Sample Grade: Usually the lowest quality of a commodity, too low to be acceptable for delivery in satisfaction of futures contracts.

Scale Down (or Up): To purchase or sell a scale down means to buy or sell at regular price intervals in a declining market. To buy or sell on scale up means to buy or sell at regular price intervals as the market advances.

Scalper: A speculator, often with exchange trading privileges, who buys and sells rapidly, with small profits or losses, holding his positions for only a short time during a trading session. Typically, a scalper will stand ready to buy at a fraction below the last transaction price and to sell at a fraction above, e.g., to buy at the bid and sell at the offer or ask price, with the intent of capturing the spread between the two, thus creating market liquidity. See Day Trader, Position Trader, High Frequency Trading.

Seasonality Claims: Misleading sales pitches that one can earn large profits with little risk based on predictable seasonal changes in supply or demand, published reports or other well-known events.

Seat: An instrument granting trading privileges on an exchange. A seat may also represent an ownership interest in the exchange.


Security: Generally, a transferable instrument representing an ownership interest in a corporation (equity security or stock) or the debt of a corporation, municipality, or sovereign. Other forms of debt such as mortgages can be converted into securities. Certain derivatives on securities (e.g., options on equity securities) are also considered securities for the purposes of the securities laws. Security futures products are considered to be both securities and futures products. Futures contracts on broad-based securities indexes are not considered securities.

Security Deposit: See Margin.

Security Future: A contract for the sale or future delivery of a single security or of a narrow-based security index.

Security Futures Product: A security future or any put, call, straddle, option, or privilege on any security future.

Self-Regulatory Organization (SRO): Exchanges and registered futures associations that enforce financial and sales practice requirements for their members. See Designated Self-Regulatory Organizations.

Seller's Call: Seller's call, also referred to as call purchase, is the same as the buyer's call except that the seller has the right to determine the time to fix the price. See Buyer's Call.

Seller's Market: A condition of the market in which there is a scarcity of goods available and hence sellers can obtain better conditions of sale or higher prices. See Buyer's Market.

Seller's Option: The right of a seller to select, within the limits prescribed by a contract, the
quality of the commodity delivered and the time and place of delivery.

**Selling Hedge (or Short Hedge):** Selling futures contracts to protect against possible decreased prices of commodities. See **Hedging**.

**Series (of Options):** Options of the same type (i.e., either puts or calls, but not both), covering the same underlying futures contract or other underlying instrument, having the same **strike price** and **expiration date**.

**Settlement:** The act of fulfilling the delivery requirements of the futures contract.

**Settlement Price:** The daily price at which the **clearing organization** clears all trades and settles all accounts between clearing members of each contract month. Settlement prices are used to determine both margin calls and invoice prices for deliveries. The term also refers to a price established by the exchange to even up positions which may not be able to be liquidated in regular trading.

**Shipping Certificate:** A negotiable instrument used by several futures exchanges as the futures delivery instrument for several commodities (e.g., soybean meal, plywood, and white wheat). The shipping certificate is issued by exchange-approved facilities and represents a commitment by the facility to deliver the commodity to the holder of the certificate under the terms specified therein. Unlike an issuer of a **warehouse receipt**, who has physical product in store, the issuer of a shipping certificate may honor its obligation from current production or through-put as well as from inventories.

**Shock Absorber:** A temporary restriction in the trading of certain stock index futures contracts that becomes effective following a significant intraday decrease in stock index futures prices. Designed to provide an adjustment period to digest new market information, the restriction bars trading below a specified price level. Shock absorbers are generally market specific and at tighter levels than **circuit breakers**.

**Short:** (1) The selling side of an open futures contract; (2) a trader whose net position in the futures market shows an excess of open sales over open purchases. See **Long**.

**Short Covering:** See **Cover**.

**Short Hedge:** See **Selling Hedge**.

**Short Selling:** Selling a futures contract or other instrument with the idea of delivering on it or offsetting it at a later date.

**Short Squeeze:** See **Squeeze**.

**Short the Basis:** The purchase of futures as a hedge against a commitment to sell in the cash or spot markets. See **Hedging**.

**Significant Price Discovery Contract (SPDC):** A contract traded on an **Exempt Commercial Market** (ECM) which performs a significant price discovery function as determined by the CFTC pursuant to CFTC Regulation 36.3 (c). ECMs with SPDCs are subject to additional regulatory and reporting requirements.

**Single Stock Future:** A futures contract on a single stock as opposed to a stock index. Single stock futures were illegal in the U.S. prior to the passage of the Commodity Futures Modernization Act of 2000. See **Security Future**, **Security Futures Product**.

**Small Traders:** Traders who hold or control positions in futures or options that are below the **reporting level** specified by the exchange or the CFTC.

**Soft:** (1) A description of a price that is gradually weakening; or (2) this term also refers to certain “soft” commodities such as sugar, cocoa, and coffee.

**Sold-Out-Market:** When liquidation of a weakly-held position has been completed, and offerings become scarce, the market is said to be sold out.

**SPAN® (Standard Portfolio Analysis of Risk®):** As developed by the Chicago Mercantile Exchange, the industry standard for calculating performance bond requirements (**margins**)
on the basis of overall portfolio risk. SPAN calculates risk for all enterprise levels on derivative and non-derivative instruments at numerous exchanges and clearing organizations worldwide.

**SPDC:** See **Significant Price Discovery Contract.**

**Spark Spread:** The differential between the price of electricity and the price of natural gas or other fuel used to generate electricity, expressed in equivalent units. See **Gross Processing Margin.**

**Specialist System:** A type of trading commonly formerly used for the exchange trading of securities in which one individual or firm acts as a market-maker in a particular security, with the obligation to provide fair and orderly trading in that security by offsetting temporary imbalances in supply and demand by trading for the specialist's own account. Like **Open Outcry,** the specialist system was supplanted by electronic trading during the early 21st century. In 2008, the New York Stock Exchange replaced the specialist system with a competitive dealer system. Specialists were converted into Designated Market Makers who have a different set of privileges and obligations than specialists had.

**Speculative Bubble:** A rapid run-up in prices caused by excessive buying that is unrelated to any of the basic, underlying factors affecting the supply or demand for a commodity or other asset. Speculative bubbles are usually associated with a "bandwagon" effect in which speculators rush to buy the commodity (in the case of futures, "to take positions") before the price trend ends, and an even greater rush to sell the commodity (unwind positions) when prices reverse.

**Speculative Limit:** See **Speculative Position Limit.**

**Speculative Position Limit:** The maximum position, either net long or net short, in one commodity future (or option) or in all futures (or options) of one commodity combined that may be held or controlled by one person (other than a person eligible for a hedge exemption) as prescribed by an exchange and/or by the CFTC.

**Speculator:** In commodity futures, a trader who does not hedge, but who trades with the objective of achieving profits through the successful anticipation of price movements.

**Split Close:** A condition that refers to price differences in transactions at the close of any market session.

**Spot:** Market of immediate delivery of and payment for the product.

**Spot Commodity:** (1) The actual commodity as distinguished from a futures contract; (2) sometimes used to refer to cash commodities available for immediate delivery. See **Actuals** or **Cash Commodity.**

**Spot Month:** The futures contract that matures and becomes deliverable during the present month. Also called **Current Delivery Month.**

**Spot Price:** The price at which a physical commodity for immediate delivery is selling at a given time and place. See **Cash Price.**

**Spread (or Straddle):** The purchase of one futures delivery month against the sale of another futures delivery month of the same commodity; the purchase of one delivery month of one commodity against the sale of that same delivery month of a different commodity; or the purchase of one commodity in one market against the sale of the commodity in another market, to take advantage of a profit from a change in price relationships. The term spread is also used to refer to the difference between the price of a futures month and the price of another month of the same commodity. A spread can also apply to options. See **Arbitrage.**

**Squeeze:** A market situation in which the lack of supplies tends to force shorts to cover their positions by offset at higher prices. Also see **Congestion, Corner.**

**SRO:** See **Self-Regulatory Organization.**

**Stop-Close-Only Order:** A stop order that can be executed, if possible, only during the closing period of the market. See also **Market-on-Close Order.**
**Stop Limit Order**: A stop limit order is an order that goes into force as soon as there is a trade at the specified price. The order, however, can only be filled at the stop limit price or better.

**Stop Logic Functionality**: A provision applicable to futures traded on the CME's Globex electronic trading system designed to prevent excessive price movements caused by cascading stop orders. Stop Logic Functionality introduces a momentary pause in matching (Reserved State) when triggered stops would cause the market to trade outside predefined values. The momentary pause provides an opportunity for additional bids or offers to be posted.

**Stop Loss Order**: See **Stop Order**.

**Stop Order**: This is an order that becomes a market order when a particular price level is reached. A sell stop is placed below the market, a buy stop is placed above the market. Sometimes referred to as **stop loss order**. Compare to **market-if-touched order**.

**Straddle**: (1) See **Spread**; (2) An option position consisting of the purchase of **put** and **call** options having the same **expiration date** and **strike price**.

**Strangle**: An option position consisting of the purchase of **put** and **call** options having the same **expiration date**, but different **strike prices**.

**Strategy-Based Margining**: A method for setting margin requirements whereby the potential for gains on one position in a portfolio to offset losses on another position is taken into account only if the portfolio implements one of a designated set of recognized trading strategies as set out in the rules of an exchange or **clearing organization**. Also see **Portfolio Margining**.

**Street Book**: A daily record kept by **futures commission merchants** and **clearing members** showing details of each futures and option transaction, including date, price, quantity, market, commodity, future, strike price, option type, and the person for whom the trade was made.

**Strike Price (Exercise Price)**: The price, specified in the option contract, at which the underlying futures contract, security, or commodity will move from seller to buyer.

**Strip**: A sequence of futures contract months (e.g., the June, July, and August natural gas futures contracts) that can be executed as a single transaction.

**STRIPS (Separate Trading of Registered Interest and Principal Securities)**: A book-entry system operated by the Federal Reserve permitting separate trading and ownership of the principal and coupon portions of selected Treasury securities. It allows the creation of **zero coupon** Treasury securities from designated whole bonds.

**Strong Hands**: When used in connection with delivery of commodities on futures contracts, the term usually means that the party receiving the delivery notice probably will take delivery and retain ownership of the commodity; when used in connection with futures positions, the term usually means positions held by trade interests or well-financed speculators.

**Support**: In **technical analysis**, a price area where new buying is likely to come in and stem any decline. See **Resistance**.

**Swap**: In general, the exchange of one asset or liability for a similar asset or liability for the purpose of lengthening or shortening maturities, or otherwise shifting risks. This may entail selling one securities issue and buying another in foreign currency; it may entail buying a currency on the spot market and simultaneously selling it forward. Swaps also may involve exchanging income flows; for example, exchanging the fixed rate coupon stream of a bond for a variable rate payment stream, or vice versa, while not swapping the principal component of the bond. Swaps are generally traded **over-the-counter**. See **Commodity Swap**.

**Swap Dealer (AS)**: An entity such as a bank or investment bank that markets swaps to end users. Swap dealers often hedge their swap positions in futures markets. Alternatively, an entity that declares itself a "Swap/derivatives Dealer" on CFTC Form 40.
**Swaption:** An option to enter into a swap—i.e., the right, but not the obligation, to enter into a specified type of swap at a specified future date.

**Switch:** Offsetting a position in one delivery month of a commodity and simultaneous initiation of a similar position in another delivery month of the same commodity, a tactic referred to as "rolling forward."

**Synthetic Futures:** A position created by combining call and put options. A synthetic long futures position is created by combining a long call option and a short put option for the same **expiration date** and the same **strike price**. A synthetic short futures contract is created by combining a long put and a short call with the same expiration date and the same strike price.

**Systematic Risk:** Market risk due to factors that cannot be eliminated by diversification.

**Systemic Risk:** The risk that a default by one market participant will have repercussions on other participants due to the interlocking nature of financial markets. For example, Customer A's default in X market may affect Intermediary B's ability to fulfill its obligations in Markets X, Y, and Z.