

## **Chapter 11C**

### **Soybean Board Crush Spread Options**

#### **11C00. SCOPE OF CHAPTER**

This chapter is limited in application to put and call options on the Soybean Board Crush Spread. In addition to the rules of this chapter, transactions in Soybean Board Crush Spread Options shall be subject to the general rules of the Exchange insofar as applicable.

#### **11C01. OPTIONS CHARACTERISTICS**

##### **11C01.A. Contract Months**

Trading in Soybean Board Crush Spread options may be scheduled in such months as determined by the Exchange.

##### **11C01.B. Trading Unit**

One Soybean Board Crush Spread is ten (10) Soybean futures contracts of a specified contract month, eleven (11) Soybean Meal futures contracts of a specified contract month, and nine (9) Soybean Oil futures contracts of a specified contract month on the Board of Trade of the City of Chicago, Inc.

The Soybean Board Crush Spread is based on the formula for calculating the conventional gross processing margin when a bushel of soybeans weighing 60 pounds is "crushed" to produce 44 pounds of 48% protein soybean meal, 11 pounds of soybean oil, 4 pounds of hulls, and 1 pound of waste.

The Soybean Board Crush Spread is calculated in \$/bushel as:

Soybean Meal in \$/ton x 0.022 + Soybean Oil in \$/cwt x 0.11 – Soybeans in \$/bu.

##### **11C01.C. Minimum Fluctuations**

The premium for Soybean Board Crush Spread options shall be in multiples of one-eighth (1/8) of one cent per bushel, or sixty-two dollars and fifty cents (\$62.50) per contract.

However, a position may be initiated or liquidated in Soybean Board Crush Spread options at premiums ranging from \$10.00 to \$60.00, in \$10.00 increments per option contract.

##### **11C01.D. Trading Hours**

The hours for trading of Soybean Board Crush Spread options contracts shall be determined by the Exchange. Soybean Board Crush Spread options shall be opened and closed for all months and strike prices simultaneously.

##### **11C01.E. Exercise Prices**

Trading shall be conducted for put and call options with strike prices in integral multiples of two cents per bushel per Soybean Board Crush Spread. At the commencement of trading for such option contracts, the following strike prices shall be listed: one with an even numbered strike price closest to the previous day's Soybean Board Crush Spread price; the next ten consecutive higher and the next ten consecutive lower strike prices closest to the previous day's Soybean Board Crush Spread price; and all strike prices listed for all other option contract months listed at the time. If the previous day's settlement price is midway between two strike prices, the closest price shall be the larger of the two. When a sale in the underlying Soybean Board Crush Spread occurs at a price greater than or equal to the tenth largest strike price, a new strike price one increment higher than the existing strike prices will be added. When a sale in the underlying Soybean Board Crush Spread occurs at a price less than or equal to the tenth smallest strike price, a new strike price one increment lower than the existing strike prices will be added. When a new strike price is added for an option contract month, the same strike price will be added to all option contract months for which that strike price is not already listed. All new strike prices will be added prior to the opening of trading on the following business day.

The Exchange may modify the procedure for the introduction of strike prices as it deems appropriate in order to respond to market conditions.

##### **11C01.F. Position Limits, Exemptions, Position Accountability and Reportable Levels**

The applicable position limits and/or accountability levels, in addition to the reportable levels,

are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

**11C01.G. Reserved**

**11C01.H. Nature of Options on the Soybean Crush Spread**

The buyer of one Soybean Board Crush Spread put option may exercise his option at any time prior to expiration, (subject to Rule 11C02.A.), to assume a long position of ten Soybean futures contracts of a specified contract month, a short position of eleven Soybean Meal futures contracts of a specified contract month, and a short position of nine Soybean Oil futures contracts of a specified contract month at a strike price set at the time the option was purchased.

The seller of one Soybean Board Crush Spread put option incurs the obligation of assuming a short position of ten Soybean futures contracts of a specified contract month, a long position of eleven Soybean Meal futures contracts of a specified contract month, and a long position of nine Soybean Oil futures contracts of a specified contract month at a combination of prices such that the Soybean Board Crush Spread equals the strike price set at the time the option was sold, upon exercise by a put option buyer.

The buyer of one Soybean Board Crush Spread call option may exercise his option at any time prior to expiration, (subject to Rule 11C02.A.), to assume a short position of ten Soybean futures contracts of a specified contract month, a long position of eleven Soybean Meal futures contracts of a specified contract month, and a long position of nine Soybean Oil futures contracts of a specified contract month at a strike price set at the time the option was purchased.

The seller of one Soybean Board Crush Spread call option incurs the obligation of assuming a long position of ten Soybean futures contracts of a specified contract month, a short position of eleven Soybean Meal futures contracts of a specified contract month, and a short position of nine Soybean Oil futures contracts of a specified contract month at a combination of prices such that the Soybean Board Crush Spread equals the strike price set at the time the option was sold, upon exercise by a call option buyer.

**11C01.I. Termination of Trading**

No trades in Soybean Board Crush Spread options expiring in the current month shall be made after the close of trading of the electronic trading session for the corresponding Soybean Crush Spread on the day identical to the earliest expiration of options corresponding to the Soybean, Soybean Meal and Soybean Oil legs of the Crush Spread Option. Therefore, expiration will occur on the last Friday which precedes by at least two business days, the last business day of the month preceding that earliest expiring corresponding option month. If such Friday is not a business day, the last day of trading shall be the business day prior to such Friday. For example, the January Soybean Crush Spread Option (January Soybeans, Soybean Meal and Soybean Oil) will expire on the last Friday which precedes by at least two business days the last business day of December; the December Soybean Crush Spread Option (November Soybeans, and December Soybean Meal and Soybean Oil) will expire on the last Friday which precedes by at least two business days the last business day of October.

**11C01.J. Contract Modification**

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 the rules and all open and new options contracts shall be subject to such government orders.

**11C02. EXERCISE AND ASSIGNMENT**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise and assignment of Soybean Board Crush Spread Options.

#### **11C02.A. Exercise of Option**

The buyer of a Soybean Crush Spread option may exercise the option on any business day up to and including the day such option expires by giving notice of exercise to the Clearing House by 5:30 p.m. Chicago time, or by such other time designated by the Exchange, on such day. In-the-money options that have not been liquidated or exercised on the last day of trading in such option shall be automatically exercised in the absence of contrary instructions delivered to the Clearing House by 5:30 p.m. Chicago time, or by such other time designated by the Exchange, on the last day of trading by the clearing member representing the option buyer.

The Soybean Board Crush Spread is calculated using final settlement values for the underlying contracts in the following formula: [(Settlement Price of Soybean Meal in \$/short ton x .022) + Settlement Price of Soybean Oil in cents/pound x 11] – (Settlement Price of Soybeans in \$/bushel). The results of this calculation are rounded to the nearest quarter of one cent (\$.0025). An option is in-the-money if the rounded settlement price of the underlying Soybean Board Crush Spread is less in the case of a put, or greater in the case of a call, than the exercise price of the option.

#### **11C02.B. Assignment**

Exercise notices accepted by the Clearing House shall be assigned through a process of random selection to clearing members' open short positions in the same series. A clearing member to which an exercise notice is assigned shall be notified of the assignment as soon as practicable after such notice is assigned by the Clearing House.

Upon the exercise of a Soybean Board Crush Spread option the Clearing House assigns prices to the legs of the Soybean Crush Spread in the following manner:

- a. assigned Soybean Meal price equals the Soybean Meal settlement price on the day of exercise rounded to the nearest \$2.50/ton,
- b. assigned Soybean Oil price equals the Soybean Oil settlement price on the day of exercise rounded to the nearest \$0.25/cwt,
- c. assigned Soybean price equals .022 times the assigned Soybean Meal price in \$/ton plus .11 times the assigned Soybean Oil price in \$/cwt minus the strike price of the Soybean Board Crush Spread option in \$/bu.

All such futures positions shall be marked to market in accordance with Rule 814 on the trading day of acceptance by the Clearing House of the exercise notice.

#### **11C03. [RESERVED]**

#### **11C04. CORRECTIONS TO OPTIONS EXERCISES**

Corrections to option exercises, including automatic exercises, may be accepted by the Clearing House after the 5:30 p.m. deadline and up to the beginning of final option expiration processing provided that such corrections are necessary due to: (1) a bona fide clerical error, (2) an un-reconciled Exchange option transaction(s), or (3) an extraordinary circumstance where the clearing firm and customer are unable to communicate final option exercise instructions prior to the deadline. The decision as to whether a correction is acceptable will be made by the President of the Clearing House, or the President's designee, and such decision will be final.

#### **11C05. OPTION PREMIUM FLUCTUATION LIMITS**

There are no option premium limits during any day for Soybean Board Crush Spread options.

#### **11C06. PAYMENT OF OPTION PREMIUM**

The option premium must be paid in full by each clearing member to the Clearing House and by each option customer to his futures commission merchant at the time that the option is purchased, or within a reasonable time after the option is purchased.