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January 29, 2002

Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: Request for Commission Rule Approval. NYMEX Submission 02.06 – Proposed New NYMEX Rule 6.21D ("Exchange of Futures for, or in Connection with, Futures Transactions (Pilot Program)")

Dear Ms. Jean Webb:

Pursuant to Section 5c(c) of the Commodity Exchange Act ("Act") and new CFTC Rule 40.5, the New York Mercantile Exchange, Inc. ("NYMEX" or the "Exchange") voluntarily submits this request for approval by the Commodity Futures Trading Commission ("CFTC") of proposed new NYMEX Rule 6.21D ("Exchange of Futures for, or in Connection with, Futures Transactions (Pilot Program)"). As discussed in the attached explanation and purpose document, the proposed new rule would establish a program applicable to the Exchange's NYMEX Brent Crude Oil futures contract. The proposed new rule would operate in a manner that is similar in some respects to block trading rules in operation at other exchanges. In light of the novel aspects of the proposed new rule, the Exchange believes that it would be useful to obtain Commission approval of this rule proposal.

Should you have any questions concerning the above, please contact the undersigned at 212-299-2207.

Very truly yours,

Brian J. Regan
Senior Associate General Counsel

cc: Neal L. Wolkoff
Christopher K. Bowen

I. EXPLANATION AND PURPOSE

The Exchange seeks to implement proposed new NYMEX Rule 6.21D ("Exchange of Futures for, or in Connection with, Futures Transactions") in order to support its new NYMEX Brent Crude Oil futures contract. The Exchange believes that implementation of this innovative new trading procedure would facilitate the transfer of positions to the Exchange, thus expanding open interest at NYMEX and facilitating enhanced competition among markets in this commodity.

Background

NYMEX launched the NYMEX Brent Crude Oil ("Brent") futures contract on September 5, 2001; the NYMEX Brent Crude Oil options contract was launched one day later, and on September 7, 2001, the Exchange launched the WTI-Brent Crude Oil Spread options contract. The terms and conditions for these new contracts, which are attached, were submitted to the Commission on a self-certification basis by letters dated August 20 and August 31, 2001.

Prior to the launch of these contracts, the Exchange implemented several policies to support trading in these new contracts. Thus, all clearing and other Exchange fees will be waived by the Exchange during the first year of trading in these contracts. In addition, NYMEX is providing rebates (for the first three months of trading in Brent) on any Light Sweet Crude Oil futures contracts traded to offset a position in the new Brent futures contract. Moreover, market participants also can avail themselves of reduced margin rates for carrying both Brent and Light Sweet Crude Oil positions under the auspices of the NYMEX clearinghouse because of the Exchange's long-standing use of inter-commodity spread credits on margin rates.

As can be seen from the attached daily summary of open interest and volume, the Brent futures contract began with a strong start. Trading volume on the first day of trading exceeded 13,000 contracts, and open interest quickly climbed to more than 6, 000 contracts. However, daily trading volume leveled off sharply in the aftermath of September 11, and in recent weeks daily trading volume has generally been less than 100 contracts. Open interest in the Brent contract has steadily declined to approximately 1,000 contracts.

Proposed New Trading Procedure

The Exchange is now in the process of developing additional means of supporting the NYMEX Brent contracts. In particular, while a contract's liquidity will always be important to market participants, the Exchange has received feedback from a number of market users expressing interest in the implementation of an efficient mechanism that would allow them in essence to transfer positions in Brent from other exchanges to NYMEX.

Accordingly, the Exchange has designed proposed new NYMEX Rule 6.21D to address those customer needs. Proposed new Rule 6.21D would provide a mechanism by which eligible participants could individually negotiate the terms of a transaction involving the Exchange's Brent futures contract and then report the transaction under a commercially reasonable timeframe to the NYMEX Clearing Member(s) carrying their accounts for subsequent posting on the Exchange.

Interpretation of CFTC Regulations

New CFTC Rule 40.5 requires a registered entity to identify, in its submission for CFTC approval, sections of the Act or Commission regulations that the CFTC may need to interpret in order to approve or allow into effect the proposed rule. The proposed new non-competitive procedure is analogous in certain respects to other non-competitive procedures, including the exchange of futures for physicals and including off-exchange procedures frequently referred to as "block trading." Accordingly, Exchange staff believes that Commission approval of the proposed new rule would likely follow a review and possible interpretation of Criterion 3 (Fair and Equitable Trading) of the designation criteria for contract markets in Section 5 of the Act and of Core Principle 9 (Execution of Transactions) for contract markets also found in Section 5.

Analogies to Block Trading

The proposed new rule contains several provisions, namely a limitation to eligible participants and specification of a minimum transaction size, that are also found in "block trading" rules implemented in recent years by a number of other futures exchanges. In addition, in several respects, new Rule 6.21D would go beyond the common provisions of such block trading rules by adding additional restrictions, such as requiring a liquidating transaction in a substantially equivalent contract at another exchange as a condition precedent to the posting on the Exchange of any transaction under Rule 6.21D (the "Underlying Transaction"). Thus, this new rule might be fairly characterized as a "block trading plus" rule because of the hybrid nature of the rule.

Under the terms of the proposed new rule, the pilot program is available only to a person or entity qualifying as an "eligible contract participant" as that term is defined by the Commodity Exchange Act and CFTC rules. This approach is generally consistent with that undertaken by BrokerTec Futures Exchange, L.L.C. in its Rule 406 ("Block Trades"), which went into effect subsequent to the Commodity Futures Modernization Act of 2000 becoming law. In this regard, it should be noted that proposed new Rule 6.21D would be limited to transactions involving the Exchange's NYMEX Brent futures contract, which is a cash-settled contract.

Proposed new Rule 6.21D also would be limited by the requirement that transactions must meet or exceed a minimum transaction size of 50 contracts. This transaction size clearly exceeds in size more than 90% of the transactions that have been executed in recent months in the NYMEX Brent futures contract. In addition, it is the understanding of Exchange staff that this transaction size would constitute a significant transaction in trading at other exchanges as well as in related cash markets.

Some block trading rules expressly provide that the price of a block trade must be fair and reasonable in light of certain specified criteria, such as the block size, the size and price of other trades executed on that exchange and the size and price of trades in other markets. By comparison, proposed new Rule 6.21D is similar to the Exchange's EFP rules and EFP rules at other exchanges that do not contain this express language. However, Exchange staff routinely monitors the fairness and reasonableness of prices of EFP transactions as part of the more general assessment that such transactions are bona fide, and Exchange staff represents that it would undertake similar monitoring for transactions executed pursuant to Rule 6.21D.

Liquidating Transaction as a Restrictive Condition

As noted above, proposed new Rule 6.21D would require a liquidating transaction in a substantially equivalent contract at another exchange as a condition precedent to the posting on the Exchange of any transaction under Rule 6.21D. The rule would provide that the contract specifications for the futures contract traded in the Underlying Transaction must be substantially equivalent, as determined by the Exchange, to the contract specifications for the eligible futures contract comprising the transaction posted on the Exchange (the "NYMEX Transaction"). In addition, the quantity covered by the Underlying Transaction must be substantially equivalent to the quantity covered by the NYMEX Transaction. At this time, the Brent futures contract offered by the International Petroleum Exchange would appear to be the only contract that would qualify in terms of these standards.

Analogies to EFP Procedures

The rule would further require that within two hours of its receiving confirmation on the Underlying Transaction(s), each party to the NYMEX Transaction must submit to the NYMEX Clearing Member(s) carrying its accounts the details of the NYMEX Transaction. Also, upon receipt of such information, the NYMEX Clearing Member(s) must prepare a contemporaneous record of the information that also indicates the time of receipt of such information.

After the Clearing Member has received this information, the trade data for the trade would be relayed to a NYMEX Floor Member. Consistent with long-standing procedures for the reporting of EFP transactions on the NYMEX Division, the report of a Rule 6.21D transaction would be given on the floor of the Exchange during the hours of futures trading on the day that the transaction thereto was made, or if such agreement was made after the close of trading, then on the next business day.

Thus, for the Rule 6.21D transactions, Floor Members would write an F on their pit card in the column reserved for differential or spread transactions and then circle the F. (Current procedures for the recording of EFP transactions on pit cards provide for EFP transactions to be indicated by encircling an E in the same column on the pit card.) The Floor Member would also record the commodity, contract month, price and quantity for the transaction. After the pit card had been filled out, the Floor Member would submit the pit card to the center of the ring, where it would be caught by an Exchange employee and then forwarded to Exchange trade data entry staff. The Exchange will use a unique trade type to distinguish Rule 6.21D trades from other transactions, and this trade type will follow the trade throughout the Exchange's trade processing and clearing systems.

Consistent with the reporting of NYMEX Division EFP transactions posted on the Exchange, the Exchange does not intend to provide price reporting on these transactions over its price reporting service that provide a live ticker feed of transaction prices. Furthermore, transactions executed pursuant to Rule 6.21D also would not be displayed on the wallboards on the Exchange trading floor.

However, like EFP transactions, the total quantity of Rule 6.21D transactions executed in a particular contract would be available on a display screen in the Exchange's trade processing system. Moreover, data on Rule 6.21D transactions also would be contained in the statistics that the Exchange makes publicly available on a daily basis in compliance with Core Principle # 8 (Daily Publication of Trading Information) for contract markets.

Other reporting and operational provisions in Rule 6.21D are also modeled upon parallel provisions in the Exchange's EFP rules. Thus, the Exchange's Compliance Department would distribute to Exchange Clearing Members a computer run generated from trade data for cleared trades. The computer run would list any Rule 6.21D trades that had been cleared by a Clearing Member along with the price, quantity, commodity and contract month for any such transaction. The Clearing Member would complete the form by identifying the customers to the transaction and by affirming that the transaction resulted or will result in a change of positions or other such change. This report (form) must be submitted to the Compliance Department by 12:00 noon, no later than two Exchange business days after the day of posting the EFF on the Floor of the Exchange. At any time thereafter, upon request by Exchange staff, a Clearing Member would need to obtain from its customer any documentation requested by Exchange staff, which may include evidence demonstrating that the transaction at the other exchange liquidated an existing position in the specified contract.

<u>Conclusion</u>

In conclusion, the proposed new rule would provide an innovative means for sophisticated market participants to liquidate open positions on one exchange and to enter into individually negotiated transactions that would in essence result in the transfer of such positions to the Exchange. The rule thus would permit eligible participants to make transfers through individually negotiated transactions under restricted conditions that would allow the parties to avoid exposure to the possibility of significant price slippage in a thinly traded market. The more frequently that this commercially reasonable mechanism would be utilized by market participants, the more that open interest and volume would grow at NYMEX, resulting in increased competition among markets that ultimately would benefit market participants in both markets. Accordingly, the Exchange requests that the Commission approve the proposed new rule on an expedited basis.

II. EXCHANGE ACTION TAKEN

New CFTC Rule 40.5 provides that a registered entity filing a submission under that rule must cite the rules of the entity that authorize the adoption of the proposed rule. The Executive Committee of the Exchange's Board of Directors, acting pursuant to its authority under Exchange By-Law 401 ('Executive Committee") approved proposed Rule 6.21D at a recent meeting, and the rule was later ratified by the

Board of Directors. In both instances, no anti-competitive effects were apparent and no substantive opposing views were expressed. The Exchange requests review and approval of the rule on an expedited basis and intends to implement the new rule shortly following Commission approval. The Exchange also intends to review this rule one year following its implementation.

PROPOSED NEW NYMEX RULE 6.21D

(Entire rule is new.)

Rule 6.21D. EXCHANGE OF FUTURES FOR, OR IN CONNECTION WITH, FUTURES TRANSACTIONS

(A) **General Requirements**. (1) An exchange of futures for, or in connection with, futures (EFF) consists of two discrete, but related, transactions; one initial futures transaction effected on another regulated futures exchange (Underlying Transaction) and a subsequent futures transaction in an eligible NYMEX contract that is reported at the Exchange pursuant to the procedures specified in this rule (NYMEX Transaction).

(2) **Liquidating Transactions**. As a condition precedent to the NYMEX Transaction, the parties to the NYMEX Transaction must have engaged in a transaction on the other regulated futures exchange pursuant to the procedures of such other exchange that resulted in liquidating an existing position at such other exchange.

(3) **Quantity**. (a) The quantity covered by the Underlying Transaction must be substantially equivalent to the quantity covered by the NYMEX Transaction. The contract specifications for the futures contract traded in the Underlying Transaction must be substantially equivalent, as determined by the Exchange, to the contract specifications for the eligible futures contract comprising the NYMEX Transaction. In addition, the minimum transaction size for the NYMEX Transaction is 50 contracts.

(4) **Report to Clearing Member**. For each party to the NYMEX Transaction, that party, within two hours of its receipt of trade confirmation on the Underlying Transaction(s) at the other exchange, must submit to the NYMEX Clearing Member(s) carrying its account the details of the NYMEX Transaction. Upon receipt of such information, the NYMEX Clearing Member(s) must prepare a contemporaneous record of the information that also indicates the time of receipt of such information.

(5) **Eligible Contracts and Transactions**. EFF transactions may be effected only for transactions in the Exchange's Brent Crude Oil futures contract.

(6) **Eligible Participants.** This trading procedure is available only to a person or entity qualifying as an "eligible contract participant" as that term is defined by the Commodity Exchange Act and CFTC rules.

(7) **Floor Reporting Requirements and Deadlines.** (1) A report of each EFF transaction shall be given, and notice thereof shall be posted on the Floor of the Exchange. The report of an EFF transaction shall be given on the Floor of the Exchange during the hours of futures trading on the day that the transaction thereto was made, or if such agreement was made after the close of trading, then on the next business day.

(8) EFF transactions shall be cleared through the Exchange in accordance with normal procedures, shall be clearly identified and marked in the manner provided by the Exchange, and shall be recorded by the Exchange and by the Clearing Members involved.

(9) EFF transactions are permitted until the close of trading on the last trading day in the expiring contract month of the Exchange's NYMEX Brent Crude Oil futures contract.

(C) **Clearing Member Reporting Requirements**. A report of such EFF transaction shall be submitted to the Exchange by each Clearing Member representing the buyer and/or seller. Such report shall identify the EFF as made under this Rule and shall contain the following information: a statement that the EFF has resulted or will result in a change of positions or other such change, the kind and quantity of the futures, the price at which the futures transaction is to be cleared, the names of the Clearing Members and customers and such other information as the Exchange may require. Such report (form) shall be submitted to the Compliance Department by 12:00 noon, no later than two (2) Exchange business days after the day of posting the EFF on the Floor of the Exchange.

(D) **Exchange Request for Information**. Each buyer and seller must satisfy the Exchange, at its request, that the transaction is a legitimate EFF transaction. Upon the request of the Exchange, all documentary evidence relating to the EFF, including documentation of the Underlying Transaction on the other futures exchange, shall be obtained by the Clearing Members from the buyer or seller and made available by the Clearing Members for examination by the Exchange.

(E) **Omnibus Accounts and Foreign Brokers**. All omnibus accounts and foreign brokers shall submit a signed EFF reporting agreement in the form prescribed by the Exchange to the Exchange=s Compliance Department. Such Agreement shall provide that any omnibus account or foreign broker identified by a Clearing Member (or another omnibus account or foreign broker) as the buyer or seller of an EFF pursuant to this Rule 6.21D, shall supply the name of its customer and such other information as the Exchange may require. Such information shall be submitted to the Exchange=s Compliance Department by 12:00 noon no later than two (2) Exchange business days after the day of posting the EFF on the Floor of the Exchange. Failure by an omnibus account or foreign broker to submit either the agreement or the particular EFF information to the Exchange may result in a hearing by the Business Conduct Committee to limit, condition or deny access of such omnibus account or foreign broker to the market.

(Effective Date September 5, 2001.)

New Chapter 205

(Entire chapter is new.)

NYMEX BRENT CRUDE OIL FUTURES CONTRACT

Rule 205.01 Scope

The provisions of these rules shall apply to all contracts bought or sold on the Exchange for cash settlement on the NYMEX Brent Crude Oil Index.

Rule 205.02 Definitions

For the purpose of this Chapter, the terms set forth below shall mean:

(A) Barrel: 42 gallons of 231 cubic inches per gallon corrected for temperature to 60 degrees Fahrenheit.

(B) NYMEX Brent Crude Oil Index: the last day's cash settlement price of Brent Crude Oil established in Rule 205.04.

(C) Settlement Day: the day that the NYMEX Brent Crude Oil cash settlement value is published, which occurs on the next business day following the last day of trading for the contract month.

(D) First-Nearby Month: the most recent month for which trading is being transacted, or the spot month.

(E) Second-Nearby Month: the month immediately following the first-nearby month.

Rule 205.03 Reference Crude Oils

For the purpose of this contract, Brent Crude Oil shall refer to crude oil of current pipeline export quality for delivery at storage and terminal installations at Sullom Voe in the United Kingdom. "Brent" shall be defined as a mixture of hydrocarbons that exist in a liquid phase in naturally occurring underground reservoirs and remains in a liquid state at atmospheric pressure after passing through surface separating facilities and contains less than .50% sulfur by weight.

Rule 205.04 Platts Brent Crude Oil Index

The Exchange shall publish a Final Settlement Price which shall be set at the value of the Platts Brent Crude Oil Index. Platts has built the index for the specific purpose of enabling NYMEX to settle its Brent Crude Oil Futures Contract on the termination day of the contract month or as specified by the NYMEX Board of Directors.

Rule 205.05 Contract Value

The contract value shall be the settlement price multiplied by 1,000.

Rule 205.06 Contract Months

Trading shall be conducted in contracts in such months as shall be determined by the

Board of Directors. Trading in the "contract month" shall commence on the day fixed by resolution of the Board of Directors.

Rule 205.08 Prices and Price Fluctuations

Prices shall be quoted in U.S. dollars and cents per barrel. The minimum price fluctuation shall be $.01 (1 cent) per barrel. There shall be no maximum price fluctuation or special price fluctuation limits.

Rule 205.09 Trading Hours

The Board of Directors shall determine the trading hours for the contract.

Rule 205.10 Termination of Trading

Trading shall end one business day before the fifteenth calendar day prior to the first day of the delivery month, if the fifteenth calendar day is not a holiday or weekend in London. If the fifteenth calendar day is a holiday or weekend in London, trading shall end one business day prior to the last business day preceding the fifteenth calendar day.

Rule 205.11 Final Settlement Price

The Exchange shall publish a cash settlement price on the next business day following the last day of trading for the contract month. Subject to the rules of this chapter, the cash settlement price shall be for the Brent price indicated by the NYMEX Brent Crude Oil Index for the last day of trading for the contract month.

Rule 205.12 Exchange of Futures for, or in Connection with Product and the Exchange of Futures for, or in Connection with Swaps

Any exchange of futures for physical (EFP) or exchange of futures for swap (EFS) involving the Brent Crude Oil futures contract shall be governed by the provisions of Rules 6.21 and 6.21A, respectively.

Rule 205.13 Disclaimer

Platts, a division of The McGraw-Hill Companies, Inc. ("Platts"), licenses The New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") to use various Platts' price information in connection with the trading of the contracts traded on the Exchange, including the Platts Brent Index which forms the basis for the Exchange's Brent Crude Oil Futures Contract.

NEITHER NYMEX NOR PLATTS GUARANTEES THE ACCURACY AND/OR COMPLETENESS OF THE INFORMATION OR ANY OF THE DATA INCLUDED THEREIN.

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<u>OR INDIRECT, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.</u>

(Effective Date September 6, 2001.)

New Chapter 311

(Entire chapter is new.)

NYMEX Brent Crude Oil Option Contract

311.01 Expiration of Brent Crude Oil Option Contract

A Brent Crude Oil option contract on the Exchange shall expire at the close of trading two business days prior to the expiration of the underlying futures contract. The expiration date shall be announced prior to the listing of the option contract.

311.02 Trading Unit for Brent Crude Oil Option Contracts

A Brent Crude Oil put or call option contract traded on the Exchange represents an option to assume a short or long position in the underlying futures contract traded on the Exchange.

311.03 Trading Months for Brent Crude Oil Option Contracts

Trading in Brent Crude Oil option contracts shall be conducted in the contract months as shall be determined by the Board of Directors. Trading shall commence on the day fixed by resolution of the Board of Directors.

311.04 Hours of Trading in Brent Crude Oil Option Contracts

The hours of trading in Brent Crude Oil option contracts on the Exchange shall be the same as the hours of trading for Brent Crude Oil futures contracts. All such trading shall take place on the trading floor of the Exchange within the hours prescribed by the Board.

Rule 311.05 Strike Prices for Brent Crude Oil Option Contracts

(A) Trading shall be conducted for options with strike prices in increments as set forth below.

(B) 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 futures contracts 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 twenty fifty-cent increment strike prices which are twenty increments higher than the strike price described in (i) of this Rule 311.05(B) and (iii) the twenty fifty-cent increment strike prices which are twenty increments lower than the strike price described in (i) of this Rule 311.05(B) and (iv) an additional ten strike prices for both call and put options will be listed at $2.50 increments above the highest fifty-cent increment as described in (ii) of this Rule 311.05(B), beginning with the first available such strike that is evenly divisible by $2.50 and (v) an additional ten strike prices for both call and put options will be listed at $2.50 increments below the lowest fifty-cent increment as described in (iii) of this Rule 311.05(B), beginning with the first available such strike that is evenly divisible by $2.50.

(C) Thereafter, on any business day prior to the expiration of the option: (i) new consecutive fifty-cent increment striking prices for both puts and calls will be added such that at all times there will be at least twenty fifty-cent increment strike prices above and below the at-the-money strike price available for trading in all options contract months; and (ii) new $2.50 increment strike prices will be added such that at all times there shall be ten $2.50 strike prices above and below the nearest fifty-cent increment strike price. The at-the-money strike price will be determined in accordance with the procedures set forth in Subsection (B) of this Rule 311.05.

(D) Notwithstanding the provisions of subsections (A) through (C) of this Rule, if the Board determines that trading in Brent Crude Oil options will be facilitated thereby, the Board 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 crude oil futures option in which no new strike prices may be introduced.

Rule 311.06. Prices and Price Fluctuations

Prices shall be quoted in dollars and cents per barrel and prices shall be in multiples of one (1) cents per barrel. A cabinet trade may occur at a price of $0.001 per barrel, or $1.00, however, if it results in the liquidation of positions for both parties to the trade. There shall be no maximum price fluctuation limits.

(Effective Date September 7, 2001.)

New Chapter 312

(Entire chapter is new.)

WTI-Brent Crude Oil Spread Option Contract

312.01 Expiration of WTI-Brent Crude Oil Spread Option Contract

A WTI-Brent crude oil spread option contract on the Exchange shall expire at the close of trading two business days preceding the termination date of the underlying Brent crude oil futures contract traded on the Exchange. The expiration date shall be announced prior to the listing of the option contract.

312.2 Trading Unit for WTI-Brent Crude Oil Spread Option Contracts

A WTI-Brent crude oil put option contract traded on the Exchange represents an option to assume a short position in the underlying WTI crude oil futures contract and a long position in the underlying Brent crude oil futures contract traded on the Exchange. A call option represents an option to assume a long position in the underlying WTI crude oil futures contract and a short position in the underlying Brent crude oil futures contract traded on the Exchange.

312.03 Trading Months for WTI-Brent Crude Oil Spread Option Contracts

Trading in WTI-Brent crude oil spread option contracts shall be conducted in the months as shall be determined by the Board of Directors. Trading shall commence on the day fixed by resolution of the Board of Directors.

312.04 Hours of Trading in WTI-Brent Crude Oil Spread Option Contracts

The hours of trading in WTI-Brent crude oil spread option contracts on the Exchange shall be the same as the hours of trading for the WTI Crude oil futures contracts. All such trading shall take place on the trading floor of the Exchange within the hours prescribed by the Board.

312.05 Strike Prices for WTI-Brent Crude Oil Spread Option Contracts

(A) Trading shall be conducted for options with strike prices in increments as set forth below.

(B) On the first business day of trading in an option contract month, trading shall be at the following strike prices: (i) the differential between previous day's settlement price for WTI crude oil and Brent crude oil futures contracts in the corresponding delivery month rounded off to the nearest ten cent ($0.10) increment strike price unless such settlement price is precisely midway between two ten cent ($0.10) increment strike prices in which case it shall be rounded off to the lower ten cent ($0.10) increment strike price and (ii) the twenty ten cent ($0.10) increment strike prices which are twenty increments higher than the strike price described in (i) of this Rule 312.05 and (iii) the ten cent ($0.10) increment strike prices which are twenty increments lower than the strike price described in (i) of this Rule 312.05 and (iv) an additional ten strike prices for both call and put options will be listed at $0.50 increments above the highest ten cent ($0.10) increment as described in (ii) of this Rule 311.05(B), beginning with the first available such strike that is evenly divisible by $0.50 and (v) an additional ten strike prices for both call and put options will be listed at $0.50 increments below the lowest ten cent ($0.10) increment as described in (iii) of this Rule 312.5(B), beginning with the first available such strike that is evenly divisible by $0.50.

(C) Thereafter, on any business day prior to the expiration of the option: (i) new consecutive ten cent ($0.10) increment striking prices for both puts and calls will be added such that at all times there will be at least twenty ten cent ($0.10) increment strike prices above and below the at-the-money strike price available for trading in all options contract months; and (ii) new $0.50 increment strike prices will be added such that at all times there shall be ten $0.50 strike prices above and below the nearest ten cent ($0.10) increment strike price. The at-the-money strike price will be determined in accordance with the procedures set forth in Subsection (B) of this Rule 311.05.

(D) Notwithstanding the provisions of subsections (A) through (C) of this Rule, if the Board determines that trading in WTI-Brent Crude Oil Spread Options will be facilitated thereby, the Board 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 crude oil futures option in which no new strike prices may be introduced.

312.06 Prices and Price Fluctuations

Prices shall be quoted in dollars and cents per barrel and prices shall be in multiples of one (1) cents per barrel. A cabinet trade may occur at a price of $0.001 per barrel, or $1.00, however, if it results in the liquidation of positions for both parties to the trade. There shall be no maximum price fluctuation limits.

312.07 Futures prices at Expiration of a WTI-Brent Spread Option

(A) For call options, the Brent futures month will be assigned a short futures position at that futures contract's settlement price on exercise day. The WTI futures month will be assigned a long futures position at a price calculated by adding the strike price to the futures settlement price of the Brent futures settlement price.

(B) For put options, the Brent futures month will be assigned a long futures position at that futures contract's settlement price on exercise day. The WTI futures month will be assigned a short futures position at a price calculated by adding the strike price to the futures settlement price of the Brent futures settlement price.