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**ICE Futures West Texas Intermediate Light Sweet  
Crude Oil Options Contract**

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## ICE Futures West Texas Intermediate Light Sweet Crude Oil Options Contract “ICE WTI Options”

### Background

Following the successful launch of ICE WTI Futures on February 3 2006, ICE Futures will launch ICE WTI Options on April 20 2007. The Contract is based on the underlying futures and if exercised will result in a corresponding futures position. The Contract is for American style exercise, allowing the buyer to exercise an option up to 17:00 hours on any Trading Day (except on expiry day) during the life of the contract, by giving an exercise notice to LCH.Clearnet Ltd (“LCHC”) in respect of such option. ICE WTI Options equip ICE Futures market participants with the tools to carry out a range of sophisticated and highly efficient price risk management strategies, with the security and transparency of a regulated trading exchange.

### Features of the Contract

#### Increased flexibility

Options can offer users unrivalled flexibility and efficiency. A holder of an option has the right, but not the obligation, to buy or sell the underlying futures contract at a specified price on or before a given date. Consequently users can limit their exposure to adverse price changes while still being able to participate in favourable price movements.

#### No position limits

There is no restriction to the size of the positions.

#### Price transparency

Real-time prices are available through the major data vendors. As a result, the price at which a given series is trading is available immediately to all participants.

#### Contract security

LCHC acts as the central counterparty for trades conducted on the London exchanges. This enables it to 'guarantee' the financial performance of every contract registered with it by its members (the clearing members of the exchanges) up to and including delivery, exercise and/or settlement. LCHC has no obligation or contractual relationship with its member's clients, who are non-member users of the exchange markets or non-clearing Members and participants of the exchanges.

### Contract Specification

#### Date of launch

20 April 2007.

#### Trading Hours

	London (local time)	New York (EST)	Chicago (CST)
Open*	01:00	20:00	19:00
Close	23:00	18:00	17:00

\* Except Monday morning/Sunday evening when the opening time is 23:00 London (local time), 18:00 New York (EST), 17:00 Chicago (CST).

**Unit of trading**

One ICE WTI Futures contract.

**Quotation**

The Contract price is in US dollars and cents per barrel.

**Strike price increments**

Multiples of 50 cents per barrel.

A *minimum* of 41 strike prices are listed for each contract month; one nearest to the previous Trading Day's official settlement price for that month, twenty (or more) above and twenty (or more) below that price. During any trading day the Exchange may add one or more strike prices nearest to the last price listed.

**Minimum price fluctuation**

One US cent per barrel.

**Maximum daily price fluctuation**

There are no limits.

**Daily margin**

All open contracts are marked-to-market daily. Initial margin is charged to both the buyer and seller of the option, but for the buyer will not exceed the value of the premium paid. In addition, the buyer may use the value of the premium of an in-the-money option as collateral against other ICE/ICE Futures margin obligations at LCHC.

**Option Premium**

The premium on ICE WTI Options is paid/received on the day following the day of trade.

**Trading period**

13 consecutive months plus the four subsequent June/December expiries for a total of 17 listed expiries.

**Position limits**

There are no limits to the size of position.

**Cessation of trading**

Trading shall cease at the end of the designated settlement period for the underlying future on the second Trading Day prior to cessation of trading in the underlying ICE WTI Futures contract.

**Exercise and automatic exercise**

ICE WTI Options can be exercised into ICE WTI Futures contracts. ICE Futures Options contracts are of American-style exercise, allowing the buyer to exercise call and/or put options up to 17:00 hours on any Trading Day (except on expiry day) during the life of the contract, by giving an exercise notice to LCHC in respect of such options.

On expiry day the buyer has up to three hours after the cessation of trading to exercise his options. At that time LCHC will automatically exercise all options that are in the money on behalf of a member unless instructed by the member not to do so.

## Clearing and Regulation

**Clearing**

LCHC guarantees financial performance of all ICE Futures contracts registered with it by its clearing

Members. All ICE Futures Member companies are either members of LCHC, or have a clearing agreement with a Member who is a member of LCHC.

### **Regulation**

ICE Futures is regulated in the UK by the Financial Services Authority (FSA) as a recognised investment exchange (RIE) under Part XVIII of the Financial Services and Markets Act 2000 (FSMA). Further, ICE Futures has secured the relevant regulatory approvals or secured a statement of no objection, or has satisfied itself that it does not require regulatory approvals to allow direct access to the ICE Platform in a number of other overseas jurisdictions, such as US and Singapore. The complete list of jurisdictions can be found at: [www.theice.com/regulation.jhtml](http://www.theice.com/regulation.jhtml).

In accordance with the FSMA, all ICE Futures General Participants based in the UK will be authorised and regulated by the FSA. Where General Participants are incorporated overseas, they will be regulated by the relevant regulatory authority in that jurisdiction.

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### **Contact Details**

For questions and/or comments on this contract please contact Oil Markets on:

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