

Chapter 300 **Options Contracts**

300.01. SCOPE

The Bylaws and Rules of the Exchange shall govern all transactions in options contracts on the Exchange, except as superseded by the Rules in this Section. Options contracts on the Exchange shall be both "put" and "call" options.

300.02. GENERAL DEFINITIONS

As used in this Section-

- (A) "Act" means the Commodity Exchange Act, 7 U.S.C. (1 et seq., as it may be amended;
- (B) "Class of options" means options of the same type (i.e., put or call) covering the same underlying futures contracts;
- (C) "Commission" means the Commodity Futures Trading Commission;
- (D) "Exercise price," "strike price," or "striking price" shall be synonymous and mean the price at which the futures contract underlying the options contract may be purchased or sold upon exercise of the option.
- (E) "Expiration date" shall mean the last day on which an option contract may be exercised into the underlying futures contract;
- (F) "NYMEX Risk Factor" means the delta values for each option which shall be determined for each business day by the Exchange and which shall be available upon request; for the purpose of Member and Clearing Member Margins, long calls and short puts have negative NYMEX Risk Factors, and short calls and long puts have positive NYMEX Risk Factors;
- (G) "Option customer" means the person for whose account an option contract is purchased or sold by the clearing member or member commission merchant which clears and/or carries the option.
- (H) "Option equity" means, on any day, the sum of the settlement premiums, as defined in Exchange Rule 6.55, on the previous Exchange trading day of all long options minus the sum of the settlement premiums on such previous Exchange trading day of all short options.
- (I) "Original margin of a futures contract" shall be the amount of original margin on outright futures positions which shall be determined and published by the Exchange in accordance with Rules 4.00-4.01(F)(3).
- (J) "Premium" means the amount agreed upon between the purchaser and seller for the purchase or sale of an option;
- (K) "Promotional material" include:
 - (1) Any text of a standardized oral presentation, or any communication for publication in any newspaper, magazine or similar medium, or for broadcast over television, radio, or other electronic medium, which is disseminated or directed to an option customer or prospective option customer concerning a commodity option transaction;
 - (2) Any standardized form of report, letter, circulation, memorandum, or publication which is disseminated or directed to an option customer or prospective option customer; and
 - (3) Any other written material disseminated or directed to an option customer or prospective option customer for the purpose of soliciting an option transaction, including any disclosure statement required by Commission Regulation 33.7.
- (L) "Purchase price" means the total actual price paid or to be paid, directly or indirectly, by a person to acquire a commodity option. This price includes all commissions and other fees, in addition to the

option premium;

(M) "Purchaser" or "holder" means the long clearing member, except as provided in Rule 300.19(A). Such a person is said to have a "long position";

(N) "Seller," "grantor" or "writer" means the short clearing member, except as provided in Rule 300.19(A). Such a person is said to have a "short position";

(O) "Series of options" means options of the same class having the same strike price and expiration date; and

(P) "Underlying futures contract" means the futures contract which may be purchased or sold upon the exercise of the option.

300.03. OPTION POSITION DEFINITIONS

(A) "At-the-money call or put option" means an option the strike price of which is equal to the settlement price of the futures contract underlying such option.

(B) "In-the-money call option" means a call option the strike price of which is less than the settlement price of the futures contract underlying such call option.

(C) "In-the-money put option" means a put option the strike price of which is greater than the settlement price of the futures contract underlying such put option.

(D) "Out-of-the-money call option" means a call option the strike price of which is greater than the settlement price of the futures contract underlying such call option.

(E) "Out-of-the-money put option" means a put option the strike price of which is less than the settlement price of the futures contract underlying such put option.

(F) "Option Spread" means the purchase and sale of put or call options at a stated price difference.

(G) "Conversion" means a combined option and futures position in which the options trader who holds a long futures position is the grantor of a call option and the purchaser of a put option at the same strike price; each component position is in the same contract month.

(H) "Reverse Conversion" means a combined options and futures position in which the options trader who holds a short futures position is the grantor of a put option and the purchaser of a call option at the same strike price; each component position is in the same contract month.

(I) "Box Spread" means a combined options position in which the options trader is (a) the grantor of a call option and the purchaser of a put option at the same strike price, and (b) the grantor of a put option and the purchaser of a call option at the same strike price, which strike price is different from the strike price of the options in (a) above, all of which shall be in the same contract month and the same commodity.

(J) For the purpose of Clearing Member Margins, "Inter-option spread" means a combined options and futures position in the same commodity in which the options trader is (a) the grantor of a call option and the purchaser of an underlying futures contract; or (b) the purchaser of a call option and the seller of an underlying futures contract; or (c) the purchaser of a put option and the purchaser of an underlying futures contract; or (d) the grantor of a put option and the seller of an underlying futures contract.

(K) For the purpose of Clearing Member Margins, "Intra-option spread" means a combined options position in the same commodity in which the options trader is (a) the grantor of a call option and the purchaser of a call option; or (b) the grantor of a put option and the purchaser of a put option; or (c) the purchaser of a put option and the purchaser of a call option; or (d) the grantor of put option and the grantor of a call option.

(L) For the purpose of Clearing Member Margin Rules, "Ratio Spread" means any combination of options and futures positions in the same commodity carried in the same account cleared by the Clearing Member in which the options trader is:

- (1) long call(s) vs. short call(s)
- (2) short put(s) vs. long put(s)
- (3) long call(s) vs. long put(s)
- (4) short put(s) vs. short call(s)
- (5) long futures vs. short call(s)
- (6) long call(s) vs. short futures
- (7) long futures vs. long put(s)
- (8) short put(s) vs. short futures

Ratio spreads apply only to positions in Member accounts, and may not include any futures positions or options positions reported as futures spreads, intra-option or inter-option spreads.

300.04. RIGHTS OF CALL OPTION PURCHASER

The purchaser of a call option contract shall have the right to give notice of exercise at any time prior to the option's expiration, in which case the Clearing House shall automatically assign to the purchaser a long futures contract on the Exchange, the price of which shall be the striking price specified in the option and the delivery month of which shall be that of the underlying futures contract. In lieu of the exercise, the purchaser of a call option may, at any time prior to the expiration of the option, engage in a closing sale transaction.

300.05. RIGHTS OF CALL OPTION SELLER

The seller of a call option contract in receipt of a notice of exercise shall automatically be assigned by the Clearing House a short futures contract on the Exchange, the price of which shall be the striking price specified in the option and the delivery month of which shall be that of the underlying futures contract. In lieu of the foregoing, the seller of a call option may, at any time prior to the receipt of a notice of exercise or expiration of the option, engage in a closing purchase transaction.

300.06. RIGHTS OF PUT OPTION PURCHASER

The purchaser of a put option contract shall have the right to give notice of exercise at any time prior to the option's expiration, in which case the Clearing House shall automatically assign to the purchaser a short futures contract on the Exchange, the price of which shall be the striking price specified in the option and the delivery month of which shall be that of the underlying futures contract. In lieu of exercise, the purchaser of a put option may, at any time prior to the expiration of the option, engage in a closing sales transaction.

300.07. RIGHTS OF PUT OPTION SELLER

The seller of a put option contract in receipt of a notice of exercise shall automatically be assigned by the Clearing House a long futures contract on the Exchange, the price of which shall be the striking price specified in the option and the delivery month of which shall be that of the underlying futures contract. In lieu of the foregoing, the seller of a put option may, at any time prior to receipt of a notice of exercise or expiration of the option, engage in a closing purchase transaction.

300.08. NOTICE OF EXERCISE

(A) Unless otherwise specified in Rules of the applicable product Chapter, a notice of exercise shall be effective:

1. only if received by a Clearing Member from a customer not later than 4:15 p.m. on any business day on which an option contract month is trading, up to and including the expiration date. For purposes of this Rule, "customer" shall include proprietary accounts as defined in Commission Regulation Section 1.3 (y).
2. only if it is delivered by a Clearing Member to the NYMEX Clearing House not later than 4:30 p.m., or 45 minutes after the price of the option being exercised or the underlying futures settlement price is posted, whichever is later, on any business day on which an option contract is trading up to and including the expiration date. Notice of exercise shall be given to the Clearing House in such form and manner as the Clearing House shall prescribe.

(B) On the same day it receives a notice of exercise of an option, the Clearing House shall assign the notice of exercise in accordance with Subsection (D) of this Rule to a seller of an option of the same

series and shall establish, by book entry, positions in the underlying futures contract for both the purchaser and seller of the option, the price of which shall be the exercised options' strike price. As soon as practicable, the Clearing House shall notify the seller of such exercise and assignment. Such futures contracts and the purchase and sale thereof, in all respects, shall be subject to the Rules of the Exchange applicable to futures contracts.

(C) On the day a seller receives a notice of exercise from the Clearing House, the seller shall, as soon as practicable, report such notice to the short option customer to whose account it is allocated. The seller shall make every effort to notify its short option customers who have granted in-the-money options which have not been allocated a notice of exercise that the option was not exercised.

(D) The Clearing House shall allocate randomly notices of exercise in a series of options for any given day among clearing members holding or carrying short positions in the same series of options. Each clearing member and member commission merchant which carries an options customer account shall devise, maintain and follow written procedures, subject to the approval of the Exchange, for the fair and non-preferential allocation of notices of exercise among its customers.

(E) Unless otherwise specified in the Rules of the applicable product Chapter, on the last day on which an option may be exercised, each option held by a clearing member having an in-the-money value will be automatically exercised by the Clearing House unless the Clearing House receives written notification from the clearing member at such time as the Clearing House shall prescribe on the option's expiration date stating that the clearing member elects to abandon such option. The Clearing House shall make appropriate book entries and allocations for all options automatically exercised in accordance with subsections (B) and (D) of this Rule.

(F) For the purposes of subsection (E) of this Rule, the in-the-money value of the option shall be based on the settlement price of the underlying futures contract on the last day of trading in such option.

(G) An option for which the Clearing House has received written instructions to abandon by the time prescribed by the Clearing House on the last day for exercise of such option shall be deemed abandoned.

(H) Each clearing member and member commission merchant which carries option customers' accounts shall exercise due diligence in monitoring such accounts and obtaining instructions from customers with respect to the handling and disposition of options contracts in such accounts.

300.09. PAYMENT OF OPTION PREMIUM

Except as hereinafter provided, no member commission merchant shall accept any order to purchase any Exchange option for a customer account unless the premium has been deposited in accordance with the Rules (or the member commission merchant has issued a call for any premium required and such call has not been outstanding more than a reasonable period of time not to exceed three business days except for good cause); provided, however, that the amount to be paid by an option customer to purchase and grant Exchange options in the same class for the same underlying futures contract, on any day, shall be the amount, if any, by which the premium for the purchased Exchange option exceeds the premium for the granted Exchange option. The payment required of the customer may be made in United States currency or checks payable in United States currency; or available equity. Such payment may not be made in any other form. Each clearing member of the Exchange shall receive the full amount of the option premium from each person for whom it clears options transactions on the Exchange and shall pay said amount to the Clearing House. All such payments to the Clearing House shall be made in accordance with the Exchange Rule 9.04. The Clearing House shall pay the premium to the selling clearing member.

300.10. SALES OF DEEP-OUT-OF-THE-MONEY OPTIONS

(A) Each member commission merchant which engages in the offer and sale of option contracts regulated by these Rules shall, in regard to all sales of deep-out-of-the-money options, provide the customer with a full explanation of the nature of such option prior to any transaction.

(B) For purposes of this Rule, a "deep-out-of-the-money option" is defined as an option whose strike price is more than X strike prices distant from the strike price closest to the price of the underlying futures contract, where X equals two (2) plus the number of calendar months remaining to option expiration, provided, however, that the Exchange may impose additional criteria as appropriate.

300.11. CUSTOMER COMPLAINTS

Each member commission merchant which engages in the offer or sale of option contracts regulated by these Rules shall, with respect to all written customer complaints retain all written customer complaints, and make and retain a record of the date the complaint was received, the associated person who serviced the account, a general description of the matter complained of, and what, if any, action was taken by the member commission merchant in regard to the complaint.

300.12. PROCEDURES FOR SUPERVISION

Each member commission merchant which engages in the offer and sale of option contracts regulated by these Rules shall adopt and enforce written procedures pursuant to which it will be able to supervise adequately all of its options customers' accounts, except that of another commission merchant, including, but not limited to, the solicitation of any such account.

300.14.A. Solicitation of Options Orders

No member futures commission merchant may solicit or accept an option order from any person who it reasonably believes may be soliciting orders in contravention of Regulation §33.3 of the Commodity Exchange Act.

300.14.B. Compliance with Disclosure Requirements

Except as provided in Commission Regulation 1.65, no member commission merchant which engages in the offer or sale of option contracts regulated by these Rules may open an option account for a customer, except another commission merchant, unless the commission merchant does the following:

- (A) furnishes the customer with a separate written disclosure statement as set forth in Commission Regulation 33.7 or includes such statement in a booklet containing the customer account agreement and other disclosure statements required by Commission rules;
- (B) subject to the provisions of Commission Regulation 1.55(d), receives from the customer an acknowledgement signed and dated by the customer that he received and understood the disclosure statement;
- (C) otherwise complies with Commission Regulation 33.7; and
- (D) acquaints itself sufficiently with the personal circumstances of each option customer to determine what further facts, explanations and disclosures are needed in order for that particular option customer to make an informed decision whether to trade options.

300.15. PROHIBITED PROMOTIONAL MATERIAL

No member commission merchant which engages in the offer or sale of option contracts regulated by these Rules may publish, distribute or otherwise disseminate any promotional material pertaining to options trading on the Exchange which is fraudulent or misleading.

300.17. SALES COMMUNICATIONS

No member commission merchant, in connection with the offer or sale of option contracts regulated by these Rules, shall make, or cause to be made, fraudulent or high-pressure sales communications.

300.18. SALES PRACTICE AUDITS

The Exchange or its designee shall conduct sales practice audits of its member commission merchants which engage in the offer or sale of option contracts traded on the Exchange. Such audits shall be conducted as necessary but at least once yearly and shall address the following matters, among others:

- (A) Handling of discretionary options accounts;
- (B) Internal supervision of options sales practices including high-pressure or fraudulent sales communications;
- (C) Compliance with options disclosure requirements;
- (D) Handling and disposition of customer complaints; and

(E) Offer or sale of deep-out-of-the-money options.

300.19. MARGINS ON OPTIONS CONTRACTS

For the period commencing with the Exchange's adoption of a standard portfolio analysis of risk margining system and continuing for six months, public customer and member customer option positions shall be margined in accordance with the Exchange's standard portfolio analysis of risk margining system or as set forth in subsections (A) and (B) below. Thereafter, such positions shall be margined solely in accordance with the Exchange's standard portfolio analysis of risk margining system.

(A) Public Customer Margins

(B) Member Margins

(C) Clearing Member Margins

Clearing member options positions shall be margined in accordance with the Exchange's standard portfolio analysis of risk margining system.

300.20. STRIKE PRICE LISTING AND EXERCISE PROCEDURES

Transactions shall be conducted for option contracts with strike price increments, contrary instructions, and at-the-money characteristics as set forth in the Strike Price Listing Procedures and Exercise Procedures Table ("Table") below. In addition, the Exchange may: (1) modify the range of strike prices (including the number of strike prices that will be introduced on each business day); (2) allow dynamic strike price generation as it deems appropriate to respond to market conditions; and (3) modify increments between strike prices.

STRIKE PRICE LISTING AND EXERCISE PROCEDURES TABLE

[View table here \(XLS\)](#)

CHANGE HISTORY

300.02 General Definitions: (Amended: 10/06/88)

300.03 Option Position Definitions: (Amended: 10/06/88)

300.08 Notice of Exercise: (Amended: 08/28/89, 11/09/89, 02/26/90, 03/12/93, 10/08/93, 06/13/94)

300.11 Customer Complaints: (Amended: 07/09/90, 09/29/93)

300.14B Compliance with Disclosure Requirements: (Amended: 09/29/93)

300.15 Prohibited Promotional Material: (Amended: 09/29/93)

300.19 Margins on Options Contracts: (Amended: 11/15/91, 05/15/92, 11/15/92)

300.20 Strike Price Listing Procedures: (Adopted: 04/26/99) (Amended: 11/13/16)