



## Special Executive Report

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**DATE:** April 8, 2016

**SER#:** 7632

**SUBJECT: Amendments to Exercise Process for the Brent Crude Oil Futures-Style Margin Option Contract**

Effective Sunday April, 24, 2016 for trade date Monday, April 25, 2016, and pending all relevant CFTC regulatory review periods, New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") will amend the Brent Crude Oil Futures-Style Margin Option contract (the "Contract") (Rulebook Chapter: 504; commodity code: BZO).

More specifically, NYMEX will add Rule 504104. ("Option Exercise"). Currently, upon expiration for the Contract, long positions have until 3:30 p.m. (Central Time) to issue "contrary instructions" (i.e. abandoning in-the-money or exercising out-of-the-money options).

The amendments provide that the submission time deadline for the notice of exercise instructions on expiration date for the Contract will be amended to 2:30 p.m. (Central Time) from 3:30 p.m. (Central Time). The amendments are designed to better align the exercise time with market practice.

The Contract is listed for trading on CME Globex and for submission for clearing through CME ClearPort.

### **NYMEX Rulebook** (Additions are underscored.)

#### **Chapter 504**

#### **Brent Crude Oil Futures-Style Margin Option**

##### **504100. SCOPE OF CHAPTER**

This chapter is limited in application to put and call options on Brent Crude Oil Last Day Financial Futures (BZ) contract. In addition to the rules of this chapter, transactions in options on Brent Crude Oil Last Day Financial Futures shall be subject to the general rules of the Exchange insofar as applicable.

##### **504101. OPTION CHARACTERISTICS**

The number of months open for trading at a given time shall be determined by the Exchange.

###### **504101.A. Trading Schedule**

The hours of trading for this contract shall be determined by the Exchange.

###### **504101.B. Trading Unit**

A Brent Crude Oil Futures-Style Margin put or call option contract traded on the Exchange represents an option to assume a short or long position in the underlying Brent Crude Oil Last Day Financial Futures (BZ) contract traded on the Exchange.

###### **504101.C. Price Increments**

Prices shall be quoted in dollars and cents per barrel and prices shall be in multiples of one (1) cent per barrel. A cabinet trade may occur at a price of \$0.001 per barrel, or \$1.00 per contract.

#### **504101.D. 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.

#### **504101.E. Termination of Trading**

A Brent Crude Oil Futures-Style Margin Option contract on the Exchange shall expire at the close of trading three business days prior to the expiration of the underlying Brent Crude Oil Last Day Financial Futures contract. The expiration date shall be announced prior to the listing of the option contract.

#### **504101.F. Type Option**

The option is an American-style option.

### **504102.**

#### **EXERCISE PRICES**

Trading shall be conducted for options with strike prices in increments as set forth below:

(A) On the first business day of trading in an option contract month, trading shall be at the following strike prices: (i) the previous day's settlement price for Brent Crude Oil Last Day Financial Futures contract in the corresponding delivery month rounded off to the nearest fifty-cent increment strike price unless such settlement price is precisely midway between two fifty-cent increment strike prices, in which case it shall be rounded off to the lower fifty-cent increment strike price and (ii) the ten fifty-cent increment strike prices which are ten increments higher than the strike price described in (i) of this Rule 376.05(A) and (iii) the ten fifty-cent increment strike prices which are ten increments lower than the strike price described in (i) of this Rule 376.05(A).

(B) Thereafter, on any business day prior to the expiration of the option: (i) new consecutive fifty-cent increment strike prices for both puts and calls will be added such that at all times there will be at least ten fifty-cent increment strike prices above and below the at-the-money strike price available for trading in all options contract months.

(C) Notwithstanding the provisions of subsections (A) and (B) of this Rule, if the Exchange determines that trading in Brent Crude Oil Futures-Style Margin Option will be facilitated thereby, the Exchange may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded on the first day in any new option contract month, the number of new strike prices which will be introduced on each business day or the period preceding the expiration of a Brent Crude Oil Futures-Style Margin Option contract in which no new strike prices may be introduced.

### **504103.**

#### **SETTLEMENT VARIATION AND OPTION VALUE**

Settlement variation rules for futures-style margin options conform to those set forth for non-options stipulated in NYMEX Rule 814. As such, when a clearing member or its customers is long or short any amount of any commodity for a settlement cycle, as indicated by Clearing House records, settlement for any outstanding exposure shall be made with the Clearing House based on the settlement price for that settlement cycle. For futures-style margin options, each clearing member and its customers shall pay to, or collect from, the Clearing House any loss or profit, as the case may be, represented by the difference between (x) the settlement price of the futures-style margin option for such settlement cycle and (y) the settlement price of the futures-style margin option for the prior settlement cycle (or, for the first settlement cycle after the purchase/sale of such option, the price at which the option was purchased or sold).

### **504104.**

#### **OPTION EXERCISE**

Notice of exercise must be delivered by a Clearing Member to the Clearing House not later than 2:30 p.m. Central Time on the expiration date. Notice of exercise shall be given to the Clearing House in such form and manner as the Clearing House shall prescribe.

Please refer questions on this subject to:

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