



Special Executive Report

DATE: May 1, 2014
SER#: 7020
SUBJECT: Amendments to Exercise Process for Four (4) Coal Option Contracts

Effective trade date Monday, May 19, 2014, and pending all relevant CFTC regulatory review periods, the New York Mercantile Exchange, Inc. (NYMEX or Exchange) will amend the exercise process for four (4) coal option contracts to enable automated exercise functionality. The four (4) option contracts affected are as follows:

Product Name	Clearing Code	Rulebook Chapter
Coal (API 2) cif ARA (ARGUS-McCloskey) Option on Quarterly Futures Strip	CQA	909
Coal (API 2) cif ARA (ARGUS-McCloskey) Option on Calendar Futures Strip	CLA	910
Coal (API 4) fob Richards Bay (ARGUS-McCloskey) Option on Quarterly Futures Strip	RQA	917
Coal (API 4) fob Richards Bay (ARGUS-McCloskey) Option on Calendar Futures Strip	RLA	918

The amendments to automated exercise functionality will be effective beginning with the Q3 2014 (July 2014) expiry for the CQA and RQA contracts, and beginning with the Calendar 2015 (January 2015) expiry for the CLA and RLA contracts, and will be effective for all subsequent expiries.

Currently the in-the-money positions for these four (4) contracts must be manually exercised. The amendments provide that the in-the-money positions will be automatically exercised following option expiry. The Exchange will refer to the end-of-day coal prices published by the London Energy Brokers' Association (LEBA) to determine whether an option is in-the-money. Holders of long positions will have the ability to submit contra-exercise instructions, in line with the times set out below. Accordingly, the expiration day trading shall cease in these four (4) contracts at 5.00 p.m. London time to align with the assessment time for the LEBA prices.

The CME Clearing House will publish specific Operational Procedures for each expiration. Generally, the timings associated with the expiry process will be as follows:

Option Ceases Trading	5.00 p.m. London time	(12:00 p.m. New York time)
Exercise / Abandon Submission Deadline	6.00 p.m. London time (or 15 minutes after the LEBA data is published)	(1:00 p.m. New York time)
All positions deemed final	6.00 p.m. London time (or 15 minutes after the LEBA data is published)	(1:00 p.m. New York time)
CME Positions and Expiration Report available	6.30 p.m. London time	(1:30 p.m. New York time)

Amendments to NYMEX Rule Chapters

(Additions are shown in underline. Deletions are shown in ~~strikethrough~~.)

Chapter 909

Coal (API 2) cif ARA (ARGUS-McCloskey) Option on Quarterly Futures Strip

909.04 OPTION EXERCISE

Option contracts may be exercised on the Expiration Day only. Notice of exercise must be delivered by a Clearing Member to the Clearing House not later than 6:00 p.m. ~~3:00 p.m.~~ London time on the Expiration Day, except as noted below. ~~The option shall not be automatically exercised by the Clearing House on the Expiration Day.~~ The option shall be available for automatic exercise. The in-the-money value of the option shall be based on a methodology to be published by the Exchange that reflects markets prices at the termination of trading of a contract. In the event the underlying reference price used by the Exchange is not available by 5:45 p.m. London time, the notice of exercise may be delivered no later than fifteen (15) minutes after the publication of the underlying reference price.

909.06 TERMINATION OF TRADING

Trading shall cease at ~~2:30 p.m.~~ 5:00 p.m. London time on the Expiration Day.

Chapter 910

Coal (API 2) cif ARA (ARGUS-McCloskey) Option on Calendar Futures Strip

910.04 OPTION EXERCISE

Option contracts may be exercised on the Expiration Day only. Notice of exercise must be delivered by a Clearing Member to the Clearing House not later than 6:00 p.m. ~~3:00 p.m.~~ London time on the Expiration Day, except as noted below. ~~The option shall not be automatically exercised by the Clearing House on the Expiration Day.~~ The option shall be available for automatic exercise. The in-the-money value of the option shall be based on a methodology to be published by the Exchange that reflects markets prices at the termination of trading of a contract. In the event the underlying reference price used by the Exchange is not available by 5:45 p.m. London time, the notice of exercise may be delivered no later than fifteen (15) minutes after the publication of the underlying reference price.

910.06 TERMINATION OF TRADING

Trading shall cease at ~~2:30 p.m.~~ 5:00 p.m. London time on the Expiration Day.

Chapter 917

Coal (API 4) fob Richards Bay (ARGUS-McCloskey) Option on Quarterly Futures Strip

917.04 OPTION EXERCISE

Option contracts may be exercised on the Expiration Day only. Notice of exercise must be delivered by a Clearing Member to the Clearing House not later than 6:00 p.m. ~~3:00 p.m.~~ London time on the Expiration Day, except as noted below. The option contract shall not be automatically exercised by the Clearing House on the Expiration Day. The option shall be available for automatic exercise. The in-the-money value of the option shall be based on a methodology to be published by the Exchange that reflects markets prices at the termination of trading of a contract. In the event the underlying reference price used by the Exchange is not available by 5:45 p.m. London time, the notice of exercise may be delivered no later than fifteen (15) minutes after the publication of the underlying reference price.

917.06 TERMINATION OF TRADING

Trading shall cease at ~~2:30 p.m.~~ 5:00 p.m. London time on the Expiration Day.

Chapter 918

Coal (API 4) fob Richards Bay (ARGUS-McCloskey) Option on Calendar Futures Strip

918.04 OPTION EXERCISE

Option contracts may be exercised on the Expiration Day only. Notice of exercise must be delivered by a Clearing Member to the Clearing House not later than 6:00 p.m. ~~3:00 p.m.~~ London time on the Expiration Day, except as noted below. The option contract shall not be automatically exercised by the Clearing House on the Expiration Day. The option shall be available for automatic exercise. The in-the-money value of the option shall be based on a methodology to be published by the Exchange that reflects markets prices at the termination of trading of a contract. In the event the underlying reference price used by the Exchange is not available by 5:45 p.m. London time, the notice of exercise may be delivered no later than fifteen (15) minutes after the publication of the underlying reference price.

918.06 TERMINATION OF TRADING

Trading shall cease at ~~2:30 p.m.~~ 5:00 p.m. London time on the Expiration Day.

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