

Chapter 201A

Options on Random Length Lumber Futures

201A00. SCOPE OF CHAPTER

This chapter is limited in application to options on Random Length Lumber futures. In addition to this chapter, options on Random Length Lumber futures 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.

201A01. OPTIONS CHARACTERISTICS

201A01.A. 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.

201A01.B. 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 Random Length Lumber futures contract as specified in Chapter 201.

201A01.C. Minimum Fluctuations

The price of an option shall be quoted in dollars per thousand board feet. Minimum price fluctuations shall be in multiples of \$.10 per thousand board feet (also known as one tick). A trade may also occur at a price of \$.05 per thousand board feet (\$.50, also known as one-half tick), whether or not it results in the liquidation of positions for both parties to the trade.

201A01.D. Underlying Futures Contract

1. Options in the Regular Cycle

For regular-cycle options, the underlying futures contract is the corresponding futures contract. For example, the underlying futures contract for the January option contract is the January futures contract.

2. Options Not in the Regular Cycle

For options that expire in months other than those in the regular cycle, the underlying futures contract is the next futures contract in the regular cycle 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.

201A01.E. Exercise Prices

The exercise prices shall be stated in terms of dollars per thousand board feet at intervals of \$5, e.g., \$170, \$175, \$180, \$185, \$190, etc.

At the commencement of option trading in a contract month, the Exchange shall list put and call options in a range within 50 percent above and below—the strike closest to the previous day's settlement price of the underlying futures contract (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.

All strikes will be listed prior to the opening of trading on the following business day. As new strikes are added, existing strikes outside of the newly determined strike ranges without open interest may be de-listed.

New strikes may be listed for trading up to and including the termination of trading.

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

201A01.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.

201A01.G. [Reserved]

201A01.H. [Reserved]

201A01.I. Termination of Trading

1. Options in the Regular Cycle

Options trading shall terminate on the last scheduled Business Day of the month prior to the delivery month of the underlying futures contract. In the event that the underlying futures market does not open on the scheduled Expiration Day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

2. Options Not in the Regular Cycle

Options trading shall terminate on the last scheduled Business Day of the month prior to the option contract month. In the event that the underlying futures market does not open on the scheduled Expiration Day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

201A01.J. [Reserved]

201A02. EXERCISE

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of Random Length Lumber options.

201A02.A. Exercise of Option by Buyer

An option may be exercised by the buyer on any Business Day the option is traded. To exercise an option, the clearing member representing the buyer shall present an exercise notice to the Clearing House by 5:30 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 5:30 p.m. on the day of expiration 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 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 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.

201A02.B. 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 futures contract if a call was exercised or a long position if a put was exercised. The clearing member representing the option buyer shall be assigned a long position in the underlying futures contract if a call was exercised and a short position if a put was 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.

201A03. [RESERVED]

201A04-09. [RESERVED]

(End Chapter 201A)