

## Special Executive Report

S-4510

November 3, 2006

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### **1. CME SEASONAL STRIP SNOWFALL INDEX FUTURES AND OPTIONS BEGIN TRADING MONDAY, NOVEMBER 6, 2006**

CME will launch Seasonal Strip Snowfall Index futures and options contracts on Monday, November 6, 2006. The following contracts will be listed for trading:

- CME Seasonal Strip Snowfall Index – Any two or more consecutive months November 2006, December 2006, January 2007, February 2007, March 2007 and April 2007

CME Seasonal Strip Snowfall Index futures will trade exclusively on CME Globex electronic trading platform.

## **2. SPECIFICATIONS AND RULES FOR CME SEASONAL STRIP SNOWFALL INDEX CONTRACTS**

### **CME SEASONAL STRIP SNOWFALL INDEX FUTURES CONTRACT**

Contract Size:	\$200 times the respective CME Seasonal Strip Snowfall Index
Quotation:	CME Seasonal Strip Snowfall Index Points
Index:	Accumulation of like Snowfall over the respective period
Minimum Price Increment:	0.1 CME Seasonal Strip Snowfall Index Point
Tick Value:	0.1 Point = \$20
Price Bands:	5 Index points (plus or minus) around "CME Last Price" equating to a maximum exposure of \$100 per contract
Months Traded:	November - April
Termination of Trading:	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.
Settlement:	All futures contracts remaining open at the termination of trading shall be settled using the respective CME Seasonal Strip Snowfall Index reported by Earth Satellite Corporation for that contract month, 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.
Position Limits:	10,000 contracts net long or net short in all contract months combined
Electronic Trading Hours:	5:00 P.M. to 3:15 P.M. the following day (9:00 A.M. on LTD)

**OPTIONS ON THE CME SEASONAL STRIP SNOWFALL INDEX FUTURES  
CONTRACT**

Contract Size:	1 CME Seasonal Strip Snowfall Index futures contract
Quotation:	CME Seasonal Strip Snowfall Index Points
Index:	Accumulation of like Snowfall over the respective period
Minimum Price Increment:	0.1 CME Seasonal Strip Snowfall Index Point (cabinet = .05 CME Seasonal Strip Snowfall Index Point)
Tick Value:	0.1 Point = \$20
Daily Price Limits:	None
Months Traded:	November - April
Termination of Trading:	Same date and time as underlying futures
Strike Price Interval:	0.1 Index Point, e.g. 1.0, 1.1, 1.2 etc.
Exercise:	European Style (Exercised on LTD)
Position Limits:	10,000 futures equivalent contracts net long or net short in all contract months combined
Trading Hours:	8:30 A.M. to 3:15 P.M. (9:00 A.M. on LTD)

The text of the contract rules for CME Seasonal Strip Snowfall Index futures and options is as follows:

**CHAPTER 402**  
**CME Seasonal Strip Snowfall Index Futures**

**40200. SCOPE OF CHAPTER**

This chapter is limited in application to trading on CME Seasonal Strip Snowfall 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.

**40201. COMMODITY SPECIFICATIONS**

Daily snowfall is defined as the total snowfall recorded at a particular location between 12:01 A.M. and 12:00 A.M. midnight as reported by Earth Satellite Corporation.

Each particular CME Seasonal Strip Snowfall Index is defined as the accumulation of like snowfall values over a minimum of two, and a maximum of six, consecutive calendar months. The first calendar month in the strip may be November or later, and the last calendar month in the strip may be April 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**

New York Central Park (WBAN 94728)

Boston Logan International Airport (WBAN 14739)

**40202. FUTURES CALL**

**40202.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.

**40202.B. Size of Trading Unit**

The size of the unit of trading shall be \$200 times the respective CME Seasonal Strip Snowfall Index.

**40202.C. Price Increments**

The minimum price fluctuation on the respective CME Seasonal Strip Snowfall Index futures shall be 0.1 (one-tenth) index point and have a value of \$20. Each index point is equal to 1 inch of snowfall.

**40202.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 Snowfall Index futures, this rule is superseded by the option speculative position limit rule.

**40202.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.

**40202.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.

**40202.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.

**40202.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 Snowfall 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.

**40202.I [Reserved]**

**40203. SETTLEMENT PROCEDURES**

**40203.A. Final Settlement Price**

All futures contracts remaining open at the termination of trading shall be settled using the respective CME Seasonal Strip Snowfall 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. For example, on April 3, 2006, the November 2005 – March 2006 futures contract on the Boston CME Seasonal Strip Snowfall Index would have been settled at 38.30.

**40203.B. Final Settlement**

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

**40204. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

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

**40205. - 06. [RESERVED]**

(End Chapter 402)

**CHAPTER 402A**  
**Options on CME Seasonal Strip Snowfall Index Futures**

**402A00. SCOPE OF CHAPTER**

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

## **402A01. OPTION CHARACTERISTICS**

### **402A01.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.

### **402A01.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 Snowfall Index futures contract as specified in Chapter 402.

### **402A01.C. Minimum Fluctuations**

The price of an option shall be quoted in terms of the respective CME Seasonal Strip Snowfall Index. Each index point represents \$200. For example, a quote of 2 index points represents \$400. The minimum fluctuation shall be 0.1(one-tenth) index point (also known as one tick), equal to \$20.

### **402A01.D. [Reserved]**

### **402A01.E. Exercise Prices**

Exercise prices shall be stated in terms of the respective CME Seasonal Strip Snowfall 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 10 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.

### **402A01.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.

### **402A01.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.

### **402A01.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.

### **402A01.I. Termination of Trading**

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

### **402A01.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.

#### **402A02. EXERCISE**

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

##### **402A02.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.

##### **402A02.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.

#### **402A03. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

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

(End Chapter 402A)

#### **INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER 402A 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**

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.

If you have any questions about these rules, please contact Charles Piszczor, Associate Director, Commodity Product Development, at (312) 930-4536.

### **3. INITIAL CONTRACTS FOR CME SEASONAL STRIP SNOWFALL INDEX FUTURES AND OPTIONS TRADING**

The Exchange will list for trading the following CME Seasonal Strip Snowfall Index futures:

- Seasonal Strip Snowfall Index – Any two or more consecutive months November 2006, December 2006, January 2007, February 2007, March 2007 and April 2007.

If you have any questions about these procedures, please contact Charles Piszczor, Associate Director, Commodity Product Development, at (312) 930-4536.

### **4. INITIAL CME SEASONAL STRIP SNOWFALL INDEX OPTIONS STRIKE PRICES**

Exercise prices shall be stated in terms of the CME Seasonal Strip Snowfall Indexes futures contract that is deliverable upon exercise of the option and may be at intervals of 0.1 for all CME Seasonal Strip Snowfall Indexes levels from 0.1 through 10, e.g., 5.1, 5.2, 5.3 etc.

If you have any questions about strike price listings, please contact Charles Piszczor, Associate Director, Commodity Product Development, at (312) 930-4536.

**5. CLEARING & CME GLOBEX FEES FOR CME SEASONAL STRIP SNOWFALL INDEX FUTURES AND OPTIONS**

<b>Account</b>	<b>Clearing Fees (per side)</b>	<b>CME Globex Fees (per side)</b>
Equity/Clearing Member	\$0.02	\$0.125
106.I Members and their 100% owned subsidiaries	\$0.02	\$0.125
Rule 106.D Lessees/ Rule 106.F Employees	\$0.07	\$0.125
106 H/N Firms	\$0.12	\$0.125
Customers of Member Firms	\$0.16	\$0.375
Block Trade Surcharge		\$0.44

If you have any questions regarding clearing fees, please contact Julie Balzarini, Accounting, at (312) 648-5470.

**6. REPORTABLE POSITION LEVELS FOR CME SEASONAL STRIP SNOWFALL INDEX FUTURES AND OPTIONS**

For purposes of Rule 817. - REPORTS OF LARGE POSITIONS, the minimum levels at which positions must be reported to the Exchange are as follows for CME Seasonal Strip Snowfall Index futures and options:

<b><u>COMMODITY</u></b>	<b><u>REPORTABLE LEVEL</u></b>
CME Seasonal Strip Snowfall Futures	25 contracts
CME Seasonal Strip Snowfall Options	25 contracts

If you have any questions about these levels, please contact Joel Koranteng, Market Surveillance, at (312) 466-4372.

**7. PERFORMANCE BONDS FOR THE CME SEASONAL STRIP SNOWFALL INDEX FUTURES**

If you have any questions about these requirements, please contact the Risk Control Department at (312) 648-3888.

## **8. CME GLOBEX ERROR TRADE POLICY**

The CME Globex error trade policy for all CME Seasonal Strip Snowfall Indexes calls for a no bust range of 5 index points or less.

If you have any questions, please contact John Restivo, Director, CME Globex Control Center (GCC), at (312) 648-5475.

## **9. SELECTED QUOTE VENDORS**

If you have any questions, please contact Laura Sutor, Market Data Analyst, Market Data Operations, at (312) 648-5480.