

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](http://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.

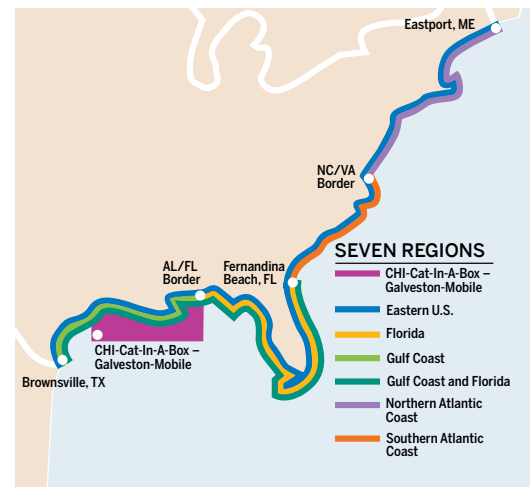
Binary hurricane options based on the CHI, however, provide more transparent pricing than ILWs, rapid payouts following a triggering event, and counterparty performance guaranteed by CME Clearing.

## 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)
- 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)



## 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	Eastern U.S. (Brownsville, TX to Eastport, ME)
Termination of Trading	Trading shall terminate at 9:00 a.m. Central Time (CT) on the first Exchange business day that is at least two calendar days following the last forecast/advisory issued by the NHC for the named storm, but in no event shall trading terminate prior to the first Exchange business day that is at least two calendar days following the beginning of the hurricane season on January 1. If a particular named storm is unused (i.e., that storm has not formed), trading shall terminate at 9:00 a.m. CT on the first Exchange business day that is at least two calendar days following the end of the hurricane season on 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](http://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. CT on the first Exchange business day that is at least two calendar days following the dissipation or exit from the designated area of a named hurricane, but in no event shall trading terminate prior to the First Exchange business day that is at least two calendar days following the beginning of the hurricane season on January 1 or later than the first business day that is at least two calendar days following December 31. If a particular named storm is unused (i.e., that storm had not formed), trading shall terminate at 9:00 a.m. CT on the first Exchange business day that is at least two calendar days following the end of the hurricane season on 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"> <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 U.S. (Brownsville, TX to Eastport, ME)</li> </ul>
Termination of Trading	Trading shall terminate at 9:00 a.m. CT on the first Exchange business day that is at least two 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](http://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. CT on the first Exchange business day that is at least two 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"> <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 U.S. (Brownsville, TX to Eastport, ME)</li> </ul>
Termination of Trading	Trading shall terminate at 9:00 a.m. CT on the first Exchange business day that is at least two 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 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. CT on the first Exchange business day that is at least two 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"> <li>• Gulf Coast (Brownsville, TX to AL/FL Border)</li> <li>• Gulf Coast and Florida (Brownsville, TX to Fernandina Beach, FL)</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 U.S. (Brownsville, TX to Eastport, ME)</li> </ul>
Termination of Trading	Trading shall terminate at 9:00 a.m. CT on the first Exchange business day that is at least two 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. CT on the first Exchange business day that is at least two 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 FUTURES, OPTIONS AND BINARY OPTIONS

NAMES	CAT-IN-A-BOX GALVESTON-MOBILE		EASTERN U.S.	
	FUTURES AND OPTIONS	BINARY OPTIONS	FUTURES AND OPTIONS	BINARY OPTIONS
Ana	HP1	P12	HX1	X12
Bill	HP2	P22	HX2	X22
Claudette	HP3	P32	HX3	X32
Danny	HP4	P42	HX4	X42
Erika	HP5	P52	HX5	X52
Fred	HP6	P62	HX6	X62
Grace	HP7	P72	HX7	X72
Henri	HP8	P82	HX8	X82
Ida	HP9	P92	HX9	X92
Joaquin	HP0	P02	HX0	X02
Kate	HS1	S12	HG1	G1B
Larry	HS2	S22	HG2	G2B
Mindy	HS3	S32	HG3	G3B
Nicholas	HS4	S42	HG4	G4B
Odette	HS5	S52	HG5	G5B
Peter	HS6	S62	HG6	G6B
Rose	HS7	S72	HG7	G7B
Sam	HS8	S82	HG8	G8B
Teresa	HS9	S92	HG9	G9B
Victor	HS0	S02	HG0	G0B
Wanda	HN1	NH1	HF1	F12
Alpha	HN2	NH2	HF2	F22
Beta	HN3	NH3	HF3	F32
Gamma	HN4	NH4	HF4	F42
Delta	HN5	NH5	HF5	F52
Epsilon	HN6	NH6	HF6	F62
Zeta	HN7	NH7	HF7	F72
Eta	HN8	NH8	HF8	F82
Theta	HN9	NH9	HF9	F92
Iota	HN0	NH0	HF0	F02

## HURRICANE SEASONAL FUTURES, OPTIONS AND BINARY OPTIONS

REGION	FUTURES	OPTIONS	BINARY OPTIONS
Gulf Coast	HGA	OGA	BHG
Florida	HFA	OFA	BHF
Southern Atlantic Coast	HHA	OSA	BHS
Northern Atlantic Coast	HNA	ONA	BHR
Eastern U.S.	HXA	OXA	BHX
Cat-In-A-Box – Galveston-Mobile	HPA	OPA	BHB

## HURRICANE SEASONAL MAXIMUM FUTURES, OPTIONS AND BINARY OPTIONS

REGION	FUTURES	OPTIONS	BINARY OPTIONS
Gulf Coast	HGM	OGM	MHG
Florida	HFM	OFM	MHF
Southern Atlantic Coast	HSM	OSM	MHS
Northern Atlantic Coast	HNM	ONM	MHR
Eastern U.S.	HXM	OXM	MHX
Cat-In-A-Box – Galveston-Mobile	HPM	OPM	MHB

## HURRICANE SECOND EVENT SEASONAL MAX BINARY OPTIONS

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

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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 any one trade because they cannot expect to profit on every trade.

All references to options refer to options on futures.

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