Chapter 101B
Options on Live Cattle Futures Calendar Spreads

101B00. SCOPE OF CHAPTER
This chapter is limited in application to options on Live Cattle futures calendar spreads. In addition to this chapter, options on Live Cattle futures calendar spreads shall be subject to the general rules and regulations of the Exchange insofar as applicable.
For purposes of this chapter, unless otherwise specified, times referred to herein shall refer to and indicate Chicago time.

101B01. OPTIONS CHARACTERISTICS

101B01A. Contract Months and Trading Hours
Options contracts shall be listed for such contract months and scheduled for trading during such hours as may be determined by the Exchange.

101B01B. Trading Unit
The trading unit shall be an option to buy, in the case of the call, or to sell, in the case of the put, one Live Cattle futures calendar spread. A Live Cattle futures calendar spread consists of a combination of a purchase in one futures contract month and a sale in another futures contract month. A call calendar spread option is the equivalent of a long position in a nearer futures contract and a short position in a deferred futures contract. A put calendar spread option is the equivalent of a short position in a nearer futures contract and a long position in a deferred futures contract.

101B01C. Minimum Fluctuations
The price of an option shall be quoted in cents per pound. Minimum price fluctuations shall be in multiples of $.00025 per pound (also known as one tick). A trade may also occur at a price of $.000125 per pound ($5.00, also known as one-half tick), whether or not it results in the liquidation of positions for both parties to the trade.

101B01D. Underlying Futures Contracts
The underlying futures contracts are the futures contract for the month in which the option expires and the corresponding futures contract month in that combination. For example, the underlying futures contracts for a February-April calendar spread option are the February futures contract and the April futures contract.

101B01E. Exercise Prices
The exercise prices shall be based on the price difference obtained by subtracting the deferred futures contract price from the nearer futures contract price. The exercise prices shall be stated in terms of cents per pound. For all contract months, exercise prices shall be at intervals of .50 cent; e.g. .50, 1.00, 1.50. In addition, for options involving the first two underlying futures contract months, some exercise prices shall be at intervals of .25 cent, as described below.

At the commencement of option trading in a contract month, the Exchange shall list put and call options at .50 cent intervals in a range 6¢ above and below the difference between the previous day's settlement prices of the underlying futures contracts. When a sale or settlement price in the underlying futures contracts price differential occurs at, or passes through an exercise price, the Exchange shall list on the next Trading Day put and call option contracts at the next higher (or next lower) exercise price within a 6¢ range above (or below) the exercise price at which or through which the sale or settlement price in the underlying futures contracts price differential occurred.

When an underlying futures contract month becomes the second nearest contract month, the Exchange shall add exercise prices at .25 cent intervals in range 6¢ above and below the difference between the previous day's settlement prices of the underlying futures contracts. When a sale or settlement price in the underlying futures contracts price differential occurs at, or passes through an exercise price, the Exchange shall list on the next Trading Day put and call option contracts at the next higher (or next lower) exercise price within a 6¢ range above (or below) the exercise price at which or through which the sale or settlement price in the underlying futures contracts price differential occurred.

New options may be listed for trading up to and including the termination of trading. The Exchange may modify the provisions governing the establishment of exercise prices as it deems appropriate.
The Exchange may modify the procedure for the introduction of strike prices as it deems appropriate in order to respond to market conditions.

101B01F. 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.

101B01G. [Reserved]

101B01H. [Reserved]

101B01I. Termination of Trading

Options trading shall terminate on the first Friday of the delivery month of the nearby futures contract. If that Friday is not a Business Day, then trading shall terminate on the immediately preceding Business Day.

101B01J. [Reserved]

101B02. EXERCISE AND ASSIGNMENT

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of Live Cattle options on calendar spreads.

101B02A. Exercise of Option by Buyer

An option may be exercised by the buyer only on the day that the option expires. To exercise an option, the clearing member representing the buyer shall present an exercise notice to the Clearing House by 7:00 p.m. on the day of exercise.

An option that is in the money and has not been liquidated or exercised prior to the termination of trading shall, in the absence of contrary instructions delivered to the Clearing House by 7:00 p.m. on the day of termination of trading by the clearing member representing the option buyer, be exercised automatically. An option is in the money if the settlement price of the underlying futures contract at the termination of trading lies above the exercise price in the case of a call, or lies below the exercise price in the case of a put.

Corrections to option exercises may be accepted by the Clearing House after the 7:00 p.m. deadline and up to the beginning of final option expiration processing provided that such corrections are necessary due to: (1) a bonafide 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 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.

101B02B. Assignment

Exercise Notices accepted by the Clearing House shall be assigned through a process of random selection to clearing members with 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, but not later than 45 minutes prior to the opening of trading in the underlying futures contract on the following Business Day.

The clearing member assigned an Exercise Notice shall be assigned a short position in the underlying nearer futures contract and a long position in the underlying distant futures contract if a call was exercised or a long position in the underlying nearer contract and a short position in the underlying distant contract if a put was exercised. The clearing member representing the option buyer shall be assigned a long position in the underlying nearer futures contract and a short position in the underlying distant futures contract if a call was exercised and a short position in the underlying nearer contract and a long position in the underlying distant contract if a put was exercised.

All such futures positions shall be assigned at prices as follows: the nearby futures contract shall be assigned at the settlement price and the distant futures contract shall be assigned at a price equal to the settlement price of the nearby futures contract minus the exercise price of the option and shall be
marked to market in accordance with Rule 814 on the Trading Day following acceptance by the Clearing House of the Exercise Notice.

101B03. [RESERVED]

(End Chapter 101B)