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September 21, 2005

Ms. Jean A. Webb  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, DC 20581

Re: Section 5c(c)(1), Regulation 40.6 Submission. Exchange Certification  
of Amendments to Rules 40501., 40701., 40901. COMMODITY SPECIFICATIONS. 40502.G.,  
40702.G., 40902.G. TERMINATION OF TRADING. 40503.A., 40703.A., 40903.A. FINAL  
SETTLEMENT PRICE  
Submission #05-91

Dear Ms. Webb:

At its Regular Meeting on Monday, July 25, 2005, the Board of Directors of Chicago Mercantile Exchange Inc. approved amended rule language for US and European Seasonal HDD, Seasonal CDD and Seasonal CAT Index Futures and Options contracts to expand the number and combinations of months available for trading. The Exchange intends to implement the amendments effective at the commencement of business on Friday, September 23, 2005 with respect to existing and newly listed contracts. Current open positions in the US & European Seasonal contracts will not be affected by these rule changes.

Seasonal CDD and Seasonal CAT amendments will be implemented in mid-October under a separate notification.

Currently, only 5-month strips are available for trading: May-September for CDD and CAT, and November-March for HDD. With these amendments, market participants could trade 2-, 3-, 4-, 5-, 6-, or 7-month strips within the cooling (April – October) and heating (October – April) seasons.

The Exchange certifies that the amended rules for US and European Seasonal HDD, Seasonal CDD and Seasonal CAT Index Futures and Options contracts complies with the Act and rules thereunder.

If you require any additional information regarding this action, please do not hesitate to contact Mr. Charles Piszczor at 312-930-4536 or via e-mail at [cpiszczor@cme.com](mailto:cpiszczor@cme.com). We would be appreciative if you could reference our CME Submission #05-91 in any related correspondence.

Sincerely,

A handwritten signature in black ink, appearing to read "John W. Labuszewski". The signature is fluid and cursive, with a large loop at the end.

John W. Labuszewski, Managing Director  
Research & Product Development

Att

## Appendix: Rule Amendments

*(Additions are underlined and deletions bracketed and overstruck.)*

### CHAPTER 405 CME Seasonal Strip Degree Days Index Futures

#### 40500. SCOPE OF CHAPTER

This chapter is limited in application to futures trading on CME Seasonal Strip Degree Days Indexes: the CME Seasonal Strip Heating-Degree-Days (CME SSHDD) Index and the CME Seasonal Strip Cooling-Degree-Days (CME SSCDD) Index. The procedures for trading, clearing and settlement, and any other matters not specifically covered herein shall be governed by the rules of the Exchange.

#### 40501. COMMODITY SPECIFICATIONS

##### 1. Heating Degree Days and Cooling Degree Days

The daily average temperature is defined as the arithmetic average of the maximum and minimum temperature recorded between 12:01 A.M. and 12:00 A.M. midnight as reported by Earth Satellite Corporation.

For each day, Heating-Degree-Days (HDD) is the greater of (1) zero, (2) 65 degrees Fahrenheit minus the daily average temperature.

For each day, Cooling-Degree-Days (CDD) is the greater of (1) zero, (2) the daily average temperature minus 65 degrees Fahrenheit.

##### 2. The CME Seasonal Strip Degree Days Indexes and Listing Cities

Each particular CME Seasonal Strip Degree Days index is the accumulation of like Degree Days over a minimum of two, and a maximum of seven, consecutive calendar months [5-month period]. For a seasonal strip involving Cooling Degree Days, the first calendar month in the strip may be April or later, and the last calendar month in the strip may be October or earlier. For a seasonal strip involving Heating Degree Days, the first calendar month in the strip may be October or later, and the last calendar month in the strip may be April or earlier. A separate futures contract shall be listed for each strip. The accumulation period of each CME SSHDD or CME SSCDD ~~[futures contract]~~ begins with the first calendar day of the first month of the strip, ~~[in the 5-month period (November or May, respectively)]~~ and ends with the last calendar day of the ~~last month of the defined strip [fifth month in the [5]7-month period ((March) or (September), respectively)].~~

The temperature for a particular city is reported from a specific automated weather station. The table below lists the cities and their corresponding weather stations:

Listing Cities and Corresponding Automated Weather Stations

Atlanta Hartsfield International Airport (WBAN 13874)

Baltimore/Washington International Airport (WBAN 93721)

Boston Logan International Airport (WBAN 14739)

Chicago O'Hare International Airport (WBAN 94846)

Cincinnati-Northern Kentucky ( Covington) Airport (WBAN 93814)  
Dallas – Ft. Worth International Airport (WBAN 03927)  
Des Moines International Airport (WBAN 14933)  
Detroit Metro Airport (WBAN 94847)  
Houston Bush Intercontinental Airport (WBAN 12960)  
Kansas City International Airport (WBAN 03947)  
Las Vegas McCarran International Airport (WBAN 23169)  
Minneapolis-St. Paul International Airport (WBAN 14922)  
New York La Guardia Airport (WBAN 14732)  
Philadelphia International Airport (WBAN 13739)  
Portland International Airport (WBAN 24229)  
Sacramento Executive Airport (WBAN 23232)  
Salt Lake City International Airport (WBAN 24127)  
Tucson International Airport (WBAN 23160)

## **40502. FUTURES CALL**

### **40502.A. Trading Schedule**

Futures contracts shall be scheduled for trading and delivery during such hours in such months as may be determined by the Board of Directors.

### **40502.B. Size of Trading Unit**

The size of the unit of trading shall be \$20 times the respective CME Seasonal Strip Degree Days Index.

### **40502.C. Price Increments**

The minimum price fluctuation on the CME Seasonal Strip Degree Days Index futures shall be 1 index point and have a value of \$20.

### **40502.D. Position Limits**

A person shall not own or control more than 10,000 contracts net long or net short in all contract months combined. For position involving options on the respective CME Seasonal Strip Degree Days Index futures, this rule is superseded by the option speculative position limit rule.

### **40502.E. Accumulation of Positions**

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, shall be cumulated.

### **40502.F. Exemptions**

The foregoing position limits shall not apply to bona fide hedge positions meeting the requirements of Regulation 1.3(z)(1) of the CFTC and the rules of the Exchange, and shall not apply to other positions exempted pursuant to Rule 543.

### **40502.G. Termination of Trading**

Futures trading shall terminate at 9:00 A.M. on the first Exchange business day that is at least two calendar days after the last calendar day of the last month of the defined strip [March, in the case of CME SSHDD Index futures, or September], in the case of CME SCDD Index futures.

### **40502.H. Contract Modification**

Specifications shall be fixed as of the first day of trading of a contract, except that all contracts must conform to government regulations in force at the time of final settlement. If any U.S. governmental agency or body with jurisdiction over the trading of the contract or with jurisdiction respecting the trading or final settlement of the CME Seasonal Strip Degree Days Index futures issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such governmental orders.

### **40502. I. [Reserved]**

#### **40503. SETTLEMENT PROCEDURES**

##### **40503.A. Final Settlement Price**

All futures contracts remaining open at the termination of trading shall be settled using the respective CME Seasonal Strip Degree Days Index reported by Earth Satellite Corporation for that city for that contract period, using the methodology in effect on that date, on the first Exchange business day that is at least two calendar days after the last calendar day of the last month of the defined strip [~~first month in the [ month period (March, in the case of CME SSHDD Index futures, or (September), in the case of CME SCDD Index futures)~~]. For example, on April 3, 2001, the November 2000 - March 2001 futures contract on the CME Chicago Nov-Mar '01 SSHDD Index would have been settled at 5660.0 Heating Degree Days.

##### **40503.B. Final Settlement**

Clearing members holding open positions in a CME Seasonal Strip Degree Days Index futures contract at the termination of trading in that contract shall make payment to or receive payment from the Clearing House in accordance with normal variation performance bond procedures based on a settlement price equal to the final settlement price.

#### **40504. EMERGENCIES, ACTS OF GOD, ACTS OF GOVERNMENT**

If the Exchange President determines that emergency action may be necessary, he shall call a special meeting of the Board of Directors and arrange for the presentation of evidence respecting the emergency condition. If the Board determines that an emergency exists, it shall take such action as it deems necessary under the circumstances and its decision shall be binding upon all parties to the contract.

#### **40505 - 06 RESERVED**

(End Chapter 405)

### **INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER 405**

Earth Satellite Corporation ("EarthSat") grants the Exchange the rights to use various data ("Data") in connection with the trading of futures contracts and options on futures contracts based upon such Data. EarthSat makes no warranty, express or implied, as to the results to be obtained by any person or any entity from the use of the Data in connection with the trading of futures contracts, options on futures contracts or any other use. EarthSat makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to the Data. Without limiting any of the foregoing, in no event shall EarthSat have any liability for any special, punitive, indirect, or consequential damages (including lost profits), even if notified of the possibility of such damages.

#### **CHAPTER 405A**

#### **Options on CME Seasonal Strip Degree Day Index Futures**

##### **405A00. SCOPE OF CHAPTER**

This chapter is limited in application to trading in put and call options on CME Seasonal Strip Degree Days Index futures contracts. The procedures for trading, clearing and settlement, and any other matters not specifically covered herein shall be governed by the rules of the Exchange.

##### **405A01. OPTION CHARACTERISTICS**

###### **405A01.A. 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 Board of Directors.

#### **405A01.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, one respective CME Seasonal Strip Degree Days Index futures contract as specified in Chapter 405.

#### **405A01.C. Minimum Fluctuations**

The price of an option shall be quoted in terms of the respective CME Seasonal Strip Degree Days Index. Each index point represents \$20. For example, a quote of 2 index points represents \$40. The minimum fluctuation shall be 1.0 HDD or 1.0 CDD (also known as one tick), equal to \$20.

#### **405A01.D. [Reserved]**

#### **405A01.E. Exercise Prices**

Exercise prices shall be stated in terms of the respective CME Seasonal Strip Degree Days Index futures contract. Eligible exercise prices shall be at intervals of 1 CME Seasonal Strip Degree Days Index point (e.g., 4510, 4511, 4512, etc.).

At the commencement of options trading in a contract month, the eligible put and call options are at intervals of 1 index point in a range of 1 to 7500 index points for the CDD season and a range of 1 to 16,000 index points for the HDD season upon demand evidenced in the options pit. New options may be listed for trading up to and including the termination of trading.

The Board may modify the provisions governing the establishment of exercise prices as it deems appropriate.

#### **405A01.F. Position Limits**

No person shall own or control a combination of options and underlying futures contracts that exceeds 10,000 futures-equivalent contracts net on the same side of the market in all contract months combined.

For the purpose of this rule, the futures equivalent of an option contract is 1 times the previous business day's IOM risk factor for the option series. Also for purposes of this rule, a long call option, a short put option, and a long underlying futures contract are on the same side of the market; similarly, a short call option, a long put option, and a short underlying futures contract are on the same side of the market.

#### **405A01.G. Accumulation of Positions**

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, shall be cumulated.

#### **405A01.H. Exemptions**

The foregoing position limits shall not apply to commercially appropriate risk reducing option positions defined in accordance with Regulation 1.3(z)(1) of the CFTC and meeting the requirements of Rule 543. and shall not apply to other option positions exempted pursuant to Rule 543.

#### **405A01.I. Termination of Trading**

Options trading shall terminate on the same date and time as the underlying futures contract.

#### **405A01.J. Contract Modifications**

Specifications shall be fixed as of the first day of trading of a contract except that all options must conform to government regulations in force at the time of exercise. If the U.S. government, an agency or duly constituted body thereof issues an order, ruling, directive or law inconsistent with these rules, such order, ruling, directive or law shall be construed to become part of these rules and all open and new options contracts shall be subject to such governmental orders.

### **405A02. EXERCISE**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of the CME Seasonal Degree Days options.

#### **405A02.A. Exercise of Option by Buyer**

An option may be exercised by the buyer only on the termination of trading day. To exercise an option the clearing member representing the buyer shall present an exercise notice to the Clearing House by 7:00 p.m. on the day of exercise.

An option that is in the money and has not been liquidated prior to the termination of trading shall, in the absence of contrary instructions delivered to the Clearing House by 7:00 p.m. on the day of expiration by the clearing member representing the option buyer, be exercised automatically.

#### **405A02.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 before the opening of Regular Trading Hours 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 futures contract if a call is exercised or a long position if a put is exercised. The clearing member representing the option buyer shall be assigned a long position in the underlying futures contract if a call is exercised and a short position if a put is exercised.

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.

#### **405A03. EMERGENCIES, ACTS OF GOD, ACTS OF GOVERNMENT**

If exercise or assignment or any precondition or requirement of either is prevented by a strike, fire, accident, act of government or act of God, the seller or buyer shall immediately notify the Exchange President. If the President determines that emergency action may be necessary, he shall call a special meeting of the Board of Directors and arrange for the presentation of evidence respecting the emergency condition. If the Board determines that an emergency exists, it shall take such action as it deems necessary under the circumstances and its decision shall be binding upon all parties to the contract.

(End Chapter 405A)

### **INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER 405A**

Earth Satellite Corporation ("EarthSat") grants the Exchange the rights to use various data ("Data") in connection with the trading of futures contracts and options on futures contracts based upon such Data. EarthSat makes no warranty, express or implied, as to the results to be obtained by any person or any entity from the use of the Data in connection with the trading of futures contracts, options on futures contracts or any other use. EarthSat makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to the Data. Without limiting any of the foregoing, in no event shall EarthSat have any liability for any special, punitive, indirect, or consequential damages (including lost profits), even if notified of the possibility of such damages.

#### **CLARIFICATION OF NON-AGRICULTURAL OPTION SPECULATIVE POSITION LIMIT RULE**

(Special Executive Report S-1618, March 31, 1986)

Please note that the non-agricultural option speculative position limit rule, in effect at this time, supersedes the speculative position rule for the underlying futures contract. Therefore, for example, a trader may hold a gross futures position that exceeds the futures position limit rule if that gross position is part of a spread with options, such that the net position across options and futures is less than the applicable limit set in the options rule.

**CHAPTER 407**  
**CME European Seasonal Strip HDD Index Futures**

**40700. SCOPE OF CHAPTER**

This chapter is limited in application to futures trading on CME European Seasonal Strip HDD Indexes. The procedures for trading, clearing and settlement, and any other matters not specifically covered herein shall be governed by the rules of the Exchange.

**40701. COMMODITY SPECIFICATIONS**

1. Heating Degree Days (HDD)

The daily average temperature is defined as the arithmetic average of the maximum temperature (Tmax) and minimum temperature (Tmin), measured at the following times for each location, as reported by Earth Satellite Corporation.

- Amsterdam-Schiphol, Netherlands (WMO 06240): Between 0000 and 2359 UTC the current day for Tmax, and between 0000 and 2359 UTC the current day for Tmin
- Barcelona Prat De Llobregat Aeropuerto, Spain (WMO 08181): Between 0000 and 2359 UTC the current day for Tmax, and between 0000 and 2359 UTC the current day for Tmin
- Berlin-Tempelhof, Germany (WMO 10384): Between 2351 UTC the previous day and 2350 UTC the current day for Tmax, and between 2351 UTC the previous day and 2350 UTC the current day for Tmin
- Essen, Germany (WMO 10410): Between 2351 UTC the previous day and 2350 UTC the current day for Tmax, and between 2351 UTC the previous day and 2350 UTC the current day for Tmin
- London-Heathrow, United Kingdom (WMO 03772): Between 0900 UTC the current day and 0859 UTC the following day for Tmax, and between 0900 UTC the previous day and 0859 UTC the current day for Tmin
- Madrid Barajas Aeropuerto, Spain (WMO 08221): Between 0000 and 2359 UTC the current day for Tmax, and between 0000 and 2359 UTC the current day for Tmin
- Paris-Orly, France (WMO 07149): Between 0600 UTC the current day and 0559 UTC the following day for Tmax, and between 1800 UTC the previous day and 1759 UTC the current day for Tmin
- Rome Ciampino, Italy (WMO 16239): Between 0000 and 2359 UTC the current day for Tmax, and between 0000 and 2359 UTC the current day for Tmin
- Stockholm-Observatoriet, Sweden (WMO 02485): Between 1800 UTC the previous day and 1759 UTC the current day for Tmax, and between 1800 UTC the previous day and 1759 UTC the current day for Tmin

For each day, HDD is the greater of (1) zero, (2) 18 degrees Celsius ("C") minus the daily average temperature.



2. The CME European Seasonal Strip HDD Indexes

Each particular CME European Seasonal Strip HDD index is the accumulation of like Degree Days over a minimum of two, and a maximum of seven, consecutive calendar months [~~5-month period~~]. For a Heating Degree Days seasonal strip, the first calendar month in the strip may be October or later, and the last calendar month in the strip may be April or earlier. A separate futures contract shall be listed for each strip. The accumulation period of each CME European Seasonal Strip HDD [~~Index-futures contract~~] begins with the first calendar day of the first month of the strip, [~~in the 5-month period (November)~~] and ends with the last calendar day of the last [~~fifth~~] month in the defined strip [~~5-month period (March)~~].

**40702. FUTURES CALL**

**40702.A. Trading Schedule**

Futures contracts shall be scheduled for trading and delivery during such hours in such months as may be determined by the Board of Directors.

**40702.B. Size of Trading Unit**

The size of the unit of trading shall be 100 British pounds (pounds sterling) times the respective CME European Seasonal Strip HDD Index.

**40702.C. Price Increments**

The minimum price fluctuation on the CME European Seasonal Strip HDD Index futures shall be 1 index point and have a value of 20 British pounds (pounds sterling).

**40702.D. Position Limits**

A person shall not own or control more than 10,000 contracts net long or net short in all contract months combined. For position involving options on the respective CME European Seasonal Strip HDD Index futures, this rule is superseded by the option speculative position limit rule.

**40702.E. Accumulation of Positions**

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, shall be cumulated.

**40702.F. Exemptions**

The foregoing position limits shall not apply to bona fide hedge positions meeting the requirements of Regulation 1.3(z)(1) of the CFTC and the rules of the Exchange, and shall not apply to other positions exempted pursuant to Rule 543.

**40702.G. Termination of Trading**

Futures trading shall terminate at 9:00 A.M. Chicago time on the first Exchange business day that is at least two calendar days after the last calendar day of the last month of the defined strip [~~March~~].

**40702.H. Contract Modification**

Specifications shall be fixed as of the first day of trading of a contract, except that all contracts must conform to government regulations in force at the time of final settlement. If any U.S. governmental agency or body with jurisdiction over the trading of the contract or with jurisdiction respecting the trading or final settlement of the CME European Seasonal Strip HDD Index futures issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such governmental orders.

**40702. I. [Reserved]**

**40703. SETTLEMENT PROCEDURES**

**40703.A. Final Settlement Price**

All futures contracts remaining open at the termination of trading shall be settled using the respective CME European Seasonal Strip HDD Index reported by Earth Satellite Corporation for that city for that

contract period, using the methodology in effect on that date, on the first Exchange business day that is at least two calendar days after the last calendar day of the last month of the defined strip [March]. For example, on April 2, 2003, the November 2002 - March 2003 futures contract on the CME Amsterdam-Schiphol Nov '02 - Mar '03 European Seasonal Strip HDD Index would have been settled at 1994.90 Heating Degree Days.

**40703.B. Final Settlement**

Clearing members holding open positions in a CME European Seasonal Strip HDD Index futures contract at the termination of trading in that contract shall make payment to or receive payment from the Clearing House in accordance with normal variation performance bond procedures based on a settlement price equal to the final settlement price.

**40704. EMERGENCIES, ACTS OF GOD, ACTS OF GOVERNMENT**

If the Exchange President determines that emergency action may be necessary, he shall call a special meeting of the Board of Directors and arrange for the presentation of evidence respecting the emergency condition. If the Board determines that an emergency exists, it shall take such action as it deems necessary under the circumstances and its decision shall be binding upon all parties to the contract.

**40705 - 06. [RESERVED]**

(End Chapter 407)

**INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER 407**

**LIMITATION OF LIABILITY AND DISCLAIMER**

Earth Satellite Corporation ("EarthSat") grants the Exchange the rights to use various data ("Data") in connection with the trading of futures contracts and options on futures contracts based upon such Data. EarthSat makes no warranty, express or implied, as to the results to be obtained by any person or any entity from the use of the Data in connection with the trading of futures contracts, options on futures contracts or any other use. EarthSat makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to the Data. Without limiting any of the foregoing, in no event shall EarthSat have any liability for any special, punitive, indirect, or consequential damages (including lost profits), even if notified of the possibility of such damages.

**CHAPTER 407A**

**Options on CME European Seasonal Strip HDD Index Futures**

**407A00. SCOPE OF CHAPTER**

This chapter is limited in application to trading in put and call options on CME European Seasonal Strip HDD Index futures contracts. The procedures for trading, clearing and settlement, and any other matters not specifically covered herein shall be governed by the rules of the Exchange.

**407A01. OPTION CHARACTERISTICS**

**407A01. A. 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 Board of Directors.

**407A01. 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, one respective CME European Seasonal Strip HDD Index futures contract as specified in Chapter 407.

**407A01. C. Minimum Fluctuations**

The price of an option shall be quoted in terms of the respective CME European Seasonal Strip HDD Index. Each index point represents 20 British pounds (pounds sterling). For example, a quote of 2

index points represents 40 British pounds (pounds sterling). The minimum fluctuation shall be 1.0 index point (also known as one tick), equal to 20 British pounds (pounds sterling).

**407A01.D. [Reserved]**

**407A01.E. Exercise Prices**

Exercise prices shall be stated in terms of the respective CME European Seasonal Strip HDD Index futures contract. Eligible exercise prices shall be at intervals of 1 CME Seasonal Degree Days Index point (e.g., 4510, 4511, 4512, etc.).

At the commencement of options trading in a contract month, the eligible put and call options are at intervals of 1 index point in a range of 1 to 8500 index points for a seasonal Strip HDD upon demand evidenced in the options pit. New options may be listed for trading up to and including the termination of trading.

The Board may modify the provisions governing the establishment of exercise prices as it deems appropriate.

**407A01.F. Position Limits**

No person shall own or control a combination of options and underlying futures contracts that exceeds 10,000 futures-equivalent contracts net on the same side of the market in all contract months combined.

For the purpose of this rule, the futures equivalent of an option contract is 1 times the previous business day's IOM risk factor for the option series. Also for purposes of this rule, a long call option, a short put option, and a long underlying futures contract are on the same side of the market; similarly, a short call option, a long put option, and a short underlying futures contract are on the same side of the market.

**407A01.G. Accumulation of Positions**

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, shall be cumulated.

**407A01.H. Exemptions**

The foregoing position limits shall not apply to commercially appropriate risk reducing option positions defined in accordance with Regulation 1.3(z)(1) of the CFTC and meeting the requirements of Rule 543. and shall not apply to other option positions exempted pursuant to Rule 543.

**407A01.I. Termination of Trading**

Options trading shall terminate on the same date and time as the underlying futures contract.

**407A01.J. Contract Modifications**

Specifications shall be fixed as of the first day of trading of a contract except that all options must conform to government regulations in force at the time of exercise. If the U.S. government, an agency or duly constituted body thereof issues an order, ruling, directive or law inconsistent with these rules, such order, ruling, directive or law shall be construed to become part of these rules and all open and new options contracts shall be subject to such governmental orders.

**407A02. EXERCISE**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of the CME European Seasonal Strip HDD options.

**407A02.A. Exercise of Option by Buyer**

An option may be exercised by the buyer only on the termination of trading day. To exercise an option the clearing member representing the buyer shall present an exercise notice to the Clearing House by 7:00 p.m. Chicago time on the day of exercise.

An option that is in the money and has not been liquidated prior to the termination of trading shall, in the absence of contrary instructions delivered to the Clearing House by 7:00 p.m. Chicago time on the day of expiration by the clearing member representing the option buyer, be exercised automatically.

**407A02.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 before the opening of Regular Trading Hours 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 futures contract if a call is exercised or a long position if a put is exercised. The clearing member representing the option buyer shall be assigned a long position in the underlying futures contract if a call is exercised and a short position if a put is exercised.

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.

#### **407A03. EMERGENCIES, ACTS OF GOD, ACTS OF GOVERNMENT**

If exercise or assignment or any precondition or requirement of either is prevented by a strike, fire, accident, act of government or act of God, the seller or buyer shall immediately notify the Exchange President. If the President determines that emergency action may be necessary, he shall call a special meeting of the Board of Directors and arrange for the presentation of evidence respecting the emergency condition. If the Board determines that an emergency exists, it shall take such action as it deems necessary under the circumstances and its decision shall be binding upon all parties to the contract.

(End Chapter 407A)

### **INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER 407A**

#### **CLARIFICATION OF NON-AGRICULTURAL OPTION SPECULATIVE POSITION LIMIT RULE**

(Special Executive Report S-1618, March 31, 1986)

Please note that the non-agricultural option speculative position limit rule, in effect at this time, supersedes the speculative position rule for the underlying futures contract. Therefore, for example, a trader may hold a gross futures position that exceeds the futures position limit rule if that gross position is part of a spread with options, such that the net position across options and futures is less than the applicable limit set in the options rule.

#### **LIMITATION OF LIABILITY AND DISCLAIMER**

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### **CHAPTER 409 CME European Seasonal Strip CAT Index Futures**

#### **40900. SCOPE OF CHAPTER**

This chapter is limited in application to futures trading on CME European Seasonal Strip CAT Indexes. The procedures for trading, clearing and settlement, and any other matters not specifically covered herein shall be governed by the rules of the Exchange.

**40901. COMMODITY SPECIFICATIONS**

**1. Cumulative Average Temperature (CAT)**

The daily average temperature is defined as the arithmetic average of the maximum temperature (Tmax) and minimum temperature (Tmin), measured at the following times for each location, as reported by Earth Satellite Corporation.

- Amsterdam-Schiphol, Netherlands (WMO 06240): Between 0000 and 2359 UTC the current day for Tmax, and between 0000 and 2359 UTC the current day for Tmin
- Barcelona Prat De Llobregat Aeropuerto, Spain (WMO 08181): Between 0000 and 2359 UTC the current day for Tmax, and between 0000 and 2359 UTC the current day for Tmin
- Berlin-Tempelhof, Germany (WMO 10384): Between 2351 UTC the previous day and 2350 UTC the current day for Tmax, and between 2351 UTC the previous day and 2350 UTC the current day for Tmin
- Essen, Germany (WMO 10410): Between 2351 UTC the previous day and 2350 UTC the current day for Tmax, and between 2351 UTC the previous day and 2350 UTC the current day for Tmin
- London-Heathrow, United Kingdom (WMO 03772): Between 0900 UTC the current day and 0859 UTC the following day for Tmax, and between 0900 UTC the previous day and 0859 UTC the current day for Tmin
- Madrid Barajas Aeropuerto, Spain (WMO 08221): Between 0000 and 2359 UTC the current day for Tmax, and between 0000 and 2359 UTC the current day for Tmin
- Paris-Orly, France (WMO 07149): Between 0600 UTC the current day and 0559 UTC the following day for Tmax, and between 1800 UTC the previous day and 1759 UTC the current day for Tmin
- Rome Ciampino, Italy (WMO 16239): Between 0000 and 2359 UTC the current day for Tmax, and between 0000 and 2359 UTC the current day for Tmin
- Stockholm-Observatoriet, Sweden (WMO 02485): Between 1800 UTC the previous day and 1759 UTC the current day for Tmax, and between 1800 UTC the previous day and 1759 UTC the current day for Tmin

**2. The CME European Seasonal Strip CAT Indexes**

Each particular CME European Seasonal Strip CAT index is the accumulation of like daily average temperatures over a minimum of two, and a maximum of seven, consecutive calendar months ~~(5-month period)~~. For a seasonal strip involving a CAT, the first calendar month in the strip may be April or later, and the last calendar month in the strip may be October or earlier. A separate futures contract shall be listed for each strip. The accumulation period of each CME European Seasonal Strip CAT Index ~~[futures contract]~~ begins with the first calendar day of the first month of the strip, ~~[in the 5-month period (May)]~~ and ends with the last calendar day of the last month of the strip ~~[fifth month in the 5-month period (September)]~~.

**40902. FUTURES CALL**

**40902.A. Trading Schedule**

Futures contracts shall be scheduled for trading and delivery during such hours in such months as may be determined by the Board of Directors.

**40902.B. Size of Trading Unit**

The size of the unit of trading shall be 100 British pounds (pounds sterling) times the respective CME European Seasonal Strip CAT Index.

**40902.C. Price Increments**

The minimum price fluctuation on the CME European Seasonal Strip CAT Index futures shall be 1 index point and have a value of 20 British pounds (pounds sterling).

**40902.D. Position Limits**

A person shall not own or control more than 10,000 contracts net long or net short in all contract months combined. For position involving options on the respective CME European Seasonal Strip CAT Index futures, this rule is superseded by the option speculative position limit rule.

**40902.E. Accumulation of Positions**

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, shall be cumulated.

**40902.F. Exemptions**

The foregoing position limits shall not apply to bona fide hedge positions meeting the requirements of Regulation 1.3(z)(1) of the CFTC and the rules of the Exchange, and shall not apply to other positions exempted pursuant to Rule 543.

**40902.G. Termination of Trading**

Futures trading shall terminate at 9:00 A.M. Chicago time on the first Exchange business day that is at least two calendar days after the last calendar day of the last month of the defined strip [September].

**40902.H. Contract Modification**

Specifications shall be fixed as of the first day of trading of a contract, except that all contracts must conform to government regulations in force at the time of final settlement. If any U.S. governmental agency or body with jurisdiction over the trading of the contract or with jurisdiction respecting the trading or final settlement of the CME European Seasonal Strip CAT Index futures issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such governmental orders.

**40902.I. [Reserved]**

**40903. SETTLEMENT PROCEDURES**

**40903.A. Final Settlement Price**

All futures contracts remaining open at the termination of trading shall be settled using the respective CME European Seasonal Strip CAT Index reported by Earth Satellite Corporation for that city for that contract period, using the methodology in effect on that date, on the first Exchange business day that is at least two calendar days after the last calendar day of the last month of the defined strip [September]. For example, on October 2, 2002, the May 2002 - September 2002 futures contract on the CME Amsterdam-Schiphol May - September '02 European Seasonal Strip CAT Index would have been settled at 2481.10 Degrees.

**40903.B. Final Settlement**

Clearing members holding open positions in a CME European Seasonal Strip CAT Index futures contract at the termination of trading in that contract shall make payment to or receive payment from the Clearing House in accordance with normal variation performance bond procedures based on a settlement price equal to the final settlement price.

**40904. EMERGENCIES, ACTS OF GOD, ACTS OF GOVERNMENT**

If the Exchange President determines that emergency action may be necessary, he shall call a special meeting of the Board of Directors and arrange for the presentation of evidence respecting the emergency condition. If the Board determines that an emergency exists, it shall take such action as it

deems necessary under the circumstances and its decision shall be binding upon all parties to the contract.

**40905. - 06 [RESERVED]**

(End Chapter 409)

**INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER 409**

**LIMITATION OF LIABILITY AND DISCLAIMER**

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**CHAPTER 409A**

**Options on CME European Seasonal Strip CAT Index Futures**

**409A00. SCOPE OF CHAPTER**

This chapter is limited in application to trading in put and call options on CME European Seasonal Strip CAT Index futures contracts. The procedures for trading, clearing and settlement, and any other matters not specifically covered herein shall be governed by the rules of the Exchange.

**409A01. OPTION CHARACTERISTICS**

**409A01. A. 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 Board of Directors.

**409A01. 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, one respective CME European Seasonal Strip CAT Index futures contract as specified in Chapter 409.

**409A01.C. Minimum Fluctuations**

The price of an option shall be quoted in terms of the respective CME European Seasonal Strip CAT Index. Each index point represents 20 British pounds (pounds sterling). For example, a quote of 2 index points represents 40 British pounds (pounds sterling). The minimum fluctuation shall be 1.0 index point (also known as one tick), equal to 20 British pounds (pounds sterling).

**409A01.D. [Reserved]**

**409A01.E. Exercise Prices**

Exercise prices shall be stated in terms of the respective CME European Seasonal Strip CAT Index futures contract. Eligible exercise prices shall be at intervals of 1 CME Seasonal Degree Days Index point (e.g., 4510, 4511, 4512, etc.).

At the commencement of options trading in a contract month, the eligible put and call options are at intervals of 1 index point in a range of 1 to 6500 index points for a seasonal Strip CAT upon demand evidenced in the options pit. New options may be listed for trading up to and including the termination of trading.

The Board may modify the provisions governing the establishment of exercise prices as it deems appropriate.

**409A01.F. Position Limits**

No person shall own or control a combination of options and underlying futures contracts that exceeds 10,000 futures-equivalent contracts net on the same side of the market in all contract months combined.

For the purpose of this rule, the futures equivalent of an option contract is 1 times the previous business day's IOM risk factor for the option series. Also for purposes of this rule, a long call option, a short put option, and a long underlying futures contract are on the same side of the market; similarly, a short call option, a long put option, and a short underlying futures contract are on the same side of the market.

**409A01.G. Accumulation of Positions**

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, shall be cumulated.

**409A01.H. Exemptions**

The foregoing position limits shall not apply to commercially appropriate risk reducing option positions defined in accordance with Regulation 1.3(z)(1) of the CFTC and meeting the requirements of Rule 543 and shall not apply to other option positions exempted pursuant to Rule 543.

**409A01.I. Termination of Trading**

Options trading shall terminate on the same date and time as the underlying futures contract.

**409A01.J. Contract Modifications**

Specifications shall be fixed as of the first day of trading of a contract except that all options must conform to government regulations in force at the time of exercise. If the U.S. government, an agency or duly constituted body thereof issues an order, ruling, directive or law inconsistent with these rules, such order, ruling, directive or law shall be construed to become part of these rules and all open and new options contracts shall be subject to such governmental orders.

**409A02. EXERCISE**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of the CME European Seasonal Strip CAT options.

**409A02.A. Exercise of Option by Buyer**

An option may be exercised by the buyer only on the termination of trading day. To exercise an option the clearing member representing the buyer shall present an exercise notice to the Clearing House by 7:00 p.m. Chicago time on the day of exercise.

An option that is in the money and has not been liquidated prior to the termination of trading shall, in the absence of contrary instructions delivered to the Clearing House by 7:00 p.m. Chicago time on the day of expiration by the clearing member representing the option buyer, be exercised automatically.

**409A02.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 before the opening of Regular Trading Hours 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 futures contract if a call is exercised or a long position if a put is exercised. The clearing member representing the option buyer shall be assigned a long position in the underlying futures contract if a call is exercised and a short position if a put is exercised.

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.



**409A03. EMERGENCIES, ACTS OF GOD, ACTS OF GOVERNMENT**

If exercise or assignment or any precondition or requirement of either is prevented by a strike, fire, accident, act of government or act of God, the seller or buyer shall immediately notify the Exchange President. If the President determines that emergency action may be necessary, he shall call a special meeting of the Board of Directors and arrange for the presentation of evidence respecting the emergency condition. If the Board determines that an emergency exists, it shall take such action as it deems necessary under the circumstances and its decision shall be binding upon all parties to the contract.

(End Chapter 409A)

**INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER 409A**

**CLARIFICATION OF NON-AGRICULTURAL OPTION SPECULATIVE POSITION LIMIT RULE**

(Special Executive Report S-1618, March 31, 1986)

Please note that the non-agricultural option speculative position limit rule, in effect at this time, supersedes the speculative position rule for the underlying futures contract. Therefore, for example, a trader may hold a gross futures position that exceeds the futures position limit rule if that gross position is part of a spread with options, such that the net position across options and futures is less than the applicable limit set in the options rule.

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