

## **Chapter 16A**

### **Standard Options on Denatured Fuel Ethanol Futures**

#### **16A00. SCOPE OF CHAPTER**

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

#### **16A01. OPTIONS CHARACTERISTICS**

##### **16A01.A. Contract Months**

Trading may be conducted in the nearby Denatured Fuel Ethanol futures options contract month and any succeeding months, provided however, that the Exchange may determine not to list a contract month.

##### **16A01.B. Trading Unit**

One 29,000 gallon Denatured Fuel Ethanol futures contract of a specified contract month on the Chicago Board of Trade.

##### **16A01.C. Minimum Fluctuations**

The premium for Denatured Fuel Ethanol futures options shall be in multiples of \$0.001 per gallon of a 29,000 gallon Denatured Fuel Ethanol futures contract which shall equal \$29.00 per contract.

However, a position may be initiated or liquidated in options on Denatured Fuel Ethanol futures at a premium ranging from \$1.00 to \$28.00, in \$1.00 increments per option contract.

##### **16A01.D. Trading Hours**

The hours for trading of options on Denatured Fuel Ethanol futures contracts shall be determined by the Exchange. Options shall be opened and closed for all months and strike prices simultaneously.

On the last day of trading in an expiring option, the closing time for such options shall be 1:15 p.m. Chicago

##### **16A01.E. Exercise Prices**

Trading shall be conducted for put and call options with striking prices (the "strikes") in integral multiples of five cents per gallon per Denatured Fuel Ethanol futures contract (i.e., 1.900, 1.950, 2.000, 2.050, 2.100 etc.) as follows:

1.
  - a. In integral multiples of five cents, at the commencement of trading for an option contract, the following strikes shall be listed: one with a strike closest to the previous day's settlement price of the underlying Denatured Fuel Ethanol futures contract, the next ten consecutive higher and the next ten consecutive lower strikes (the "initial band"). If the previous day's settlement price is midway between two strikes, the closest price shall be the larger of the two.
  - b. In integral multiples of five cents, over time, strikes shall be added as necessary to ensure that all strikes within \$0.50 of the previous day's trading range of the underlying futures contract are listed (the "minimum band").
  - c. No new strikes may be added by these procedures in the month in which an option expires.

2. All strikes will be listed prior to the opening of trading on the following business day.

The Exchange may modify the procedures for the introduction of strikes as it deems appropriate in order to respond to market conditions.

##### **16A01.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.

**16A01.G. Reserved**

**16A01.H. Nature of Options on Denatured Fuel Ethanol futures**

The buyer of one Denatured Fuel Ethanol futures put option may exercise his option at any time prior to expiration, (subject to Rule 16A02.A.), to assume a short position of one Denatured Fuel Ethanol futures contract of a specified contract month at a striking price set at the time the option was purchased. The seller of one Denatured Fuel Ethanol futures put option incurs the obligation of assuming a long position of one Denatured Fuel Ethanol 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 Denatured Fuel Ethanol futures call option may exercise his option at any time prior to expiration, (subject to Rule 16A02.A), to assume a long position of one Denatured Fuel Ethanol futures contract of a specified contract month at a striking price set at the time the option was purchased. The seller of one Denatured Fuel Ethanol futures call option incurs the obligation of assuming a short position of one Denatured Fuel Ethanol 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.

**16A01.I. Termination of Trading**

No trades in Denatured Fuel Ethanol futures options expiring in the current month shall be made after 1:15 p.m. Chicago time on the last Friday which precedes, by at least two business days, the last business day of the month preceding the option month. If such Friday is not a business day, the last day of trading shall be the business day prior to such Friday.

**16A01.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.

**16A02. EXERCISE AND ASSIGNMENT**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise and assignment of put and call options on Denatured Fuel Ethanol futures.

**16A02.A. Exercise of Option**

The buyer of a Denatured Fuel Ethanol futures 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.

Notwithstanding the aforementioned provisions, all in-the-money options that have not been liquidated or exercised on the last day of trading 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 5:30 p.m., or by such other time designated by the Exchange, on the last day of trading.

Unexercised Denatured Fuel Ethanol futures options shall expire at 5:30 p.m. Chicago time on the last day of trading.

**16A02.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.

**16A03. [RESERVED]**

**16A04. 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 unreconciled 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.