



C.F.T.C.  
OFFICE OF THE SECRETARIAT

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October 27, 2010

Mr. David Stawick  
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 40.2 Submission. Exchange  
Certification for CME Rainfall Index Monthly and Seasonal  
Strip contracts.  
CME Submission No. 10-295**

Dear Mr. Stawick:

Chicago Mercantile Exchange Inc. ("CME" or "Exchange") hereby notifies the Commodity Futures Trading Commission regarding the CME Rainfall Index Monthly and Seasonal Strip Futures and Options launch date, trading hours, block trade requirements, no-bust range, reportable level and provides rule language for CME Rainfall Index Monthly and Seasonal Strip futures and options contracts.

CME Rainfall Futures and Options will begin trading on Monday, November 1, 2010

- Months listed for trading – March 2011, April 2011, May 2011, June 2011, July 2011, August 2011, September 2011 and October 2011.

Electronic Trading Hours: Sunday 5:00 P.M. to Friday 3:15 P.M. Daily trading halts from 3:15 P.M. to 5:00 P.M. (9:00 A.M. on Last Trading Day). CME Rainfall Index futures will trade exclusively on GLOBEX®.

Floor Trading Hours: 8:30 A.M. to 3:15 P.M (9:00 A.M. on Last Trading Day). CME Rainfall Index options will trade exclusively on the floor.

The Block trade minimum will be 20, as with all existing weather products. The No Bust range will be 50 points or 5 inches. Reportable level will be 25.

The text of the contract rules for CME Rainfall Index futures and options is presented on the following pages.

CME certifies that this action complies with the Commodity Exchange Act and regulations 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 [charles.piszczor@cmegroup.com](mailto:charles.piszczor@cmegroup.com) or me at 312-648-5422. We would be appreciative if you could reference our CME Submission No. 10-295 in any related correspondence.

Sincerely,

/s/ Stephen M. Szarmack  
Regulatory Counsel

## Chapter 441 CME Rainfall Index Futures

### 44100. SCOPE OF CHAPTER

This chapter is limited in application to trading on CME Rainfall Index Futures. The procedures for trading, clearing and settlement, and any other matters not specifically covered herein shall be governed by the rules of the Exchange.

### 44101. COMMODITY SPECIFICATIONS

Daily rainfall is defined as the total rainfall recorded at a particular location between 12:01 A.M. and 12:00 A.M. midnight as reported by MDA Information Systems, Inc.

Monthly rainfall is defined as the sum of daily rainfall values for a particular location for a calendar month. The accumulation period for each contract begins with the first calendar day of the contract month and ends with the last calendar day of the contract month.

The table below lists the cities and their corresponding weather stations:

#### Listing Cities and Corresponding Weather Stations

Chicago O'Hare International Airport (WBAN 94846)  
Dallas-Fort Worth International Airport (WBAN 03927)  
Des Moines International Airport (WBAN 14933)  
Detroit Metro Airport (WBAN 94847)  
Jacksonville International Airport (WBAN 13889)  
Los Angeles Downtown USC Campus (WBAN 93134)  
New York LaGuardia Airport (WBAN 14732)  
Portland International Airport (WBAN 24229)  
Raleigh/Durham International Airport (WBAN 13722)

### 44102. FUTURES CALL

#### 44102.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.

#### 44102.B. Size of Trading Unit

The size of the unit of trading shall be \$500 times the respective CME Rainfall Index.

#### 44102.C. Price Increments

The minimum price fluctuation on the respective CME Rainfall Index futures shall be 0.1 (one-tenth) index point and have a value of \$50. Each index point is equal to 1 inch of rainfall.

#### **44102.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 positions involving options on the respective CME Rainfall Index futures, this rule is superseded by the option speculative position limit rule.

#### **44102.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.

#### **44102.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 559.

#### **44102.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 futures contract month.

#### **44102.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 Rainfall 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.

#### **44102.I [Reserved]**

### **44103. SETTLEMENT PROCEDURES**

#### **44103.A. Final Settlement Price**

All futures contracts remaining open at the termination of trading shall be settled using the respective CME Rainfall Index reported by MDA Information Systems, Inc. for that city for that contract month, using the methodology in effect on that date, on the first Exchange business day that is at least two calendar days after the futures contract month. For example, on May 4, 2009 the April 2009 futures contract on the Raleigh/Durham CME Rainfall Index would have been settled at 1.69.

#### **44103.B. Final Settlement**

Clearing members holding open positions in a CME Rainfall 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.

**44104. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

(Refer to Rule 701. – ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES)

**44105.-06. [RESERVED]**

(End Chapter 441)

**INTERPRETATIONS AND SPECIAL NOTICES  
RELATING TO CHAPTER 441**

**LIMITATION OF LIABILITY AND DISCLAIMER**

MDA Information Systems, Inc. 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. MDA Information Systems, Inc. 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. MDA Information Systems, Inc. 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 MDA Information Systems, Inc. have any liability for any special, punitive, indirect, or consequential damages (including lost profits), even if notified of the possibility of such damages.

**Chapter 441A  
Options on CME Rainfall Index Futures**

**441A00. SCOPE OF CHAPTER**

This chapter is limited in application to trading in put and call options on CME Rainfall 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.

**441A01. OPTION CHARACTERISTICS**

**441A01.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.

**441A01.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 Rainfall Index futures contract as specified in Chapter 441.

**441A01.C. Minimum Fluctuations**

The price of an option shall be quoted in terms of the respective CME Rainfall Index. Each index point represents \$500. For example, a quote of 2 index points represents \$1,000. The minimum fluctuation shall be 0.1(one-tenth) index point (also known as one tick), equal to \$50.

**441A01.D. [Reserved]**

#### **441A01.E. Exercise Prices**

Exercise prices shall be stated in terms of the respective CME Rainfall Index futures contract. Eligible exercise prices shall also be at intervals of 0.1 (one-tenth) index point (e.g., 1.0, 1.1, 1.2, etc.).

At the commencement of option trading in a contract month, the eligible put and call options are at intervals of 0.1 (one-tenth) index point in a range of 0 to 20 index points. 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.

#### **441A01.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.

#### **441A01.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.

#### **441A01.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 559 and shall not apply to other option positions exempted pursuant to Rule 559.

#### **441A01.I. Termination of Trading**

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

#### **441A01.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.

#### **441A02. EXERCISE**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of the CME Rainfall Index options.

#### **441A02.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.

#### **441A02.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.

#### **441A03. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

(Refer to Rule 701. – ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES)  
(End Chapter 441A)

### **INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER 441A**

#### **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**

MDA Information Systems, Inc. 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. MDA Information Systems, Inc. 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. MDA Information Systems, Inc. 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 MDA Information Systems, Inc. have any liability for any special, punitive, indirect, or consequential damages (including lost profits), even if notified of the possibility of such damages.

## **Chapter 441B CME Rainfall Index Binary Contract**

### **441B00. SCOPE OF CHAPTER**

This chapter is limited in application to trading of binary contracts on the CME Rainfall 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.

### **441B01. COMMODITY SPECIFICATIONS**

CME Rainfall Index values will be calculated by MDA Information Systems, Inc., using the locations and method described in Chapter 441.

### **441B02. CONTRACT CALL**

#### **441B02.A. Trading Schedule**

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

#### **441B02.B. Trading Unit**

The unit of trading shall be \$10,000.

#### **441B02.C. Minimum Fluctuations**

The price of a binary contract shall be quoted in terms of the respective CME Rainfall index. Each index point represents \$100. For example, a quote of 18.1 index points represents a price of \$1,810. The minimum fluctuation shall be 0.1 index point (also known as one tick), equal to \$10.

#### **441B02.D. [Reserved]**

#### **441B02.E. Exercise Prices**

Exercise prices shall be stated in terms of the respective CME Rainfall Index. Eligible exercise prices shall be at intervals of 0.1 index point (e.g., 1.0, 1.1, 1.2, etc.).

At the commencement of trading in a contract, binary contracts shall be listed at intervals of 0.1 index point in a range of 0 to 20 index points. New binary contracts 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.

#### **441B02.F. Position Accountability**

A person owning or controlling more than 10,000 binary contracts in any individual contract shall provide, in a timely fashion, upon request by the Exchange, information regarding the nature of the position, trading strategy, and hedging information if applicable.



**441B02.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.

**441B02.H. [Reserved]**

**441B02.I. Termination of Trading**

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

**441B02.J. 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 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 contracts shall be subject to such governmental orders.

**441B02.K. [Reserved]**

**441B03. EXERCISE**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of CME Rainfall Index binary contracts.

**441B03.A. Exercise of Binary Contract by Buyer**

A binary contract may be exercised by the buyer on any business day that the contract is traded. Exercise of a binary contract is accomplished by the clearing member representing the buyer presenting an Exercise Notice to the Clearing House by 7:00 p.m. on the day of exercise.

A binary contract that is in the money (i.e., the respective Rainfall Index is equal to or greater than the exercise price) 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 buyer, be exercised automatically.

**441B03.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 on the following business day.

The buyer of a binary contract shall receive \$10,000 if the respective Rainfall Index is equal to or greater than the exercise price, and shall receive zero dollars (\$0) otherwise. The seller of a binary contract shall be obligated to pay \$10,000 if the respective Rainfall Index is equal to or greater than the exercise price, and shall be obligated to pay zero dollars (\$0) otherwise.

For example, on May 4, 2009, the Raleigh/Durham Binary April 2009 contract would have been settled at 1.69 index points. Therefore, buyers of such binary contracts with exercise prices equal to or less than 1.6 would have received \$10,000 for each such binary contract from the sellers of each

such binary contract, and buyers of such binary contracts with exercise prices of 1.7 or greater would have received nothing.

#### **441B03.C. Final Settlement**

All binary contracts remaining open at the termination of trading shall be settled using the respective Rainfall Index final value reported by MDA Information Systems, Inc. using the methodology in effect on that date.

Clearing members holding open positions in a Rainfall Index binary contract that is in the money 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. All such positions shall be settled at a price of 100 index points, equal to \$10,000, 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.

#### **441B04. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

(Refer to Rule 701. – ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES)

#### **441B05.-06. [RESERVED]**

(End Chapter 441B)

### **INTERPRETATIONS AND SPECIAL NOTICES RELATING TO CHAPTER 441B**

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

MDA Information Systems, Inc. grants the Exchange the rights to use various data ("Data") in connection with the trading of futures contracts, options on futures contract and binary options on futures contracts based on such Data. MDA Information Systems, Inc. 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, binaries on futures contracts or any other use. MDA Information Systems, Inc. makes no express or implied warranties, and expressly disclaims all warranties or merchantability or fitness for a particular purpose or use with respect to the Data. Without limiting any of the foregoing, in no event shall MDA Information Systems, Inc. have any liability for any special, punitive, indirect, or consequential damages (including lost profits), even if notified of the possibility of such damages.

### **Chapter 442 CME Seasonal Strip Rainfall Index Futures**

#### **44200. SCOPE OF CHAPTER**

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

#### **44201. COMMODITY SPECIFICATIONS**

Daily Rainfall is defined as the total Rainfall recorded at a particular location between 12:01 A.M. and 12:00 A.M. midnight as reported by MDA Information Systems, Inc.

Each particular CME Seasonal Strip Rainfall Index is defined as the accumulation of like rainfall values over a minimum of two, and a maximum of eight, consecutive calendar months. The first calendar month in the strip may be March or later, and the last calendar month in the strip may be October or earlier. The accumulation period for each strip contract begins with the first calendar day of the contract month of the strip and ends with the last calendar day of the last month of the defined strip.

The table below lists the cities and their corresponding weather stations:

#### **Listing Cities and Corresponding Weather Stations**

Chicago O'Hare International Airport (WBAN 94846)  
Dallas-Fort Worth International Airport (WBAN 03927)  
Des Moines International Airport (WBAN 14933)  
Detroit Metro Airport (WBAN 94847)  
Jacksonville International Airport (WBAN 13889)  
Los Angeles Downtown USC Campus (WBAN 93134)  
New York LaGuardia Airport (WBAN 14732)  
Portland International Airport (WBAN 24229)  
Raleigh/Durham International Airport (WBAN 13722)

### **44202. FUTURES CALL**

#### **44202.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.

#### **44202.B. Size of Trading Unit**

The size of the unit of trading shall be \$500 times the respective CME Seasonal Strip Rainfall Index.

#### **44202.C. Price Increments**

The minimum price fluctuation on the respective CME Seasonal Strip Rainfall Index futures shall be 0.1 (one-tenth) index point and have a value of \$50. Each index point is equal to 1 inch of Rainfall.

#### **44202.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 positions involving options on the respective CME Seasonal Strip Rainfall Index futures, this rule is superseded by the option speculative position limit rule.

#### **44202.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.

#### **44202.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 559.

**44202.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 futures contract month.

**44202.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 Rainfall 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.

**44202.I [Reserved]**

**44203. SETTLEMENT PROCEDURES**

**44203.A. Final Settlement Price**

All futures contracts remaining open at the termination of trading shall be settled using the respective CME Seasonal Strip Rainfall Index reported by MDA Information Systems, Inc. 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. For example, on October 2, 2009, the May 2009 – September 2009 futures contract on the Raleigh/Durham CME Seasonal Strip Rainfall Index would have been settled at 13.63.

**44203.B. Final Settlement**

Clearing members holding open positions in a CME Seasonal Strip Rainfall 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.

**44204. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

(Refer to Rule 701. – ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES)

**44205.-06. [RESERVED]**

(End Chapter 442)

**INTERPRETATIONS AND SPECIAL NOTICES  
RELATING TO CHAPTER 442**

## LIMITATION OF LIABILITY AND DISCLAIMER

MDA Information Systems, Inc. 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. MDA Information Systems, Inc. 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. MDA Information Systems, Inc. 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 MDA Information Systems, Inc. have any liability for any special, punitive, indirect, or consequential damages (including lost profits), even if notified of the possibility of such damages.

## Chapter 442A Options on CME Seasonal Strip Rainfall Index Futures

### 442A00. SCOPE OF CHAPTER

This chapter is limited in application to trading in put and call options on CME Seasonal Strip Rainfall 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.

### 442A01. OPTION CHARACTERISTICS

#### 442A01.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.

#### 442A01.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 Rainfall Index futures contract as specified in Chapter 442.

#### 442A01.C. Minimum Fluctuations

The price of an option shall be quoted in terms of the respective CME Seasonal Strip Rainfall Index. Each index point represents \$500. For example, a quote of 2 index points represents \$1,000. The minimum fluctuation shall be 0.1(one-tenth) index point (also known as one tick), equal to \$50.

#### 442A01.D. [Reserved]

#### 442A01.E. Exercise Prices

Exercise prices shall be stated in terms of the respective CME Seasonal Strip Rainfall Index futures contract. Eligible exercise prices shall also be at intervals of 0.1 (one-tenth) index point (e.g., 1.0, 1.1, 1.2, etc.).

At the commencement of option trading in a contract month, the eligible put and call options are at intervals of 0.1 (one-tenth) index point in a range of 0 to 60 index points. 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.

#### **442A01.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.

#### **442A01.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.

#### **442A01.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 559 and shall not apply to other option positions exempted pursuant to Rule 559.

#### **442A01.I. Termination of Trading**

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

#### **442A01.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.

### **442A02. EXERCISE**

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

#### **442A02.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.

#### **442A02.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.

#### **442A03. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

(Refer to Rule 701. -- ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES)  
(End Chapter 442A)

### **INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER 442A**

#### **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 442B CME Seasonal Strip Rainfall Index Binary Contract**

#### **442B00. SCOPE OF CHAPTER**

This chapter is limited in application to trading of binary contracts on the CME Seasonal Strip Rainfall 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.

**442B01. COMMODITY SPECIFICATIONS**

CME Seasonal Strip Rainfall Index values will be calculated by MDA Information Systems, Inc., using the locations and methods described in Chapter 442.

**442B02. CONTRACT CALL**

**442B02.A. Trading Schedule**

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

**442B02.B. Trading Unit**

The unit of trading shall be \$10,000.

**442B02.C. Minimum Fluctuations**

The price of a binary contract shall be quoted in terms of the respective CME Seasonal Strip Rainfall index. Each index point represents \$100. For example, a quote of 18.1 index points represents a price of \$1,810. The minimum fluctuation shall be 0.1 index point (also known as one tick), equal to \$10.

**442B02.D. [Reserved]**

**442B02.E. Exercise Prices**

Exercise prices shall be stated in terms of the respective CME Seasonal Strip Rainfall Index. Eligible exercise prices shall be at intervals of 0.1 index point (e.g., 1.0, 1.1, 1.2, etc.).

At the commencement of trading in a contract, binary contracts shall be listed at intervals of 5 index points in a range of 1 to 60 index points. New binary contracts 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.

**442B02.F. Position Accountability**

A person owning or controlling more than 10,000 binary contracts in any individual contract shall provide, in a timely fashion, upon request by the Exchange, information regarding the nature of the position, trading strategy, and hedging information if applicable.

**442B02.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.

**442B02.H. [Reserved]**



#### **442B02.I. Termination of Trading**

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

#### **442B02.J. 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 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 contracts shall be subject to such governmental orders.

#### **442B02.K. [Reserved]**

### **442B03. EXERCISE**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of CME Seasonal Strip Rainfall Index binary contracts.

#### **442B03.A. Exercise of Binary Contract by Buyer**

A binary contract may be exercised by the buyer on any business day that the contract is traded. Exercise of a binary contract is accomplished by the clearing member representing the buyer presenting an Exercise Notice to the Clearing House by 7:00 p.m. on the day of exercise.

A binary contract that is in the money (i.e., the respective Seasonal Strip Rainfall Index is equal to or greater than the exercise price) 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 buyer, be exercised automatically.

#### **442B03.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 on the following business day.

The buyer of a binary contract shall receive \$10,000 if the respective Seasonal Strip Rainfall Index is equal to or greater than the exercise price, and shall receive zero dollars (\$0) otherwise. The seller of a binary contract shall be obligated to pay \$10,000 if the respective Seasonal Strip Rainfall Index is equal to or greater than the exercise price, and shall be obligated to pay zero dollars (\$0) otherwise.

For example, on October 2, 2009, the Raleigh/Durham Binary May 2009 – September 2009 contract would have been settled at 13.63 index points. Therefore, buyers of such binary contracts with exercise prices equal to or less than 13.6 would have received \$10,000 for each such binary contract from the sellers of each such binary contract, and buyers of such binary contracts with exercise prices of 13.7 or greater would have received nothing.

#### **442B03.C. Final Settlement**

All binary contracts remaining open at the termination of trading shall be settled using the respective Seasonal Strip Rainfall Index final value reported by MDA Information Systems, Inc. using the methodology in effect on that date.

Clearing members holding open positions in a Seasonal Strip Rainfall Index binary contract that is in the money 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. All such positions shall be settled at a price of 100 index points, equal to \$10,000, 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.

**442B04. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

(Refer to Rule 701. – ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES)

**442B05.-06. [RESERVED]**

(End Chapter 442B)

**INTERPRETATIONS AND SPECIAL NOTICES  
 RELATING TO CHAPTER 442B**

**LIMITATION OF LIABILITY AND DISCLAIMER**

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CONTRACT NAME	Options	SCALE-DOWN SPOT MONTH (1)	SCALE-DOWN SPOT MONTH (2)	SPOT MONTH	SINGLE MONTH	ALL MONTHS COMBINED	POSITION ACCOUNT-ABILITY	REPORTABLE FUT LEVEL	REPORTABLE OPT LEVEL
<b>CME Weather, Housing and Nonfarm Payroll</b>									
Weather	Y					*10,000		25	25
<p>*(A) The scale-Down levels in the spot month depends on "Deliverable Supply" shall mean the number of registered deliverable pork bellies reported to the CME Clearing House Department's weekly report immediately <i>preceding</i> the first Friday of each expiring contract.</p> <p>*(B) The scale-Down levels in the spot month depends on "Deliverable Supply" shall mean the number of registered deliverable pork bellies reported to the CME Clearing House Department's weekly report immediately <i>following</i> the first Friday of each expiring contract.</p> <p>*Net futures equivalents (NFE) long or short.</p>									