

Chapter 52B

Midsize Options on Class III Milk Futures

52B00. SCOPE OF CHAPTER

This chapter is limited in application to Midsize options on Class III Milk futures. In addition to this chapter, Midsize Options on Class III Milk 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.

52B01. OPTIONS CHARACTERISTICS

52B01.A. Contract Months

Options contracts shall be listed for such contract months and final settlement in such months as may be determined by the Exchange.

52B01.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, 1,000 times the USDA Class III price for milk, expressed in dollars per hundredweight (cwt.).

52B01.C. Minimum Fluctuations

The price of an option shall be quoted in cents per hundredweight. Minimum price fluctuations shall be in multiples of \$0.01 per cwt. (\$10.00, also known as one tick). A trade may also occur at a price of \$0.005 per cwt. (\$5.00, also known as one-half tick), whether or not it results in the liquidation of positions for both parties to the trade.

52B01.D. Trading Hours

The hours of trading for Midsize Options on Class III Milk futures contracts shall be determined by the Exchange. Midsize Options on Class III Milk futures shall be opened and closed for all months and strike prices simultaneously.

52B01.E. Exercise Prices

The exercise prices shall be stated in terms of dollars per cwt. For all contract months, exercise prices shall be at intervals of \$0.25; e.g., \$11.75, \$12.00, \$12.25, 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 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.

52B01.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.

52B01.G. [Reserved]

52B01.H. [Reserved]

52B01.I. Termination of Trading

Midsized Options on Class III Milk futures trading shall terminate on the same date and time as the Class III Milk futures.

52B01.J. [Reserved]

52B02. EXERCISE AND ASSIGNMENT

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of Midsized Options on Class III Milk futures.

52B02.A. Exercise of Option by Buyer

An option may be exercised by the buyer only on the day that the option expires. To exercise the option, the clearing member representing the buyer shall present a notice to the Clearing House by 5:30 p.m. or by such other time designated by the Exchange, on such day.

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 instruction delivered to the Clearing House by 5:30 p.m. on the Business Day following the Expiration Day by the clearing member representing the option buyer, be exercised automatically. An option is in-the-money if the final settlement price of the underlying futures contract 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, 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 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.

52B02.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 long futures position in the underlying futures contract if a put was exercised or a short futures position if a call is exercised. The clearing member representing the option buyer shall be assigned a short futures position if a put is exercised or a long futures position if a call is exercised. The positions shall be equivalent to 0.50 times the value of the Class III Milk futures contract (i.e., 1,000 times the USDA Class III price for milk, expressed in dollars per hundredweight).

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.

52B03. [RESERVED]