

## **Chapter 101B**

### **Options on Live Cattle Futures Calendar Spreads**

#### **101B00. SCOPE OF CHAPTER**

This chapter is limited in application to options on Live Cattle futures calendar spreads. In addition to this chapter, options on Live Cattle futures calendar spreads 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.

#### **101B01. OPTIONS CHARACTERISTICS**

##### **101B01A. 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.

##### **101B01B. 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 Live Cattle futures calendar spread. A Live Cattle futures calendar spread consists of a combination of a purchase in one futures contract month and a sale in another futures contract month. A call calendar spread option is the equivalent of a long position in a nearer futures contract and a short position in a deferred futures contract. A put calendar spread option is the equivalent of a short position in a nearer futures contract and a long position in a deferred futures contract.

##### **101B01C. Minimum Fluctuations**

The price of an option shall be quoted in cents per pound. Minimum price fluctuations shall be in multiples of \$.00025 per pound (also known as one tick). A trade may also occur at a price of \$.000125 per pound (\$5.00, also known as one-half tick), whether or not it results in the liquidation of positions for both parties to the trade.

##### **101B01D. Underlying Futures Contracts**

The underlying futures contracts are the futures contract for the month in which the option expires and the corresponding futures contract month in that combination. For example, the underlying futures contracts for a February-April calendar spread option are the February futures contract and the April futures contract.

##### **101B01E. Exercise and Exercise Prices**

Transactions and exercise of options shall be conducted for option contracts as set forth in the [Strike Price Listing and Exercise Procedures Table](#).

##### **101B01F. 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.

##### **101B01G. [Reserved]**

##### **101B01H. [Reserved]**

##### **101B01I. Termination of Trading**

Options trading shall terminate on the first Friday of the delivery month of the nearby futures contract. If that Friday is not a Business Day, then trading shall terminate on the immediately preceding Business Day.

##### **101B01J. [Reserved]**

**101B02. ASSIGNMENT**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the assignment of Live Cattle options on calendar spreads.

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

All such futures positions shall be assigned at prices as follows: the nearby futures contract shall be assigned at the settlement price and the distant futures contract shall be assigned at a price equal to the settlement price of the nearby futures contract minus the exercise price of the option and shall be marked to market in accordance with Rule 814 on the Trading Day following acceptance by the Clearing House of the Exercise Notice.

**101B03. [RESERVED]**