

Chapter 14A Options on Wheat Futures

14A00. SCOPE OF CHAPTER

This chapter is limited in application to put and call options on Wheat futures contracts. In addition to the rules of this chapter, transactions in options on Wheat futures shall be subject to the general rules of the Exchange insofar as applicable.

14A01. OPTIONS CHARACTERISTICS

14A01.A. Contract Months

Trading may be conducted in the nearby Wheat futures options contract month and any succeeding months, provided however, that the Exchange may determine not to list a contract month. For options that are traded in months in which Wheat futures are not traded, the underlying futures contract is the next futures contract that is nearest to the expiration of the option. For example, the underlying futures contract for the February option contract is the March futures contract. For short dated options on new crop futures, the underlying futures contract is the July futures contract that is nearest to the expiration of the option.

14A01.B. Trading Unit

One 5,000 bushel Wheat futures contract of a specified contract month.

14A01.C. Minimum Fluctuations

The premium for Wheat futures options shall be in multiples of one-eighth (1/8) of one cent per bushel of a 5,000 bushel Wheat futures contract which shall equal \$6.25 per contract.

However, a position may be initiated or liquidated in Wheat futures options at a premium ranging from \$1.00 to \$6.00 in \$1.00 increments per option contract.

14A01.D. Trading Hours

The hours of trading for options on Wheat futures contracts shall be determined by the Exchange. Wheat futures options shall be opened and closed for all months and strike prices simultaneously or in such other manner as determined by the Exchange.

14A01.E. Exercise Prices¹

Trading shall be conducted for put and call options with striking prices in integral multiples of five (5) cents and ten (10) cents per bushel per Wheat futures contract as follows:

1.
 - a. At the commencement of trading for each option contract, the Exchange shall list a strike closest to the previous day's settlement price of the underlying Wheat futures contract (the at-the-money strike), and strikes in integral multiples of ten cents in a range of 50 percent above and below the at-the-money strike. If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two.
 - b. Over time, new ten cent strikes will be added to ensure that all strikes within 50 percent of the previous day's settlement price in the underlying futures contract are listed.
2.
 - a. At the commencement of trading for weekly options, and for options that are traded in months in which Wheat futures are not traded, for short dated options on new crop futures, and for standard option months the business day they become the third listed month, the Exchange shall list a strike closest to the previous day's settlement price of the underlying Wheat futures contract (the at-the-money strike), and strikes in integral multiples of five cents in a range of 25 percent above and below the at-the-money strike. If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two. For example, five-cent strike price intervals for the September contract would be added on the first business day after the expiration of the June options contract.
 - b. Over time, new five-cent strike prices will be added to ensure that all strikes within 25 percent of the previous day's settlement price in the underlying futures are listed.
3. All strikes will be listed prior to the opening of trading on the following business day. Upon demand and at the discretion of the Exchange, new out-of-current-range strike prices at regularly defined intervals may be added for trading on as soon as possible basis. The

¹ Revised April 2008, August 2008; December 2010.

Exchange may modify the procedures for the introduction of strikes as it deems appropriate in order to respond to market conditions. As new 5 and 10 cent strikes are added, existing strikes outside the newly determined strike ranges without open interest may be de-listed.

14A01.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.

14A01.G. Reserved

14A01.H. Nature of Options on Wheat Futures

The buyer of one Wheat futures put option may exercise his option at any time prior to expiration (subject to Regulation 14A02.A.), to assume a short position in one Wheat futures contract of a specified contract month at a striking price set at the time the option was purchased. The seller of one Wheat futures put option incurs the obligation of assuming a long position in one Wheat futures contract of a specified contract month at a striking price set at the time the option was sold, upon exercise by a put option buyer.

The buyer of one Wheat futures call option may exercise his option at any time prior to expiration (subject to Rule 14A02.A.), to assume a long position in one Wheat futures contract of a specified contract month at a striking price set at the time the option was purchased. The seller of one Wheat futures call option incurs the obligation of assuming a short position in one Wheat futures contract of a specified contract month at a striking price set at the time the option was sold, upon exercise by a call option buyer.

14A01.I. Termination of Trading

14A01.I.1. Standard and Serial Options

The last day of trading in any standard or serial option for expiry in a given month shall be the last Friday which precedes by at least two business days the last business day of the calendar month preceding such option's named expiry month. If such Friday is not a business day, then the last day of trading in such option shall be the business day prior to such Friday.

On their last day of trading, expiring standard or serial options shall cease trading at the close of the electronic trading session for the corresponding Wheat futures contract, subject to the provisions of Rule 14A01.D.

14A01.I.2. Weekly Options

Any weekly option shall be designated to expire on a given Friday, provided however that no weekly option shall be designated to expire on any Friday that is also the last day of trading in a standard or serial option (Rule 14A01.I.1.). Trading in any weekly option shall terminate on the Friday on which such option is designated to expire. If such Friday is not a business day, then trading in weekly options designated for expiration on such Friday shall terminate on the business day prior to such Friday.

On their last day of trading, expiring weekly options shall cease trading at the close of the electronic trading session for the corresponding Wheat futures contract, subject to the provisions of Rule 14A01.D.

14A01.I.3. Short Dated Options on New Crop Futures

The last day of trading in any short dated option on new crop futures for expiry in a given month shall be the last Friday which precedes by at least two business days the last business day of the calendar month preceding such option's named expiry month. If such Friday is not a business day, then the last day of trading in such option shall be the business day prior to such Friday.

On their last day of trading, short dated options on new crop futures shall cease trading at the close of the electronic trading session for the corresponding Wheat futures contract, subject to the provisions of Rule 14A01.D.

14A01.I.4. Trading in Underlying Futures

In the event that the underlying futures market does not open on a day scheduled for option expiration, such option expiration shall occur on the next day on which the underlying futures market opens for trading.

14A01.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.

14A02. EXERCISE AND ASSIGNMENT

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise and assignment of Wheat Options.

14A02.A. Exercise of Option

The buyer of a Wheat futures option may exercise the option on any business day prior to expiration by giving notice of exercise to the Clearing House by 6:00 p.m., or by such other time designated by the Exchange, on such day.

After the close on the last day of trading, all in-the-money options shall be automatically exercised, unless notice to cancel automatic exercise is given to the Clearing House. Notice to cancel automatic exercise shall be given to the Clearing House by 6:00 p.m., or by such other time designated by the Exchange, on the last day of trading.

Unexercised Wheat futures options shall expire at 7:00 p.m. on the last day of trading.

14A02.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 thereof as soon as practicable after such notice is assigned by the Clearing House.

The clearing member assigned an exercise notice shall be assigned a short position in the underlying futures contract if a call is exercised or a long position if a put is exercised. The clearing member representing the option buyer shall be assigned a long position in the underlying futures contract if a call is exercised and a short position if a put is exercised.

All such futures positions shall be assigned at a price equal to the exercise price of the option and shall be marked to market in accordance with Rule 814 on the trading day of acceptance by the Clearing House of the Exercise Notice.

14A03. [RESERVED]

14A04. CORRECTIONS TO OPTIONS EXERCISES

Corrections to option exercises, including automatic exercises, may be accepted by the Clearing House after the 6:00 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.

14A05. OPTION PREMIUM LIMITS

There are no option premium limits during any day for options on Wheat futures.

14A06. 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.