Coast	HM2
Northern Atlantic Coast	MR2
Florida + Southern Atlantic + Northern Atlantic	OMA
Eastern U.S.	MX2
Cat-In-A-Box	MB2
Gulf Coast and Florida	GF2
Florida Gold Coast	FM2

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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 anyone trade because they cannot expect to profit on every trade. All references to options refer to options on futures.

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