

EXCHANGE CONTRACT NO. 501

OPTIONS ON COMMODITY CONTRACTS

CONTRACT TERMS
(Issue Date: 20 March 2002)

Expiry Months:	Cocoa Option:	May 2002 onwards
	Wheat Option:	July 2002 onwards
	Robusta Coffee Option:	July 2002 onwards
	White Sugar Option:	August 2002 onwards

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THE LONDON INTERNATIONAL FINANCIAL FUTURES AND OPTIONS
EXCHANGE

Terms of Exchange Contract No. 501

1. Interpretation

1.01 Save as otherwise specified herein, words and phrases defined in the Rules shall have the same meanings in these terms and in the Administrative Procedures.

For the avoidance of doubt, these contract terms and the Administrative Procedures are implemented under (and have the same force) as the Rules. In the event of any conflict between any provision of these contract terms and the Rules, the Rules will prevail.

1.02 In these terms and in the Administrative Procedures:

“Administrative Procedures” means all procedures from time to time implemented by the Board pursuant to the Rules for the purposes of this Exchange Contract.

“associated delivery month” means in respect of a Contract for an expiry month a delivery month which is the same month as the expiry month.

“business day” means a day on which the market, the Clearing House and banks in London are open for business.

“Buyer” in respect of a Contract, means the person who is entitled under such Contract to exercise the option or options the subject of such Contract (including, except where the context otherwise requires, the Clearing House as buyer under a registered Contract).

“call option” means a right, upon the exercise of which the Buyer of the call option becomes the buyer and the Seller of the all option becomes the seller under a contract in the terms of the Underlying Futures Contract for one lot and for the associated delivery month specified in the Contract for the call option.

“Cocoa Option” means a Contract for an option in respect of which the Underlying Futures Contract is the Cocoa Futures Contract.

“Contract” means a contract made expressly or impliedly in these terms for the sale and purchase of one or more put options or one or more call options, and “registered Contract” means a Contract registered by the Clearing House.

“Conversion Date” means the date on which pursuant to the implementation of Economic and Monetary Union the conversion rate for Sterling against the Euro is fixed in accordance with Article 109ℓ(5) of the EC Treaty.

“delivery month” in respect of an Underlying Futures Contract, means each month specified as such by the Board pursuant to the Rules.

“Economic and Monetary Union” means Economic and Monetary Union in the European Union, which is characterised by the introduction of the Euro as a currency in its own right and adoption by Member States of the Euro as their lawful currency, such adoption being governed by the EC Treaty and EMU legislation.

“EC Treaty” means the treaty establishing the European Community.

“EMU legislation” means legislative measures of the European Council, and as appropriate the United Kingdom, for the introduction of, changeover to or operation of the Euro pursuant to implementation of Economic and Monetary Union including such legislative measures as are enacted in contemplation of Sterling joining the Euro.

“Euro” means the single currency of the European Union introduced in a Member State arising out of its participation in Economic and Monetary Union.

“Exercise Notice” means a notice from a Buyer to the Clearing House, in a form from time to time prescribed by the Clearing House, notifying the Clearing House that the Buyer thereby exercises one or more options against the Clearing House.

“exercise price” means the price specified in an option contract which will be the contract price in the futures contract resulting from the exercise of the option.

“expiry date” in respect of an option in respect of the relevant Underlying Futures Contract means the date when the option will, unless exercised, expire.

“expiry month” means a month specified as such by the Board for which a Contract for an option in respect of the relevant Underlying Futures Contract can be made.

“expiry time” in respect of an expiry month, means the time specified as such by the Board for a Contract for an option in respect of the relevant Underlying Futures Contract.

“in-the-money option” means a put option or a call option where the exercise price is greater (in the case of a put option) or is less (in the case of a call option) than the price of contracts in the terms of the Underlying Futures Contract for the relevant delivery month.

“Last Trading Day” in respect of an expiry month means the day specified as such by the Board for a Contract for an option in respect of the relevant Underlying Futures Contract.

“last trading time” means the time, specified as such by the Board for a Contract for an option in respect of the relevant Underlying Futures Contract, at which trading for Contracts for an expiry month ceases on the Last Trading Day for such expiry month.

“Member State” means a member of the European Union.

“option” means a put option or a call option.

“put option” means a right, upon the exercise of which the Buyer of the put option becomes the seller and the Seller of the put option becomes the buyer under a contract in the terms of the Underlying Futures Contract for one lot and for the associated delivery month specified in the Contract for the put option.

“Regulations” means the General Regulations and Default Rules of the Clearing House from time to time in force.

“Robusta Coffee Option” means a Contract for an option in respect of which the Underlying Futures Contract is the Robusta Coffee Futures Contract.

“Seller” in respect of a Contract means the person who sells the option or options the subject of such Contract (including, except where the context otherwise requires, the Clearing House as seller under a registered Contract).

“Underlying Futures Contract” means a Commodity Futures Contract specified as such by the Board.

“Wheat Option” means a Contract for an option in respect of which the Underlying Futures Contract is the Wheat Contract.

“White Sugar Option” means a Contract for an option in respect of which the Underlying Futures Contract is the No. 5 White Sugar Futures Contract.

- 1.03 Subject to term 16.01, in these terms references to “lawful currency” shall be construed to include units of value of the Euro which may be used validly to discharge payment obligations pursuant to the law of the United Kingdom once the United Kingdom has introduced the Euro as its lawful currency pursuant to EMU legislation and notwithstanding that such units of value of the Euro may not at all material times following the Conversion Date constitute legal tender in the United Kingdom.
- 1.04 References to a “term” refer to terms hereof, and references to a “Rule” refer to a rule of the Exchange’s Rules. Save where the context otherwise requires references herein to the singular include the plural, and vice versa.
2. General
- 2.01 These terms shall apply to all Contracts in respect of options for the relevant Underlying Futures Contract.
- 2.02 Each Contract shall be for one or more put options or one or more call options on a contract in the terms of the relevant Underlying Futures Contract specified by the Board and for the expiry month and at the exercise price specified.
3. Minimum Price Fluctuations
- 3.01 The exercise prices will be determined from time to time by the Board.
- 3.02 Minimum premium fluctuations will be determined by the Board from time to time but will not exceed minimum price fluctuations in respect of the relevant Underlying Futures Contract.
4. Exercise
- 4.01 A Buyer may exercise an option in respect of a Contract for an expiry month up to 17.00 hours on any business day except the Last Trading Day for that expiry month. On the Last Trading Day an Exercise Notice shall be given no later than forty-five minutes after the last trading time for a Contract. A Buyer shall give an Exercise Notice to the Clearing House in respect of a Contract in a manner from time to time prescribed by the Clearing House.
- 4.02 All trading in Contracts in respect of an expiry month for an option in the Underlying Futures Contract shall cease:
- (a) in respect of a Robusta Coffee Option, at 12.30 on the third Wednesday in the calendar month immediately preceding the expiry month;

- (b) in respect of a Cocoa Option, at 12.00 on the Last Trading Day in the calendar month immediately preceding the expiry month;
 - (c) in respect of a White Sugar Option, at the close of trading in the No. 5 White Sugar Futures Contract on the first day in the calendar month immediately preceding the expiry month; and
 - (d) in respect of a Wheat Option, at the close of trading in the relevant Underlying Futures Contract on the second Thursday of the calendar month immediately preceding the expiry month.
- 4.03 (a) If the day mentioned in term 4.02(a), (b), (c) and (d) above is not a business day, trading in the relevant Contract shall cease (subject to term 4.03(b)) on the business day immediately before that day.
- (b) If the day mentioned in term 4.02(a), (b), (c) and (d) above is not a business day in consequence of a proclamation or announcement made after the close of business on the preceding business day, then trading in the relevant Contract shall cease on the business day next following always at the times specified in term 4.02(a), (b), (c) and (d).
- 4.04 Instructions not to exercise an option under a Contract may be given to the Clearing House no later than forty five minutes after the last trading time on the Last Trading Day.
- 4.05 After the last trading time on the expiry date and unless instructions not to exercise have been given under term 4.04 above, all Contracts that expire at the close of trading of the relevant Underlying Futures Contract, in-the-money options will be determined by reference to that day's official futures settlement prices. For Contracts that expire before the close of trading of the relevant Underlying Futures Contract, in-the-money options will be determined by references to futures reference prices supplied on the day by the Exchange (these will be calculated by the same means as the relevant official futures settlement prices). Exceptions to these provisions may be made by the Clearing House's clearing procedures, but these exceptions will not apply to Contracts which have full automatic exercise at expiry.
5. Allocation
- 5.01 Each Contract referred to in an Exercise Notice or exercised under term 4.05 shall be allocated by the Clearing House to a Seller of a Contract at the same exercise price and for the same expiry month as the option exercised.

- 5.02 Notification of exercise and assignment will be given by the Clearing House during the afternoon of the day of exercise, or as soon as is practically possible thereafter, together with a statement of the amount of the settlement premium due from the Buyer to Seller.
- 5.03 On the morning of the business day after exercise, margin will be called by the Clearing House from both parties in respect of the futures contract arising therefrom.
6. Expiry Months
- 6.01 The Board may at its discretion at any time determine the number of expiry months permitted to be traded under these terms in respect of an option for the Underlying Futures Contract, provided that such number does not exceed the number of delivery months for the time being quoted in respect of the Underlying Futures Contract. Subject thereto, a new expiry month will be available for trading on the business day immediately following the Last Trading Day in respect of an expiry month in respect of the Underlying Futures Contract.
7. Official Settlement Premium
- 7.01 Official Settlement premiums will be established by reference to quotations at a supervised run through at each day's close of business in accordance with procedures established by the Board from time to time.
8. Abandonment
- 8.01 A Contract may not be abandoned by the Buyer otherwise than on the expiry date.
9. Administrative Procedures
- 9.01 A Contract shall (without prejudice to any other provision of these terms) be subject to such Administrative Procedures as may from time to time be determined by the Board, provided always that if there be any conflict between the Administrative Procedures and these terms the provisions of these terms shall prevail.
- 9.02 The Board may at its discretion at any time revoke, alter or add to the Administrative Procedures. Any such amendment shall be published by General Notice and shall have such effect on existing as well as new Contracts as the Board may direct.

10. Default in Performance

10.01 A Buyer or a Seller shall be in default in performance where:

- (a) he fails to fulfil in accordance with these terms, the Rules and the Regulations his obligations under a Contract by the time and in the manner prescribed; or
- (b) he fails to pay any sum due to the Clearing House in respect of a registered Contract by the time specified pursuant to these terms or the Regulations; or
- (c) in the reasonable opinion of the Clearing House he is otherwise in default in performance.

10.02 Subject to the default rules of the Clearing House, in the event of a default in performance by a Buyer or a Seller in respect of a registered Contract, the Board shall, at the request of the Clearing House, forthwith fix a price for invoicing back and each option to which that Buyer or Seller, as applicable, is party, shall be invoiced back at that price. Such price may at the Board's absolute discretion take account of any compensation the Board may consider should be paid by or to the Buyer or Seller as applicable.

11. Force Majeure

11.01 Subject to any steps taken at any time by the Board under emergency powers in the Rules:

- (a) a Seller or a Buyer shall be liable to perform his payment obligations in respect of a lot comprised in a Contract by the due time therefor, notwithstanding that he may be or is likely to be prevented from doing so by any event beyond his reasonable control including, without limitation, any act of God, strike, lockout, war, armed conflict, use of force by authority of the United Nations, fire, riot or civil commotion, combination of workmen, breakdown of machinery, unavailability or restriction of computer or data processing facilities or energy supplies or bank transfer systems; and
- (b) in the event of a Buyer being prevented from exercising an option under a Contract in respect of an expiry month by the expiry time therefor, by any event beyond his reasonable control including, without limitation, any of the events specified in term 11.01(a):
 - (i) the Buyer may give written notice to the Board specifying the Contract or, if more than one, the Contracts in respect of which

the Buyer was prevented from exercising an option, the steps taken by the Buyer to exercise an option and the events which prevented him from so doing. Any such notice shall be given to the Board as soon as is practicable after the expiry time for an option specified in the notice; and

- (ii) if the Board is satisfied that the Buyer took all possible steps in the circumstances prevailing to exercise an option, the Board shall request the Clearing house to notify it of details of one or more Contracts between a Seller and the Clearing House which are on the same terms (except as to the parties or the option price) as, and have been matched by the Clearing House with, the Contract or Contracts specified in the Buyer's notice and shall fix a price for invoicing back. Each Contract the subject of the Buyer's notice and each Contract between the Clearing House and a Seller notified to the Board hereunder shall be invoiced back at such price. Such price may at the Board's absolute discretion take into account the Board's assessment of the intrinsic value of the options at the expiry thereof.

12. Articles, Rules and Regulations

12.01 Every Contract shall be subject to the Articles and the Rules and the Regulations in so far as applicable notwithstanding that one or more parties to any such Contract may not be members of the Exchange or of the Clearing House.

12.02 In case of any conflict between these terms and the Rules, the Rules shall prevail.

13. Arbitration

13.01 Subject to term 13.02 and to the Rules, any dispute arising from or in relation to a Contract shall be referred to arbitration under the Rules relating to arbitration and arbitration shall be held in accordance with the Rules in force at the time of such reference.

13.02 No dispute arising from or in relation to any invoicing back price fixed by the Board under these terms shall be referred to arbitration under the Rules.

14. Governing Law

14.01 Every Contract shall be governed by and construed in accordance with English law.

15. Non-registered Contracts

15.01 In respect of a Contract which is not a registered Contract (“non-registered Contract”) these terms shall be modified so as to require and allow that a Contract to be registered with the Clearing House under the Rules and Regulations is capable of being so registered, and to facilitate the performance of obligations or the exercise of rights under such registered Contract (and of any intermediate Contract) in accordance with these terms. Modifications may also be made to the terms of a non-registered Contract if, without such modifications, it may not be possible to perform such contract by the applicable times specified in or pursuant to these terms. Without prejudice to the generality of the foregoing, all references in these terms to payment or dealing between the Buyer or the Seller and the Clearing House shall be modified so as to require a similar payment or dealing directly between the Buyer and the Seller party to such non-registered Contract.

16. Economic and Monetary Union

16.01 This term 16 shall not apply to delivery months up to and including December 1998.

16.02 If the Board has varied, substituted or removed any of, or added to the terms of an Underlying Futures Contract arising out of or in connection with the introduction of the Euro as the lawful currency of the United Kingdom, the Board may in its absolute discretion vary, substitute or remove any of, or add to, the terms of this Exchange Contract in any way which the Board considers desirable to reflect such changes, or to facilitate the calculation of payments in Euro or to facilitate the calculation of the EDSP and any invoicing amount under the Underlying Futures Contract.

16.03 Any variation, substitution or removal of, or addition to, the terms of this Exchange Contract made pursuant to term 16.02 shall have such effect with regard to existing or new Contracts or both as the Board may determine.

16.04 Any determination by the Board to vary, substitute or remove any of, or add to, the terms of this Exchange Contract pursuant to terms 16.02 and 16.03 shall be subject the subject of a General Notice.

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