



Glossary

We have compiled this glossary from a number of sources to help you understand commonly used terms in the futures industry and our markets.

A

ACCOUNT EQUITY

The net worth of a commodity account as determined by combining the ledger balance with any unrealized gain or loss in open positions as marked to the market.

ACCOUNT EXECUTIVE

The agent of a commission house who serves customers/traders by entering their commodity futures and options orders, reporting trade executions, advising on trading strategies, etc.

ACTIVE MONTH

In the metals markets, the nearest base contract month that is not the current delivery month. The base months for each metals futures are defined by each individual contract. For other contracts this may designate the closest month to expiration or the expiration month that has the most trading volume.

ACT OR CEA

The term "Act" or "CEA" shall mean the Commodity Exchange Act, as amended from time to time.

ACTUALS

An actual physical commodity someone is buying or selling, e.g., soybeans, corn, gold, silver, Treasury bonds, etc.

ADJUSTED FUTURES PRICE

The cash-price equivalent reflected in the current futures price. This is calculated by taking the futures price times the conversion factor for the particular financial instrument (e.g., bond or note) being delivered.

AGAINST ACTUALS

A transaction generally used by two hedgers who want to exchange futures for cash positions. Also referred to as "Exchange for Physicals" (EFP) or "versus cash".

ALLOCATION CLAIM SYSTEM (ACS)

CME's electronic give-up system. ACS allows executing firms to give-up (allocate) trades at the execution price to the designated carrying firms(s), utilizing their current trade entry systems and CME's Trade Management System. ACS

may be utilized for trades executed and given up to a single firm, as well as trades given up to multiple firms (see Give-up System).

ALTERNATIVE DELIVERY PROCEDURE (ADP)

A provision of a futures contract that allows buyers and sellers to make and take delivery under terms or conditions that differ from those prescribed in the contract. An ADP may occur at any time during the delivery period, once long and short futures positions have been matched for the purpose of delivery.

AMERICAN GAS ASSOCIATION (AGA)

American Gas Association. Major natural gas industry trade association, based in Alexandria, Virginia. AGA conducts technical research and helps create standards for equipment and products involved in every facet of the natural gas industry. It also compiles statistics which are considered industry standards.

AMERICAN PETROLEUM INSTITUTE (API)

The primary U.S. oil industry trade association, based in Washington, D.C. API conducts research and sets technical standards for industry equipment and products from wellhead to retail outlet. It also compiles statistics which are regarded as industry benchmarks.

AMERICAN SOCIETY FOR TESTING MATERIALS (ASTM)

Grade and quality specifications for petroleum products and metals are determined by the ASTM in test methods.

AMERICAN-STYLE OPTION

Type of option contract that can be exercised at the buyer's discretion on any trading day up to and including the expiration date. This differs from a European style option, which may only be exercised on its expiration date.

ALL OR NONE (AON)

An order type, if the order can execute in total, then it executes. Otherwise it stays in the order book until it can execute in total.

API GRAVITY

The scale created by the American Petroleum Institute to indicate the 'lightness' or 'heaviness' of crude oils and other liquid hydrocarbons. Calibrated in API degrees (or degrees API), it is used to express the relative density of oil. The scale is an inverse measure—the lighter the crude the higher the API gravity, and vice versa. The higher the API degree, the higher the market value of the hydrocarbon being measured. Oil with API greater than 30° is termed light; between 22° and 30°, medium; below 22°, heavy; and below 10°, extra heavy.

APPLICATION PROGRAM INTERFACE (API)

The specific method prescribed by a computer operating system or by an application program by which a programmer writing an application program can communicate with the operating system or another application.

APPLICATION SERVICE PROVIDER (ASP)

Application service provider (ASP); a company that offers individuals and firms access via the Internet to applications and related services that would otherwise have to be located in their personal computers.

APPROVED CARRIERS

Armored carriers approved by the Exchange for the transportation of gold, platinum, and palladium.

APPROVED DELIVERY FACILITY

Any bank, depository, stockyard, mill, warehouse, plant or elevator authorized by the Exchange for delivery of Exchange contracts.

APPROVED WAREHOUSE

Any warehouse which has been officially approved by the exchange and from which actual deliveries of commodities may be made on futures contracts.

ARBITRAGE

The simultaneous purchase of cash, futures, or options in one market against the sale of cash, futures or options in a different market in order to profit from a price disparity.

ASK PRICE

Also called the "offer." Indicates a willingness to sell a futures or options on futures contract at a given price.

AS-OF TRADE

An unmatched trade from a previous day that is resubmitted to the CME clearing system; trade is submitted "as of" the original trade date.

ASSAY

To test a metal or an oil for purity or quality.

ASSIGNMENT (OPTIONS)

The process by which the CME clearing house, in response to a long exercising its option, randomly selects a seller to fulfill its obligation to buy or sell the underlying futures contract at its strike price. The assigned seller of a put must buy the underlying futures contract; the assigned seller of a call must sell the underlying futures contract.

ASSIGNMENTS (DELIVERY)

The process by which the CME clearing house selects the long position to accept delivery on a contract for which a seller has submitted a delivery notice.

ASSOCIATED GAS

Natural gas present in a crude oil reservoir, either separate from or in solution with the oil.

ASSOCIATED PERSON (AP)

A person, commonly called a commodity broker, associated with and soliciting customers and orders for a futures commission merchant or introducing broker. The AP must pass a Series 3 examination, be licensed by the Commodity Futures Trading Commission and be a member of the National Futures Association.

AT-THE-MONEY

The option with a strike (or exercise) price closest to the underlying futures price.

AUTOMATED TRADING SYSTEM (ATS)

Automated trading system (ATS); a trading method in which a computer makes decisions and enters orders without a person entering those orders. This is a programmatic way of representing the trader.

AUTOMATIC EXERCISE

Following options expiration, an option which is in-the-money is exercised automatically by the clearinghouse, unless the holder of the option submits specific instructions to the contrary. Please refer to individual contract specifications for Automatic Exercise guidelines.

AVERAGE DAILY VOLUME

Volume for a specified time period divided by the number of business days within that same time period.

AVERAGE PRICE SYSTEM (APS)

CME Rule 553 enables clearing firms, in defined circumstances, to confirm average prices when multiple prices are received on the execution of an order or a series of orders ("series averaging") during a single trading session. The APS is the vehicle through which the exchange computes an average price. Firms then allocate such trades (at the average price) to the carrying firm(s) or may sub-allocate those trades to customer accounts on their books.

AVERAGE TEMPERATURE

The average of a day's high and low temperatures, from midnight to midnight.

AT CLOSE

The number of open positions in the contract at the close of trading on the selected trading day.

B

BACKBONE

Network used to interconnect several networks together.

BACK MONTHS

The futures or options on futures contracts being traded that are further from expiration than the current or "front month" contract. Also called deferred or distant months.

BACKSPREADS

Selling one or more at-the-money options and buying a larger number of out-of-the-money options. Backspreads may generate trading profits if implied volatility increases and/or the underlying instrument's price moves sufficiently in the anticipated direction.

BACKWARDATION

Market situation in which futures prices are lower in succeeding delivery months. Also known as an inverted market. The opposite of contango.

BALANCE OF TRADE

The difference between a country's imports and exports.

BAR CHART

A graph of prices, volume and open interest for a specified time period used by the chartist to forecast market trends. For example, a daily bar chart plots each trading session's open, high, low and settlement prices.

BARREL

A unit of volume measure used for petroleum and refined products. 1 barrel = 42 U.S. gallons.

BARRELS PER DAY

Barrel per day (abbreviated BPD, bbl/d, bpd, bd or b/d) is a measurement used to describe the amount of crude oil (measured in barrels) produced or consumed by an entity in one day. For example, an oil field might produce 100,000 bpd, and a country might consume 1 million bpd.

BASELOAD

The minimum amount of electric power delivered or required over a given period of time at a steady rate. Usually references the minimum amount of power that a utility or distribution company must make available to its customers, or the amount of power required to meet minimum demands based on reasonable expectations of customer requirements. Baseload values typically vary from hour to hour in most commercial and industrial areas

BASE METALS

Copper, aluminum, lead, nickel, and tin. These metals are defined as base because they oxidize or corrode relatively easily.

BASE METALS

Copper, aluminum, lead, nickel, and tin. These metals are defined as base because they oxidize or corrode relatively easily.

BASIS

The difference between the spot or cash price and the futures price of the same or a related commodity. Basis is usually computed to the near future, and may represent different time periods, product forms, qualities and locations. The local cash market price minus the price of the nearby futures contract is equal to the basis.

BASIS POINT

One-hundredth (.01) of a full index point or percentage.

BASIS RISK

The uncertainty as to whether the cash-futures spread will widen or narrow between the time a hedge position is implemented and liquidated.

BATCH

A measured amount in which crude oil and refined product shipments are sent through a pipeline.

BCF

In reference to a Natural Gas measure of capacity or supply, a billion cubic feet.

BEAR

One who believes prices will move lower.

BEAR MARKET

A market in which prices are declining.

BEAR SPREAD (OPTIONS)

A vertical spread involving the sale of the lower strike call and the purchase of the higher strike call, called a bear call spread. Also, a vertical spread involving the sale of the lower strike put and the purchase of the higher strike put, called a bear put spread.

BEAR SPREAD (FUTURES)

In most commodities and financial instruments, the term refers to selling the nearby contract month, and buying the deferred contract, to profit from a change in the price relationship.

BETA

A measure of an asset's return in relation to an underlying factor or index; e.g. the relationship between the movement of an individual stock or a portfolio and that of the overall stock market.

BID PRICE

An offer to buy a specific quantity of a commodity at a stated price or the price that the market participants are willing to pay.

BID/ASK SPREAD

The price difference between the bid and offer price.

BLOCK TRADE

A privately negotiated futures or option on futures transaction that is executed apart from the public auction market and that is permitted in designated contracts subject to specified conditions. These trades are governed by Rule 526 ("Block Trades").

BLOWOFF VOLUME

An extraordinarily high volume trading session occurring suddenly in an uptrend, possibly signaling the end of the trend.

BOARD

The Board of Directors of the exchange, or any other body acting in lieu of and with the authority of the Board.

BOND

Instrument traded on the cash market representing a debt a government entity or of a company.

BOTTOM SEDIMENT & WATER (BS&W)

Water often found in crude oil and residual fuel.

BREAKAWAY GAP

A chart pattern described by gap in prices that may signal the end of a price pattern and the beginning of an important market move.

BREAKEVEN

The point at which an option buyer or seller experiences no loss and no profit on an option. Call breakeven equals the strike price plus the premium; put breakeven equals the strike price minus the premium.

BRETTON WOODS AGREEMENT OF 1944

An agreement that established fixed-rate trading bands for the world's major foreign currencies. The agreement also provided for central bank currency market intervention and tied the price of the U.S. dollar to gold at \$35 per ounce. The agreement collapsed in 1971, when President Nixon devalued the dollar and allowed the major currencies to "float" on the world market.

BRITISH THERMAL UNIT (BTU)

The amount of heat required to increase the temperature of a pound of water 1o Fahrenheit. A Btu is used as a common measure of heating value for different fuels. Prices of different fuels and their units of measure (dollars per barrel of crude, dollars per ton of coal, cents per gallon of gasoline, cents per thousand cubic feet of natural gas) can be easily compared when expressed as dollars and cents per million Btus.

BROAD-BASED INDEX FUTURE

A futures contract based upon an index that is not considered narrow-based as defined in Section 1a(25) of the Commodity Exchange Act.

BROKERAGE

The fee paid to an agent to facilitate the execution of orders.

BROKERAGE HOUSE

A firm that handles orders to buy and sell futures and options contracts for customers.

BULL

One who expects prices to rise.

BULL MARKET

A market in which prices are rising.

BULL SPREAD (OPTIONS)

A vertical spread involving the purchase of the lower strike call and the sale of the higher strike call, called a bull call spread. Also, a vertical spread involving the purchase of the lower strike put and the sale of the higher strike put, called a bull put spread.

BULL SPREAD (FUTURES)

In most commodities and financial instruments, the term refers to buying the nearby month, and selling the deferred month, to profit from the change in the price relationship.

BUNDLE

The simultaneous sale or purchase of one each of a series of consecutive futures contracts. Bundles provide a readily available, widely accepted method for executing multiple futures contracts with a single transaction.

BUSINESS DAY

Any day on which the Exchange is open for business.

BUTTERFLY OPTIONS SPREAD

A three-legged option spread in which each leg has the same expiration date but different strike prices.

BUTTERFLY SPREAD

The placing of two inter-delivery spreads in opposite directions with the center delivery month common to both spreads.

BUYER'S MARKET

A condition of the market in which there is an abundance of goods available and hence buyers can afford to be selective and may be able to buy at less than the price that previously prevailed. See seller's market.

BY-LAWS

The By-Laws of the Exchange, unless otherwise specified.

C

COMBINATION ORDER OR SPREAD ORDER

A combination of buy and/or sell orders for the same account, except as provided by Rule 527, at the market, at a fixed differential or by some other appropriate pricing convention. Also referred to as a spread order.

CABINET TRADE (AKA CAB, CABINET PRICE)

A trade to close out a deep out-of-the-money option contract position at price less than the minimum trading tick. Variable cabinet prices are eligible for trading on the floor; a fixed cabinet price of one-half the minimum trading tick is eligible to trade on CME Globex.

CALENDAR SPREAD (FUTURES)

Also called a intra-commodity spread. The simultaneous purchase and sale of the same futures contract, but different contract months. (i.e., buying a September CME S&P 500® futures contract and selling a December CME S&P 500 futures contract).

CALENDAR SPREAD (OPTIONS)

The simultaneous purchase and sale of options on futures contracts of the same strike price, but different expiration dates.

CALL OPTION

A contract between a buyer and seller in which the buyer pays a premium and acquires the right, but not the obligation, to purchase a specified futures contract at the strike price on or prior to expiration. The seller receives a premium and is obligated to deliver, or sell, the futures contract at the specified strike price should a buyer elect to exercise the option. Also see American Style Option and European Style Option.

CAP

A supply contract between a buyer and a seller, whereby the buyer is assured that he will not have to pay more than a given maximum price. This type of contract is analogous to a call option.

CAPACITY

In reference to electricity, the maximum load that a generating unit or generating station can carry under specified conditions for a given period of time without exceeding approval limits of temperature and stress.

CAPACITY (PURCHASED)

The amount of electric energy and capacity available for purchase from outside a utility system.

CAR

A contract or unit of trading. Originally, one contract, or "car," was the quantity of a commodity that would fill a railroad car. See also lot.

CARRYING CHARGE

For physical commodities such as grains and metals, the cost of storage space, insurance, and finance charges incurred by holding a physical commodity. In interest rate futures markets, it refers to the differential between the yield on a cash instrument and the cost of funds necessary to buy the instrument. Also referred to as cost of carry.

CARRYING FIRM

A firm that carries on its books positions that were executed by it or by another firm.

CARRYOVER

Last year's ending stocks of a storable commodity.

CASH COMMODITY

The actual physical commodity or financial instrument as distinguished from the futures contract that is based on the physical commodity or financial instrument. Also referred to as "spot."

CASH FOR FUTURES

See Exchange For Physicals.

CASH MARKET

A place where people buy and sell the actual commodities, i.e., grain elevator, bank, etc. Spot usually refers to a cash market price for a physical commodity that is available for immediate delivery. A forward contract is a cash contract in which a seller agrees to deliver a specific cash commodity to a buyer sometime in the future. Forward contracts, in contrast to futures contracts, are privately negotiated and are not standardized.

CASH PRICE

Current market price of the actual or physical commodity. Also called the spot price.

CASH SALES

The sale of commodities in local cash markets such as elevators, terminals, packing houses and auction markets.

CASH SETTLEMENT

A settlement method used in certain future and option contracts where, upon expiration or exercise, the buyer does not receive the underlying commodity but the associated cash position. For buyers not wishing to take actual possession of the underlying physical commodity, cash settlement is sometimes a more convenient method of transacting business. For example, the purchaser of an E-mini S&P future is unable to take ownership of the index at expiration. Therefore he simply pays or receives the difference between the purchase price and the price of S&P futures contract at settlement.

CASINGHEAD GAS

Gas present in an oil well that is removed when it flows to the surface at the well's casing.

CATHODE

A flat rectangular piece of metal which has been refined by electrolysis. Copper is commonly traded and delivered in this form.

CBOT

The Board of Trade of the City of Chicago, Inc.

CEA OR ACT

The term "Act" or "CEA" shall mean the Commodity Exchange Act, as amended from time to time.

CENTRAL BANK

A government bank that regulates a country's banks and manages a nation's monetary policy. The Federal Reserve is the central bank in the United States, whereas the European Central Bank (ECB) is the central bank of the European Monetary Union.

CERTIFICATE OF INCORPORATION

The Certificate of Incorporation of the Exchange, unless otherwise specified.

CETANE NUMBER

A measure of the ignitability of diesel fuel. Diesel fuel generally has to meet a cetane number specification of 40. As a measure of performance, the cetane number serves a similar purpose to the octane number of gasoline.

CFTC OR COMMISSION

The U.S. Commodity Futures Trading Commission as created by the Commodity Futures Trading Commission Act of 1974.

CHAIRMAN

The Chairman of the Board of Directors, or one acting in lieu of and with the authority of the Chairman of the Board.

CHANGE

The day-over-day change in open interest.

CHICAGO BOARD OF TRADE (CBOT)

The Board of Trade of the City of Chicago, Inc.

CHICAGO MERCANTILE EXCHANGE (CME)

Acronym for the CHICAGO MERCANTILE EXCHANGE INC. On July 9, 2007, Chicago Mercantile Exchange Holdings Inc. and Chicago Board of Trade Holdings, Inc. completed the merger of their companies, creating the world's largest and most diverse exchange now known as CME Group A CME/Chicago Board of Trade Company.

CHIEF EXECUTIVE OFFICER OR CEO

The Chief Executive Officer of the Exchange or one duly authorized to act in lieu of and with the authority of the Chief Executive Officer.

CITY GATE

Generally refers to the location at which gas changes ownership or transportation responsibility from a pipeline to a local distribution company or gas utility.

CLASS A SHARE

A share of Class A Common Stock of CME Group Inc. Class A Shares shall confer no trading rights.

CLASS OF SERVICE

A utility's sales categories such as residential, commercial, industrial, other, and sales for resale.

CLEAN CARGO

Refined products such as kerosene, gasoline, home heating oil, and jet fuel carried by tankers, barges, and tank cars. All refined products except bunker fuels, residual fuel oil, asphalt, and coke.

CEARING

The procedure through which CME Clearing House becomes the buyer to each seller of a futures contract, and the seller to each buyer, and assumes responsibility for protecting buyers and sellers from financial loss by ensuring buyer and seller performance on each contract. This is effected through the clearing process, in which transactions are matched, confirming that both the buyer's and the seller's trade information are in agreement.

CLEARING FEE

A fee charged by the exchange for each contract cleared. There are also clearing fees associated with deliveries, creation of a futures position resulting from an option exercise or assignment, Exchange for Physicals (EFP), block trades, transfer trades and adjustments.

CLEARING FIRM

A firm approved to clear trades through CME Clearing House. Memberships in clearing organizations are usually held by companies. Clearing members are responsible for the financial commitments of customers that clear through their firm.

CLEARING HOUSE

The CME Clearing House, also referred to as CME Clearing, a division of CME.

CLEARING ID

The alpha-numeric firm ID under which the firm's trades will clear.

CLEARING MEMBER

A firm meeting the requirements of, and approved for, clearing membership at the Exchange. The term "clearing member" as used in the Rules shall include all clearing member categories set forth in Rule 900, unless otherwise specified.

CLEARING NON-TRADE TRANSACTION

Composed of transfers, exchange-for-physicals (EFPs), blocks and give-ups. Transfers, blocks and EFPs are privately negotiated, ex-pit transactions, while give-ups relate to post-trade processing. "Cancels" and "replaces" do not generate clearing non-trade transactions.

CLEARING TRADE TRANSACTION

Each matched trade between a buyer and a seller generates two clearing trade transactions: one for the buyer and one for the seller.

CLEARPORT/PNT

(Privately Negotiated Trades): ClearPort is CME Group's clearing service for Over-The-Counter markets. PNT is an acronym for Privately Negotiated Trades, which may be reported through ClearPort or directly into CME Clearing. The number in this column represents the total number of Ex-Pit transactions, or transactions that were completed outside of Globex or Open Outcry trading venues.

CLERK

A member's bona fide employee who has been registered by the exchange to work on the trading floor.

CLOSE

The period at the end of the trading session officially designated by the exchange during which all transactions are considered "made at the close." Sometimes used to refer to the closing range.

CLOSING BELL

Any signal which indicates the conclusion of normal daily trading hours in any commodity.

CLOSING PRICE

The last price of a contract at the end of a trading session.

CLOSING RANGE

The high and low prices, inclusive of bids and offers, recorded during the time period designated by the Exchange as the close of pit trading in a particular contract.

CME

Chicago Mercantile Exchange Inc.

CME CLEARING

The division of the exchange through which trades are cleared, settled, and guaranteed.

CME CLEARING HOUSE

The division of CME Group that confirms, clears and settles all CME Group trades. CME Clearing also collects and maintains performance bond funds, regulates delivery and reports trading data.

CME CLEARPORT

A flexible clearing service open to all OTC market participants, that eliminates third-party credit risk and provides capital efficiencies across a wide range of asset classes. CME ClearPort is not an execution platform or mandate or a set of products. It is no longer limited to energy clearing services as in the past nor is it limited to clearing services where OTC positions are substituted into futures.

CME DIVISION

The Chicago Mercantile Exchange Division of the exchange. Holders of the membership interest associated with Chicago Mercantile Exchange Holdings Inc. Class B-1 Stock, who have been elected to membership, are members of the CME Division.

CME GLOBEX

The first global electronic trading system for futures and options has evolved to become the world's premier marketplace for derivatives trading. With continual enhancements, the platform has effectively enabled CME, already known for innovation, to transform itself into a leading high-tech, global financial derivatives exchange.

CME GLOBEX ORDER DURATION QUALIFIERS

CME Globex allows orders to be placed for various different durations. An order entered into the CME Globex system that does not contain an order duration qualifier will be canceled if it is not filled during the trading day in which it was received or, if it was received between trading days, during the next trading day. Current order durations qualifiers are: Day/Session, Good 'Till Canceled (GTC), Good 'Till Date (GTD), Fill or Kill (FOK) and Fill and Kill (FAK).

CME GLOBEX ORDER TYPES

The CME Globex platform supports a broad array of order functionality, offering convenience and flexibility to meet a variety of individual trading needs. The availability of specific order types varies based on the markets, products and trading applications.

CME GLOBEX USER ID

An identifier assigned to access the CME Globex electronic trading engine.

CME GROUP

A combined entity formed by the 2007 merger of the Chicago Mercantile Exchange (CME) and the Chicago Board of Trade (CBOT). We provide the widest range of benchmark futures and options products available on any exchange, covering all major asset classes.

CME GROUP INC.

CME Group or CME Group Inc., is the world's leading and most diverse derivatives marketplace with exchanges that offer the widest range of global benchmark products across all major asset classes, including derivatives based on interest rates, equity indexes, foreign exchange, energy, agricultural commodities, metals and weather, as well as clearing services for exchange traded and over-the-counter products.

COGENERATOR

A generating facility that produces electricity and another form of useful thermal energy (such as heat or steam), used for industrial, commercial, heating, or cooling purposes.

COLLAR

A supply contract between a buyer and seller of a commodity, whereby the buyer is assured that he will not have to pay more than some maximum price, and whereby the seller is assured of receiving some minimum price. This is analogous to an options fence or collar, also known as a range forward.

COMBINATION UTILITY

A utility which provides both gas and electric service.

COMMISSION

The one time fee charged by a broker to a customer when the customer executes a futures or option on futures trade through the brokerage firm.

COMMODITY

Any product approved and designated by the Board for trading or clearing pursuant to the rules of the Exchange.

COMMODITY CODE

A unique symbol used to identify a particular commodity traded on CME for purposes of submitting data into the Clearing System. This code should not be confused with the ticker symbol, which is the code denoting which commodity price is being quoted.

COMMODITY CREDIT CORP

A Government-owned and operated entity that was created to stabilize, support, and protect farm income and prices. CCC also helps maintain balanced and adequate supplies of agricultural commodities and aids in their orderly distribution.

COMMODITY EXCHANGE

An exchange that lists designated futures contracts for the trading of various types of derivative products and allows use of its facilities by traders. Must comply with rules set forth by the Commodity Futures Trading Commission (CFTC).

COMMODITY FUTURES MODERNIZATION ACT OF 2000 (CFMA) COMMODITY FUTURES MODERNIZATION ACT OF 2000

COMMODITY FUTURES TRADING COMMISSION (CFTC)

Acronym for the Commodity Futures Trading Commission as created by the Commodity Futures Trading Commission Act of 1974. This government agency regulates the nation's commodity futures industry.

COMMODITY POOL

An enterprise in which funds contributed by a number of persons are combined for the purpose of trading futures contracts or commodity options.

COMMODITY POOL OPERATOR (CPO)

An individual or organization that operates or solicits funds for a commodity pool.

COMMODITY TRADING ADVISOR (CTA)

A person who, for compensation or profit, directly or indirectly advises others as to the value or the advisability of buying or selling futures contracts or commodity options. Advising indirectly includes exercising trading authority over a customer's account as well as providing recommendations through written publications or other media.

COMMON CURRENCY

Currency that is eliminated when calculating a cross rate between two currencies when their exchange rates are expressed in terms of the common currency; normally the US dollar.

CONSUMER PRICE INDEX (CPI)

A measuring the average price of consumer goods and services purchased by U.S. households. It is one of several price indices calculated by national statistical agencies. The percent change in the CPI is a measure of inflation. The CPI can be used to index (i.e., adjust for the effects of inflation) wages, salaries, pensions, or regulated or contracted prices.

CONTANGO MARKET

A market situation in which prices are higher in the succeeding delivery months than in the nearest delivery month. Opposite of backwardation.

CONTINGENCY (OR CONTINGENT) ORDER

An order which becomes effective only upon the fulfillment of some condition in the marketplace.

CONTRACT

Depending on the context in which it is used, a term of reference describing either a unit of trading in a particular futures, options or cleared product or a product approved and designated by the Board for trading or clearing pursuant to the rules of the Exchange.

CONTRACT GRADES

The standard grades of commodities or instruments listed in the rules of the exchanges that must be met when delivering cash commodities against futures contracts. Grades are often accompanied by a schedule of discounts and premiums allowable for delivery of commodities of lesser or greater quality than the standard called for by the exchange.

CONTRACT MONTH/YEAR

The month and year in which a given contract is delivered in accordance with the Rules (for physically delivered contracts) or the month and year in which a given contract is finally settled in accordance with the Rules (for cash settled contracts). Synonymous with DELIVERY MONTH/YEAR.

CONTRACT SIZE

The actual amount of a commodity represented in a futures or options contract as specified in the contract specifications.

CONTROL AREA

A large geographic area within which a utility (or group of utilities) regulates electric power generation in order to maintain scheduled interchanges of power with other control areas and to maintain the required system frequency.

CONTROL AREA OPERATOR

An electric entity that operates generating capacity to meet area demand, monitors actual interchange (electric energy flowing between control areas), and can dispatch generating resources to ensure that actual interchange equals scheduled interchange.

CONTROLLED ACCOUNT

Any account for which trading is directed by someone other than the owner. Also called a Managed Account or a Discretionary Account.

CONVERGENCE

A term referring to cash and futures prices tending to come together (i.e., the basis approaches zero) as the futures contract nears expiration.

CONVERSION (OPTIONS)

A delta-neutral arbitrage transaction involving a long futures contract, a long put option, and a short call option. The put and call options have the same strike price and same expiration date.

COOLING DEGREE DAY (CDD)

A day in which the average daily temperature is more than 65 degrees Fahrenheit, and therefore likely to be a day in which people turn on their air conditioning. A Cooling Degree Day is assigned a value that represents the number of degrees that day's average temperature exceeds 65 degrees. For example, if a day's average temperature is 85 degrees, the CDD value for that day would be 20 (85 - 65). If the average temperature is less than or equal to 65 degrees, the CDD value for the day would be zero. (The day would not be sufficiently warm enough to require air conditioning.)

COOPERATIVE (ELECTRIC)

A group organized under law into a utility company that will generate, transmit, or distribute supplies of electric energy to a specified area not being serviced by another utility. Typically, a co-op is a not-for-profit organization.

COORDINATION TRANSACTIONS (ELECTRIC)

Short-term transactions undertaken primarily to maintain the integrity of an electricity distribution system.

COST, INSURANCE, AND FREIGHT (CIF)

Cost, Insurance, Freight. Term refers to a sale in which the buyer agrees to pay a unit price that includes the free on board (FOB) value at the port of origin plus all costs of insurance and transportation. This type of transaction differs from a "delivered" agreement in that it is generally ex-duty, and the buyer accepts the quantity and quality at the loading port rather than paying for quality and quantity as determined at the unloading port. Risk and title are transferred from the seller to the buyer at the loading port, although the seller is obliged to provide insurance in a transferable policy at the time of loading.

COST OF CARRY

For physical commodities such as grains and metals, the cost of storage space, insurance, and finance charges incurred by holding a physical commodity. In interest rate futures markets, it refers to the differential between the yield on a cash instrument and the cost of funds necessary to buy the instrument. Also referred to as carrying charge.

COUNTRY RISK

Risk associated with an FX (foreign exchange) transaction, referring to potential political or economic instability.

COUPON

The interest rate on a debt instrument expressed in terms of a percent on an annualized basis that the issuer guarantees to pay the holder until maturity.

COVER

To offset a short futures or options position.

COVERED CALL

Position where a call option is sold in concert with a long position in the futures contract.

CRACK SPREAD

A specific spread trade involving simultaneously buying and selling contracts in crude oil and one or more derivative products, typically gasoline and heating oil. Oil refineries may trade a crack spread to hedge the price risk of their operations, while speculators attempt to profit from a change in the oil/gasoline price differential.

CRACK SPREADS

The simultaneous purchase or sale of crude oil against the sale or purchase of refined petroleum products. These spread differentials which represent refining margins are normally quoted in dollars per barrel by converting the product prices into dollars per barrel (multiply the cents-per-gallon price by 42) and subtracting the crude oil price.

CREDIT DEFAULT SWAP (CDS)

A contract between two parties specifying a payment in the event of a default of the underlying debt issue. Typically these two party agreements (buyer and seller) are created and traded in an unregulated (Over-The-Counter or OTC) environment. These are derivative contracts in that the pricing of a CDS is tied to the current market perception of the credit worthiness of the debt issuer. A CDS can be constructed on the debt issues of almost any corporation, municipality, bank, government and government agency that are rated for credit worthiness. A CDS buyer pays a premium to the seller and would receive payment from the seller if the underlying credit issue defaults or there is a change in the rating status per the terms of the individual CDS. If there is no default or rating change in the underlying debt, the seller keeps the premium. A credit default swap (CDS) is the most highly utilized type of credit derivative. Most debt holders want to keep the loan in place so they can continue to receive the regular interest and principal payments; but since bond holders are typically very risk averse investors, they are willing to pay a premium to be sure they continue to get paid even if the borrower has a hard time making the payments. CDS contracts are perfect for this, since they are designed to transfer a given risk from one party to another without transferring the underlying bond or other credit asset. It is important to note, however, that a CDS is not insurance. Since a CDS is not insurance, sellers of CDS's are not subject to the reserve requirements nor the government regulations required by insurance companies to ensure there is enough money to pay off in the case of default.

CREDIT DERIVATIVE

A credit derivative is a contractual agreement designed to shift credit risk between parties. Originally used primarily by banks to hedge and diversify the credit risk of their customers in the event they could not pay back their loans. In most basic terms, a credit default swap is similar to an insurance contract, providing the buyer, usually a debt holder, with protection against the borrower not repaying the debt.

CREDIT SPREAD

An option spread in which there is a net collection of premium.

CROP (MARKETING) YEAR

The time span from harvest to harvest for agricultural commodities. The crop marketing year varies slightly with each ag commodity, but it tends to begin at harvest and end before the next year's harvest, e.g., the marketing year for soybeans begins September 1 and ends August 31. The futures contract month of November represents the first major new-crop marketing month, and the contract month of July represents the last major old-crop marketing month for soybeans.

CROP REPORTS

Reports compiled by the U.S. Department of Agriculture on various ag commodities that are released throughout the year. Information in the reports includes estimates on planted acreage, yield, and expected production, as well as comparisons to production from previous years.

CROSS HEDGING

Hedging a cash commodity using a different but related futures contract when there is no futures contract for the cash commodity being hedged and the cash and futures markets follow similar price trends (e.g., using soybean meal futures to hedge fish meal).

CROSS MARGINING

The process of allowing for a reduction in performance bond (margin) requirements. This reduction is possible because risk is reduced when offsetting positions are cleared by the same or affiliated clearing members.

CROSS RATE

The exchange rate between two currencies, in which the home country's currency is not included. In the U.S., the Euro/Yen rate would be considered a cross rate, while in Europe or Japan it would be considered a primary pair.

CROSS TRADING (CME & CBOT)

Matching of the buying order of one customer against the selling order of another, a practice that is permissible only when executed as required by CME Rule 533, CFTC Regulations and CME Rulebook.

CROSS TRADING (NYMEX & COMEX)

Offsetting match or trade by a broker of the buy order of one customer against the sell order of another, or a match of a trade made by a broker with his customer, a practice that is permissible only when executed in accordance with the Commodity Exchange Act, Commodity Futures Trading Commission regulations, and rules of the contract market. Neither NYMEX Division nor COMEX Division members are permitted to take the opposite side of a customer's order, except, under certain circumstances, for trades involving long-dated (nine months or more forward) COMEX Division copper futures. Please consult CME Group rule books for additional information.

CRUDE OIL

A mixture of hydrocarbons that exists as a liquid in natural underground reservoirs and remains liquid at atmospheric pressure after passing through surface separating facilities. Crude is the raw material which is refined into gasoline, heating oil, jet fuel, propane, petrochemicals, and other products.

CRUSH SPREAD

In the soybean futures market, the simultaneous purchase of soybean futures and the sale of soybean meal and soybean oil futures to establish a processing margin.

CUBIC FEET PER DAY (CF/D)

Cubic feet per day. Usually used to quantify the rate of flow of a gas well or pipeline.

CUBIC FOOT

The most common measure of gas volume, referring to the amount of gas needed to fill a volume of one cubic foot at 14.73 pounds per square inch absolute pressure and 60 degrees Fahrenheit. One cubic foot of natural gas contains, on average, 1,027 Btus.

CUMULATIVE DEGREE DAY

The sum of the daily Heating Degree Day (HDD) or Cooling Degree Day (CDD) values over a specified period, usually a month or a season. This value would also be the number recorded in that month's or season's HDD or CDD Index value.

CURRENCY RISK

The potential for a shift in exchange rates, which would be detrimental to a trader's position.

CURRENT DELIVERY MONTH

The futures contract which matures and becomes deliverable during the present month or the month closest to delivery. Also called the spot month.

CURRENT YIELD

A term used frequently in bond transactions. Current yield is computed by dividing the annual amount of interest by the price paid for the bond or security. If the security is purchased at a discount from the par or principal value, the current yield will be higher than the stated interest or coupon rate.

CUSHION GAS

The amount of gas required in a storage pool to maintain sufficient pressure to keep the working gas recoverable.

CUSTOMER

A designation that refers to segregated clearing member firm trading activity. Customer trading activity and funds may not be combined with non-segregated house activity within a clearing member firm.

CUSTOMER TYPE INDICATOR (CTI)

Customer Type Indicator (as it pertains to electronic trading systems): A clearing indicator, required at the time of order entry, which indicates for whom the order is being entered: CTI 1 = Applies to orders entered by a workstation user for his/her own account or an account in which he/she has financial interest. CTI 2 = Applies to orders entered for the proprietary account of the clearing firm. CTI 3 = Applies to orders entered by a member, an ETH permit holder, or by an employee of a member or ETH permit holder, for the account of another member or ETH permit holder (Rule 574.B.) CTI 4 = Applies to all other orders that do not fit the above three categories.

D

DAILY TRADING LIMITS

The maximum price range permitted a contract during one trading session. Trading limits are set by the exchange for certain contracts.

DAY ORDER

An order to buy or sell a contract during that trading day only. Session/Day orders that have been placed but not executed during regular trading hours (RTH) do not carry over to the next trade date. Similarly, Session/Day orders placed during electronic trading hours (ETH) are only executed for that trade date.

DAY TRADING

Establishing a position or multiple positions and then offsetting them within the same day, ending the day with no established position in the market.

DEBIT SPREAD

An option spread in which there is a net payout of premium.

DEFAULT

Failure to perform on a contract as required by exchange rules, such as the failure to meet settlement variation, a performance bond call, or to make or take delivery.

DEFERRED

See "back months".

DEGREE DAY

Term created to assess and acknowledge expected demand for energy. A degree day value is the difference between a day's average temperature and a previously set temperature (in the U.S., 65 degrees Fahrenheit). Degree days above 65 degrees are called Cooling Degree Days because they are days when people are likely to use energy for air conditioning. Heating Degree Days refer to days when people are likely to use energy for heating.

DEKATHERM

Ten therms, 1 million British Thermal Units (Btu's)

DELIVERABLE GRADES

The standard grades of commodities or instruments listed in the rules of the exchanges that must be met when delivering cash commodities against futures contracts. Grades are often accompanied by a schedule of discounts and premiums allowable for delivery of commodities of lesser or greater quality than the standard called for by the exchange. Also referred to as contract grades.

DELIVERED TRANSACTION (ENERGY)

Often regarded as synonymous with cost, insurance, and freight in the international cargo trade, its terms differ from the latter in a number of ways. Generally, the seller's risks are greater in a delivered transaction because the buyer pays on the basis of landed quality/quantity. Risk and title are borne by the seller until such time as the commodity, such as oil, passes from shipboard into the connecting flange of the buyer's shore installation. The seller is responsible for clearance through customs and payment of all duties. Any in-transit contamination or loss of cargo is the seller's liability. In delivered transactions, the buyer pays only for the quantity of oil actually received in storage.

DELIVERY

The term has distinct meaning when used in connection with futures contracts. Delivery generally refers to the changing of ownership or control of a commodity under specific terms and procedures established by the exchange upon which the contract is traded. Typically, except for energy, the commodity must be placed in an approved warehouse, precious metals depository, or other storage facility, and be inspected by approved personnel, after which the facility issues a warehouse receipt, shipping certificate, demand certificate, or due bill, which becomes a transferable delivery instrument. Delivery of the instrument usually is preceded by a notice of intention to deliver. After receipt of the delivery instrument, the new owner typically can take possession of the physical commodity, can deliver the delivery instrument into the futures market in satisfaction of a short position, or can sell the delivery instrument to another market participant who can use it for delivery into the futures market in satisfaction of his short position or for cash, or can take delivery of the physical himself. The procedure differs for energy contracts. Bona fide buyers or sellers of the underlying energy commodity can stand for delivery. If a buyer or seller stands for delivery, the contract is held through the termination of trading. The buyer and seller each file a notice of intent to make or take delivery with their respective clearing members who file them with the Exchange. Buyers and sellers are randomly matched by the Exchange. The delivery payment is based on the contract's final settlement price. Some futures contracts, such as stock index futures, are cash settled.

DELIVERY DAY

The calendar date on which a delivery transaction is to be completed.

DELIVERY MONTH/YEAR

The month and year in which a given contract is delivered in accordance with the Rules (for physically delivered contracts) or the month and year in which a given contract is finally settled in accordance with the Rules (for cash settled contracts). Synonymous with CONTRACT MONTH/YEAR.

DELIVERY MONTH PERFORMANCE BOND REQUIREMENT

Performance bond requirements applicable to all positions in the delivery month as defined by the CME clearing house.

DELIVERY NOTICE

The notice that the seller presents to the CME clearing house stating his intention to make delivery against an open short futures position. This notice is separate and distinct from the warehouse receipt or other instruments that will be used to transfer title during the actual delivery.

DELIVERY POINT

Those locations designated by the exchange at which actual commodities may be delivered in fulfillment of a futures contract.

DELTA

The measure of the price-change relationship between an option and the underlying futures price. Equal to the change in premium divided by the change in futures price.

DEMAND

The quantity of a commodity that buyers are willing to purchase in the market at a given price.

DEPOSITORY OR WAREHOUSE RECEIPT

A document issued by a bank, warehouse or other depository indicating ownership of a stored commodity.

DEPRECIATION

Decline in the value of one currency relative to another. Occurs when, because of a change in exchange rates, a unit of one currency buys fewer units of another currency.

DERIVATIVE

A financial instrument whose value is based upon other financial instruments, such as a stock index, interest rates or commodity indexes.

DEVALUATION (OF CURRENCY)

A government's reduction of the value of its currency, generally through an official announcement.

DEVIATION

A noticeable or marked departure from the norm, plan, standard, procedure, or variable being reviewed. Similar to variance.

DIESEL FUEL

Distillate fuel oil used in compression-ignition engines. It is similar to home heating oil, but must meet a cetane number specification of 40 or more.

DIFFERENTIALS

Price differences between classes, grades, and delivery locations of various stocks of the same commodity.

DIRECT QUOTE

Price of a foreign currency in terms of a country's domestic currency.

DIRTY CARGO

Those petroleum products which leave significant amounts of residue in tanks. Generally applies to crude oil and residual fuel oil.

DISCIPLINARY OFFENSE

Any offense as set forth in Rule 300.E.

DISCOUNT

(1) The amount a price would be reduced to purchase a commodity of lesser grade; (2) sometimes used to refer to the price difference between futures of different delivery months, as in the phrase "July is trading at a discount to May", indicating that the price of the July futures contract is lower than that of May; (3) applied to cash grain prices that are below the futures price.

DISCOUNT BROKER

See "broker."

DISCOUNT METHOD

A method of paying interest by issuing a security at less than par and repaying par value at maturity. The difference between the higher par value and the lower purchase price is the interest.

DISCOUNT RATE

The interest rate that an eligible depository institution is charged to borrow short-term funds directly from a Federal Reserve Bank.

DISCRETIONARY ACCOUNT

An arrangement by which the holder of the account gives written power of attorney to another person, often his broker, to make trading decisions. Also known as a controlled or managed account.

DISTILLATE FUEL OIL

Products of refinery distillation sometimes referred to as middle distillates; kerosene, diesel fuel, and home heating oil.

DOCTOR TEST

A qualitative method of detecting undesirable sulfur compounds in petroleum distillates; that is, determining whether an oil is sour or sweet.

DOUBLE TOP, BOTTOM

A chart formation that signals a possible price trend reversal.

DOWNSTREAM

A Petroleum industry term referring to commercial oil and gas operations beyond the production phase; oil refining and marketing, and natural gas transmission and distribution.

DRY GAS

Gas that does not contain liquid hydro-carbons.

E

EARLY OUT TRADE CALL

A notice issued by the exchange requiring firms, brokers, and out trade clerks to be available at a specified time on the Trading Floor to resolve out trades in a particular commodity. Fines are issued against those firms who fail to comply.

ECONOMETRICS

The application of statistical and mathematical methods in the field of economics to test and quantify economic theories and the solutions to economic problems.

EFP

See "Exchange for Physical (EFP) Trade"

EFR

Exchange for Risk. An EFR is a privately negotiated trade that entails the exchange of a futures position for a corresponding OTC instrument. The number in this column represents the number of EFR transactions for the given date.

EFS

Exchange for Swap. An EFS is a privately negotiated trade in which a position in a futures contract is exchanged for a swap position in the same contract.

ELECTRIC UTILITY

An enterprise that is engaged in the generation, transmission, and/or distribution of electric energy primarily for use by the public and is the major power supplier within a designated service area. Electric utilities include: investor-owned, publicly owned, cooperatively owned, and government-owned entities.

ELECTRONIC DEVICE

Any type of voice or data communications interface, including but not limited to a computer, headset, trading device, microphone, telephone or camera

ELECTRONIC TRADING

Computerized system for placing orders, bid and offer posting, and trade execution. The CME Globex platform is an example of an electronic trading system.

ETH SESSION (ELECTRONIC TRADING HOURS)

The trading session during which the CME Globex system is used. Contact the CME Globex Control Center (GCC) for the current schedule of trading hours.

EMERGENCY

Any occurrence or circumstance listed below which, in the opinion of the Exchange, requires immediate action and threatens or may threaten fair and orderly trading, clearing, delivery or liquidation of any contracts on the Exchange. Occurrences and circumstances which the Exchange may deem emergencies are set forth in the Rules.

ENDING STOCKS

The amount of a storable commodity remaining at the end of a year.

EOO

See "exchange of options for options trade"

EQUILIBRIUM PRICE

The price at which the quantity demanded of a commodity is equal to the quantity supplied.

EQUITY

(1) Instrument traded on the cash market representing a share in the capital of a company; (2) The net value of a commodity account as determined by combining the ledger balance with an unrealized gain or loss in open positions as marked to the market.

EURODOLLARS

U.S. dollars on deposit with a bank outside of the United States and, consequently, outside the jurisdiction of the United States. The bank could be either a foreign bank or a subsidiary of a U.S. bank.

EURIBOR (EURO INTERBANK OFFERED RATE)

The average interest rate at which euro interbank term deposits within the euro zone are offered by one prime bank to another prime bank.

EUROPEAN CENTRAL BANK

The European Monetary Union's central bank, which governs monetary policy for member countries.

EUROPEAN STYLE OPTION

Type of option contract which can only be exercised on expiration date.

EUROPEAN TERMS

A method of quoting exchange rates, which measures the amount of foreign currency needed to buy one U.S. dollar, i.e., foreign currency unit per dollar. Reciprocal of European Terms is another method of quoting exchange rates, which measures the U.S. dollar value of one foreign currency unit, i.e., U.S. dollars per foreign units.

EXCESS MARGIN

The dollar amount by which the equity exceeds the margin requirements in a performance bond account.

EXCHANGE

A central marketplace with established rules and regulations where buyers and sellers meet to trade futures and options on futures contracts. See futures Exchange.

EXCHANGE BASIS FACILITY (EBF) TRADE

An Exchange-for-Physical (EFP) trade transacted in the context of interest rate contracts (see definition of Exchange-for-Physical).

EXCHANGE CERTIFIED STOCKS

Stocks of commodities held in depositories or warehouses certified by an Exchange-approved inspection authority as constituting good delivery against a futures contract position. Current total certified stocks are reported in the press for many important commodities such as Gold, Silver and Platinum.

EXCHANGE FOR PHYSICAL (EFP) TRADE

A privately negotiated and simultaneous exchange of an Exchange futures position for a corresponding cash position. An EFP is one type of an authorized Exchange for Related Position (EFRP) trade governed by Rule 538.

EXCHANGE FOR RISK (EFR) TRADE

A privately negotiated and simultaneous exchange of an Exchange futures position for a corresponding OTC swap or other OTC instrument. An EFR is one type of an authorized Exchange for Related Position (EFRP) trade governed by Rule 538.

EXCHANGE OFFICIAL

An employee or member designated by the Exchange to perform or execute certain acts.

EXCHANGE OF FUTURES FOR CASH

A transaction in which the buyer of a cash commodity transfers to the seller a corresponding amount of long futures contracts, or receives from the seller a corresponding amount of short futures, at a price difference mutually agreed upon. In this way, the opposite hedges in futures of both parties are closed out simultaneously.

EXCHANGE OF OPTIONS FOR OPTIONS (EOO) TRADE

A privately negotiated and simultaneous exchange of an Exchange option position for a corresponding OTC option position or other OTC instrument with similar characteristics. An EOO is one type of an authorized Exchange for Related Position (EFRP) trade governed by Rule 538.

EXCHANGE TRADED FUNDS

Shares issued by financial institutions that allow participants to trade benchmark indexes like a stock.

EXERCISE

To invoke the right granted under the terms of an options contract to buy or sell the underlying futures contract. The option holder (long) is the one who exercises the option. Call holders exercise the right to buy the underlying future, while put holders exercise the right to sell the underlying future. The short option holder is assigned a position opposite to that of the option buyer. CME Clearing removes the option and creates the futures positions on the firms' books on the day of exercise.

EXERCISE NOTICE

A notice tendered by a brokerage firm informing the CME clearing house that the holder of the option would like to exchange their option for the underlying futures contract.

EXERCISE OR STRIKE PRICE

The price at which the buyer of a call can purchase the commodity during the life of the option, and the price at which the buyer of a put can sell the commodity during the life of the option.

EXERCISE PRICE

The terms "exercise price", "strike price" and "striking price" shall be synonymous and mean the price at which the futures contract underlying the options contract will be assigned upon exercise of the option. For options contracts which are exercised into multiple futures contracts, the exercise price represents the spread price differential between the futures contracts.

EXHAUSTION GAP

A chart pattern described by gap in prices near the top or bottom of a price move that may signal an abrupt turn in the market.

EXPIRATION

The last day of trading for a futures contract. The last day on which an option may be exercised and exchanged for the underlying contract.

EXPIRATION DATE

The term "expiration date" shall mean the last day on which an options contract may be exercised.

EX PIT TRANSACTION

Trades made outside the trading pit. There are two types of valid ex pit transactions: 1. An exchange of cash for futures (exchange for physicals) involving the simultaneous purchase of cash commodities in exchange for a futures contract, at a price difference mutually agreed upon. 2. A transfer trade involving the transfer of a customer's account between brokerage firms. Ex-pit transactions are not guaranteed by the CME Clearing until the initial settlement is met.

EXTRINSIC VALUE

The amount of money option buyers are willing to pay for an option in the anticipation that, over time, a change in the underlying futures price will cause the option to increase in value. In general, an option premium is the sum of time value and intrinsic value. Any amount by which an option premium exceeds the option's intrinsic value can be considered time value.

F

FAIR VALUE (FUTURES)

Most frequently used in reference to a stock index futures contract price being in equilibrium to the underlying cash index. The equilibrium to the futures price would be the spot price after considering compounded interest (and dividends not received due to being long the futures contract rather than the physical stocks) over a period of time.

FAIR VALUE (OPTIONS)

Generally refers to the market price of an option being in line with its theoretical value as predicted by an options pricing formula.

FAST MARKET

Term used to define unusually hectic market conditions.

FCM

See "Futures Commission Merchant"

FEDERAL FUNDS

In the United States, federal funds are bank reserves at the Federal Reserve. Banks keep reserves at Federal Reserve Banks to meet their reserve requirements and to clear financial transactions. Transactions in the federal funds market enable depository institutions with reserve balances in excess of reserve requirements to lend reserves to institutions with reserve deficiencies. These loans are usually made for 1 day only, i.e. "overnight." The interest rate at which the funds are lent is called the federal funds rate.

FEDERAL FUNDS RATE

The rate of interest charged for the use of federal funds. See federal funds.

FEDERAL RESERVE SYSTEM(FED)

The central banking system of the United States. Created in 1913 by the enactment of the Federal Reserve Act, it is a quasi-public (part private, part government) banking system composed of (1) the presidentially-appointed Board of Governors of the Federal Reserve System in Washington, D.C.; (2) the Federal Open Market Committee; (3) 12 regional Federal Reserve Banks located in major cities throughout the nation acting as fiscal agents for the U.S. Treasury. The current Federal Reserve Chairman is Dr. Ben S. Bernanke.

FEED RATIO

A ratio used to express the relationship of feeding costs to the dollar value of livestock. Steer/Corn Ratio. The relationship of cattle prices to feeding costs.

FEEDSTOCK (ENERGY)

The supply of crude oil, natural gas liquids, or natural gas to a refinery or petrochemical plant or the supply of some refined fraction of intermediate product to some other manufacturing process.

FILL-AND-KILL-ORDER (FAK)

A FAK order is immediately filled in whole or in part at the specified price. Any remaining quantity is eliminated.

FILL-OR-KILL-ORDER (FOK)

FOK orders are canceled if not immediately filled for the total quantity at the specified price or better.

FINANCIAL INFORMATION EXCHANGE (FIX) API

An Application Program Interface (API) utilizing the protocol developed for international real-time information exchange designed to allow firms and Independent Software Vendors (ISVs) to easily integrate their order entry and

routing systems with CME. It is a software library of functions that enables a member's order management system to communicate with exchange order routing systems. Member firms can run the CME FIX API on their computers to electronically send orders to and receive fills from the CME Globex platform or from the firm's exchange floor operations.

FINENESS

The purity of precious metal measured in parts per thousand.

FINE WEIGHT

The weight of precious metal contained in a coin or bullion as determined by multiplying the gross weight by the fineness.

FIRM

The term "firm" shall mean a corporation, partnership, association, sole proprietorship or other eligible entity.

FIRM ENERGY

The highest quality sales of electric transmission service offered to customers under a filed rate schedule that anticipates no planned interruption.

FIRM NUMBER

A three digit numeric code used in CME's Clearing System to identify a clearing firm.

FIRM SERVICE

Utility service which assumes no interruption except if residential customers' supply is threatened. Opposite of interruptible service.

FIRMSOFT

FirmSoft is a browser-based order management tool that provides real-time visibility into working and filled orders, across multiple firm IDs, in the CME Globex® order management database. FirmSoft provides important alternative access to working and filled orders during system failures.

FIRST NOTICE DAY

The first day on which a notice of intent to deliver a commodity in fulfillment of a futures contract can be made by the clearinghouse to a buyer. The clearinghouse also informs the sellers who they have been matched up with

FINANCIAL INFORMATION EXCHANGE (FIX)

An electronic communications protocol developed to provide a uniform method of exchanging real-time information specifically related to financial transactions.

FIX USER ID

The client application's logon ID for the CME FIX servers. The server authenticates this ID during the logon process. Only the assigned user ID may be used to logon to the CME FIX server. Examples: 00100A, 80502B. Assignee: support and QA team.

FLAT

Market slang to indicate that all open positions have been offset and an account has no exposure to market risk. The three common ways to describe a trader's position in the market are long, short or flat.

FLEX OPTION

Non-standard option in which the buyer and seller can agree to terms where the strike price may exceed the eligible range of standard strikes, the expiration date can be any business date other than the standard expiration date, or the option can be defined to expire as "American" or "European" style and the option can have any listed futures as its underlying.

FLOOR

Except as otherwise provided by the Exchange, the term "Floor" shall mean any trading floor on which Exchange contracts are listed for open outcry trading.

FLOOR BROKER

An individual who executes orders on the Floor of the exchange for any other person and who is registered as a floor broker under the CEA.

FLOOR TRADER

An exchange member who trades for his own account on the Floor of the Exchange and who is registered as a floor trader under the CEA.

FOLLOWING DAY (OR OTHER SIMILAR EXPRESSION)

The following, or subsequent, business day.

FORCE MAJEURE

A standard clause which indemnifies either or both parties to a transaction whenever events which the Exchange declares to be reasonably beyond the contract.

FOREIGN EXCHANGE

See FX

FOREIGN EXCHANGE MARKET (FX)

The exchange of one currency for another. Markets exist in over-the-counter, forward and FX Futures where buyers and sellers conduct foreign exchange transactions. CME® FX futures offer financial institutions, investment managers, corporations and private investors ways manage the risks associated with currency rate fluctuation and to take advantage of profit opportunities stemming from changes in currency rates.

FORWARD CONTRACT

A private, cash-market agreement between a buyer and seller for the future delivery of a commodity at an agreed price. In contrast to futures contracts, forward contracts are not standardized and not transferable.

FORWARD POINTS

A metric that can be employed to calculate forward exchange rates. , Forward Points express the premium or discount for the base currency in terms of the quote currency. Forward Points are a function of the spot exchange rate, interest rates, and time. Forward points are added to the spot rate to obtain the forward rate.

FRACTIONATION

The process whereby saturated hydrocarbons from natural gas are separated into distinct parts or "fractions" such as propane, butane, ethane, etc.

FREE ON BOARD (FOB)

A transaction in which the seller provides a commodity at an agreed unit price, at a specified loading point within a specified period; it is the responsibility of the buyer to arrange for transportation and insurance.

FUEL OIL

Refined petroleum products used as a fuel for home heating and industrial and utility boilers. Fuel oil is divided into two broad categories, distillate fuel oil, also known as No. 2 fuel, gasoil, or diesel fuel; and residual fuel oil, also known as No. 6 fuel, or outside the United States, just as fuel oil. No. 2 fuel is a light oil used for home heating, in compression ignition engines, and in light industrial applications. No. 6 oil is a heavy fuel used in large commercial, industrial, and electric utility boilers.

FULL CARRYING CHARGE MARKET

A futures market where the price difference between delivery months reflects the total costs of interest, insurance, and storage.

FULL-SERVICE-BROKER

See "broker."

FUNDAMENTAL ANALYSIS

The study of supply and demand information to aid in anticipating futures price trends.

FUNGIBILITY

Futures contracts capable of mutual substitution the interchangeability of contracts. For example, five E-mini S&P 500 contracts are fungible and able to offset one standard-sized S&P 500 contract.

FUTURES

Standardized contracts for the purchase and sale of financial instruments or physical commodities for future delivery on a regulated commodity futures exchange.

FUTURES COMMISSION MERCHANT (FCM)

An individual or organization which solicits or accepts orders to buy or sell futures or options on futures contracts and accepts money or other assets from customer in connection with such orders. An FCM must be registered with the CFTC.

FUTURES CONTRACT

A legally binding agreement to buy or sell a commodity or financial instrument at a later date pursuant to the Rules of the Exchange.

FUTURES-EQUIVALENT

A term frequently used with reference to speculative position limits for options on futures contracts. The futures-equivalent of an options position is the number of options multiplied by the previous day's risk factor or delta for the options series. For example, 10 deep out-of-the money options with a risk factor of 0.20 would be considered two futures-equivalent contracts. The delta or risk factors used for this purpose is the same as that used in delta-based margining and risk analysis systems.

FUTURES EXCHANGE

A board of trade designated by the Commodity Futures Trading Commission to trade futures or option contracts on a particular commodity. Commonly used to mean any exchange on which futures are traded. CME Group including all its divisions.

FUTURES INDUSTRY ASSOCIATION (FIA)

Futures Industry Association. A national not-for-profit futures industry trade association that represents the brokerage community on industry, regulatory, political, and educational issues.

G

GALAX-C

CME hand-held trading terminals.

GAMMA

The measure of the change in an option's delta given a change in the futures price. Equal to the change in delta divided by the change in futures price.

GAP

A price area at which the market didn't trade from one day to the next. See breakaway gap, exhaustion gap, and runaway gap. >

GAP THEORY

A type of technical analysis that studies gaps in prices.

GASOIL

European designation for No. 2 heating oil and diesel fuel.

GASOLINE, STRAIGHT-RUN

Also known as raw gasoline. Gasoline which is obtained directly from crude oil by fractional distillation. Straight-run gasoline generally must be upgraded to meet current motor fuel specifications.

GENERATION (ELECTRICITY)

The process of producing electric energy by transforming other forms of energy. The amount of energy produced is expressed in watthours.

GIGAJoule (GJ)

One billion joules, approximately equal to 948,211 British thermal units. One million Btus equals 1.0546175 GJ.

GIGAWATT (GW)

One billion watts.

GIVE UP

An order to be given to another member firm in clearing system, an allocation. An order executed by clearing firm A and given to clearing firm B where it will be cleared and processed. Give-up order indicator of "GU" is populated in F-Ex field.

GIVE-UP SYSTEM

ACS (Allocation Claim System) is the CME's electronic give-up system. ACS allows executing firms to give-up (allocate) trades at the execution price to the designated carrying firms(s), utilizing their current trade entry systems and CME's Trade Management System. ACS may be utilized for trades executed and given up to a single firm, as well as trades given up to multiple firms.

GLOBAL COMMAND CENTER (GCC)

CME Global Command Center, the exchange department that supports and maintains CME's electronic trading system. The CME® Global Command Center (GCC) can assist registered CME Globex contacts in canceling orders during emergency situations, when an order cannot be canceled through ordinary means

GLOBEX

GLOBEX refers to CME Globex, an electronic trading platform.

GLOBEX TERMINAL OPERATOR

Globex terminal operator refers to 1) any person who physically enters orders into Globex or 2) any automated trading system which enters orders into Globex, either directly or through an automated order routing system or independent software vendor. All Globex terminal operators must be identified to the Exchange in accordance with the provisions of Rule 576 (Identification of Globex Terminal Operators).

GLOBEX TRADING HOURS

Those hours designated by the Board of Directors for trading particular contracts on GLOBEX.

GLOBEX USER ID

An identifier assigned to access the GLOBEX electronic trading engine.

GOOD DELIVERY

Approved metals brands acceptable for delivery against the metals contracts.

GOOD-TIL-CANCELED (GTC)

Also known as an open order a GTC order, in the absence of a specific limiting designation, will remain in force during RTH and ETH until executed, canceled or the contract expires.

GOOD-TILL-DATE (GTD)

GTD orders remain in force during RTH and ETH through the specified date unless executed or canceled.

GRADE 1 COPPER

Copper which is good for delivery against the COMEX Division high grade copper futures contract and meets the ASTM specification B115-91.

GRADES

Standards set for the quality of a commodity.

GRADING CERTIFICATES

Certificates that verify the quality of a commodity.

GRAIN TERMINAL

Large grain elevator facility with the capacity to ship grain by rail and/or barge to domestic or foreign markets.

GRANTOR

A seller of an option. See also Writer.

GROSS DOMESTIC PRODUCT

One of the ways of measuring the size of the economy. GDP is defined as the total market value of all final goods and services produced within a country in a given period of time (usually a calendar year).

GROSS MARGINING

A method by which a clearing firm's customer margins are based on the firm's positions and applicable submitted spreads. For example, if a firm had only two accounts for two customers in its customer origin and one of those accounts had three open long positions and the other had two open short positions, the firm's margin would be based on five open positions if the firm did not submit spreads (rather than one net long position).

GROSS POSITION

The sum of a clearing firm's current open positions in a given contract.

GROSS PROCESSING MARGIN

Refers to the difference between the cost of a commodity and the combined sales income of the finished products which result from processing the commodity. Various industries have formulas to express the relationship of raw material costs to sales income from finished products. One example would be the difference between the cost of soybeans and the combined sales income of the processed soybean oil and meal.

GUARANTY FUND DEPOSIT

The amount required to be deposited with the Clearing House by the clearing member as a guaranty of its obligations to the Clearing House.

H

HAIRCUT

In determining whether assets meet capital requirements, a percentage reduction in the stated value of assets. In computing the worth of assets deposited as performance bond, a reduction from market value.

HALLMARK (PRECIOUS METALS)

A stamped impression on the surface of a precious metals bar that indicates the producer, serial number, weight, and purity of metal content.

HEAD AND SHOULDERS

A sideways price formation at the top or bottom of the market that may indicate a major market reversal.

HEATING DEGREE DAY (HDD)

A day in which the average daily temperature is less than 65 degrees Fahrenheit, and therefore likely to be a day in which people turn on their heat. A heating degree day is assigned a value that represents the number of degrees that day's average temperature is less than 65 degrees. For example, if a day's average temperature is 45 degrees, the Heating Degree Day (HDD) value for that day would be 20 (65-45). If the average temperature is greater than or equal to 65 degrees, the HDD value for the day would be zero. (The day would not be sufficiently cold to require heating.)

HEATING OIL

No. 2 fuel oil, a distillate fuel oil used either for domestic heating or in moderate capacity commercial-industrial burners.

HEAVY CRUDE

Crude oil with a high specific gravity and a low API gravity due to the presence of a high proportion of heavy hydrocarbon fractions.

HEDGE

The purchase or sale of a futures contract as a temporary substitute for a cash market transaction to be made at a later date. Usually involves simultaneous, opposite positions in the cash market and futures market.

HEDGER

An individual or firm who uses the futures market to offset price risk when intending to sell or buy the actual commodity. See pure hedger, selective hedger.

HEDGE RATIO

1) Ratio of the value of futures contracts purchased or sold to the value of the cash commodity being hedged, a computation necessary to minimize basis risk. 2) The ratio, determined by an option's delta, of futures to options required to establish a riskless position. For example, if a \$1/barrel change in the underlying Oil futures price leads to a \$0.25/barrel change in the options premium, the hedge ratio is four (four options for each futures contract).

HEDGING

(1) Taking a position in a futures market opposite to a position held in the cash market to minimize the risk of financial loss from an adverse price change; (2) A purchase or sale of futures as a temporary substitute for a cash transaction which will occur later. See long hedge and short hedge.

HEDGING LINE OF CREDIT

Financing received from a lender for the purpose of hedging the sale and purchase of commodities.

HIDDEN QUANTITY

Order qualifier: indicates that the total quantity will not be displayed to the market, but only per increments as indicated. Difference between order quantity and displayed quantity is hidden.

HIGH

The highest price of the day for a particular futures contract.

HISTORICAL VOLATILITY

The volatility of a financial instrument based on historical returns. This phrase is used particularly when it is wished to distinguish between the actual volatility of an instrument in the past, and the current volatility implied by the market.

HOG/CORN RATIO

The relationship of feeding costs to the dollar value of hogs. It is measured by dividing the price of hogs (\$/hundredweight) by the price of corn (\$/bushel). When corn prices are high relative to pork prices, fewer units of corn equal the dollar value of 100 pounds of pork. Conversely, when corn prices are low in relation to pork prices, more units of corn are required to equal the value of 100 pounds of pork. A ratio used to express the relationship of feeding costs to the dollar value of livestock.

HOLDER

One who purchases an option (also called the buyer).

HOLIDAY

Any day declared to be a holiday by these rules or by a resolution of the Board on which the Exchange is closed. When any such holiday falls on Sunday, the following Monday shall be considered such holiday. When any such holiday falls on Saturday, the immediately preceding Friday shall be considered such holiday.

HORIZONTAL SPREAD

The purchase of either a call or put option and the simultaneous sale of the same type of option with typically the same strike price but with a different expiration month. Also referred to as a calendar spread.

HOUSE

(1) A designation that refers to proprietary, non-segregated clearing member firm trading activity; (2) A clearing member or a firm.

HOUSE ACCOUNT

Clearing firm's proprietary, non segregated trading account.

HUNDREDWEIGHT

100 pounds. Abbreviated as cwt.

HYDROCARBONS

Organic chemical compounds containing hydrogen and carbon atoms. They form the basis of all petroleum products.

I

ILINK

An interface to the CME Globex electronic trading platform.

IMBALANCE ENERGY

Discrepancy between the amount that a seller contracted to deliver and the actual volume of power delivered. Imbalances are resolved through monetary payment.

IMPLIED VOLATILITY

The volatility implied by the market price of the option based on an option pricing model. In other words, it is the volatility that, given a particular pricing model, yields a theoretical value for the option equal to the current market price.

INADVERTENT ENERGY

The imbalance of energy flows back and forth that are on-going and routine between a generator of power and the centers of demand. These imbalances are typically settled through exchanges of physical product.

INDEPENDENT (ENERGY)

Term generally applies to a non-integrated oil or natural gas company, usually active in only one or two sectors of the industry. An independent marketer buys petroleum products from major or independent refiners and resells them under his own brand name or buys natural gas from producers and resells it. There are also independents which are active exclusively either in oil or gas production or refining.

INDEPENDENT POWER PRODUCER (IPP)

A non-utility power generating company that is not a qualifying facility (See Qualifying Facility).

INDEPENDENT SOFTWARE VENDOR (ISV)

A vendor who makes and sells software products that run on one or more computer hardware or operating system platforms. At CME, ISVs provide front-end applications certified by CME for trading on the CME Globex platform.

INDEX

An indicator that is representative of a whole market or market segment, usually computed by a sum product of a list of instruments' current prices and a list of weights assigned to these instruments. The index variations give trends of the market/market segment measured.

INDICATIVE OPENING PRICE (IOP)

CME Indicative Opening Price. Calculated in real-time during pre-opening phase, each time an order is entered / modified / cancelled. Maximizes the quantities to be traded while minimizing the non-executed quantities.

INDIRECT QUOTE

Price of the domestic currency in terms of the foreign currency.

INDIRECT RATE PARITY

Forward premium (or discount) that is dependent on the interest rate differential between two currencies

INFLATION

An economic term describing conditions in which overall prices for goods and services are rising.

INITIAL MARGIN

See initial performance bond.

INITIAL PERFORMANCE BOND

The minimum deposit a clearing firm must require from customers for each contract, when an account is new or when the account's equity falls below minimum maintenance requirements required by the Exchange.

INSTRUMENT

A product traded at CME, i.e., the CME S&P 500 Index futures contract.

INTEGRATION (ENERGY)

A term that describes the degree in, and to, which one given company participates in all phases of the petroleum industry.

INTERBANK RATES

The price that major banks quote each other for currency transactions.

INTERCOMMODITY SPREAD

A spread in which the long and short legs are in two different but generally related commodity markets. Also called an Intermarket Spread. See spread trade.

INTERDELIVERY SPREAD

A spread trade involving the simultaneous purchase of one delivery month of a given commodity futures contract and the sale of another delivery month of the same contract on the same exchange. See spread trade.

INTEREST EARNING FACILITY 2 (IEF 2)

CME Clearing program developed to support the acceptance of money market mutual fund shares at CME to be used as performance bond collateral and to satisfy Guaranty Fund requirements.

INTEREST EARNING FACILITY 4 (IEF 4)

CME Clearing collateral program designed to allow clearing firms to satisfy core, reserve and concentration performance bond requirements with a wide range of collateral, consistent with CFTC Regulation 1.25.

INTEREST EARNING FACILITY 5 (IEF 5)

CME Clearing program in which clearing members can earn a monthly hard dollar benefit by depositing US dollar cash in a CME bank account at a select financial institution. Clearing members can satisfy a portion of their core and all of their reserve and concentration requirements by directing cash deposits into CME's account.

INTERMARKET SPREAD

See Intercommodity Spread

INTERRUPTIBLE SERVICE (ENERGY)

Utility service which expects and permits interruption on short notice, generally in peak-load periods, in order to meet the demand by firm service customers. Interruptible service customers usually pay a lower rate than firm service customers. Opposite of Firm Service.

IN-THE-MONEY

A call option with a strike price lower (or a put option with a strike price higher) than the current market value of the underlying futures commodity. Therefore someone who exercised their option on a future would receive a futures position that was already "in the money".

INTRACOMMODITY SPREAD

A spread involving two different months of the same commodity. Also called an Interdelivery Spread.

INTRINSIC VALUE

The relationship of an option's in-the-money strike price to the current futures price. For a put: strike price minus futures price. For a call: futures price minus strike price.

INTRODUCING BROKER (IB)

A firm or individual that solicits and accepts orders to buy or sell futures or options on futures contracts from customers but does not accept money or other assets from such customers. An IB must be registered with the CFTC.

INVERTED MARKET

A futures market in which the relationship between two delivery months of the same commodity is abnormal.

INVESTIGATIVE AND HEARING COMMITTEES

The investigative and hearing committees of the Exchange are the Business Conduct Committee, the Clearing House Risk Committee, the Floor Conduct Committee, the Probable Cause Committee, Hearing Panels of the Board of Directors and such other committees created for this purpose by the Board.

INVISIBLE SUPPLY

Uncounted stocks of a commodity in the hands of wholesalers, manufacturers, and producers that cannot be identified accurately; stocks outside commercial channels but theoretically available to the market.

INVISIBLE SUPPLY

Uncounted stocks of a commodity in the hands of wholesalers, manufacturers and producers which cannot be identified accurately; stocks outside commercial channels but theoretically available to the market.

IN-WELL TRANSFER

An inventory transfer of propane held in underground caverns or storage.

J

JET FUEL

Kerosene-type; high-quality kerosene product used primarily as fuel for commercial turbojet and turboprop aircraft engines.

JOBBER

A middleman. A gasoline jobber, for example, might buy from refiners and would resell to small distributors or consumers.

JOULE

A metric unit of energy.

K

KAPPA

A measure of the rate of change in an option's theoretical value for one-unit change in the volatility assumption.

KARAT

A measure of the purity of gold. Pure gold is 24-karat.

KEY REVERSAL

A chart formation that signals a reversal of the current trend. In an uptrend, the market must open above the previous day's close, make a new high for the trend and then close below the previous day's low. In a downtrend, the market must open below the previous day's close, make a new low for the trend and then close higher than the previous day's high. Key reversals on days of high volume are given more weight than others.

KILOWATT (KW)

One thousand watts.

KILOWATT HOUR (KWH)

Amount of electricity needed to light ten 100-watt light bulbs for a one-hour period. One thousand watts used for one hour.

L

LAGGING INDICATORS

Market indicators showing the general direction of the economy and confirming or denying the trend rather than predicting its direction as implied by the leading indicators. Also referred to as concurrent indicators.

LANDED PRICE (ENERGY)

The actual delivered cost of oil to a refiner, taking into account all costs from production or purchase to the refinery.

LAST INTENT DAY

The final day on which notices of intent to deliver on futures contracts may be presented to the Clearing House.

LAST INVENTORY DAY

The final day in which long firms need to report their long position via the CME Clearing deliveries system.

LAST NOTICE DAY

The final day on which notices of intent to deliver on futures contracts may be issued.

LAST TRADING DAY

The day on which trading ceases in futures contract for a particular contract month.

LEADING INDICATORS

Market indicators that signal the state of the economy for the coming months. Some of the leading indicators include: average manufacturing workweek, initial claims for unemployment insurance, orders for consumer goods and material, percentage of companies reporting slower deliveries, change in manufacturers' unfilled orders for durable goods, plant and equipment orders, new building permits, index of consumer expectations, change in material prices, prices of stocks, change in money supply.

LEAD MONTH

The most current contract month in which delivery may take place in physically delivered contracts or in which cash settlement may take place in cash-settled contracts.

LEASE (METALS)

Financial instrument based upon the contango in the gold or silver market to finance precious metals inventory.

LEG

Each component transaction of a spread or swap.

LEVERAGE

The ability to control large dollar amounts of a commodity with a comparatively small amount of capital.

LICENSED WAREHOUSES (METALS)

Warehouses which have been approved for the storage of copper deliverable against the COMEX Division copper futures contract.

LICENSED WEIGHMASTER (METALS)

An organization approved by the Exchange to witness and verify the weighing of copper delivered against the COMEX Division copper futures contract.

LIFTING (OIL)

Refers to tankers and barges loading cargoes of petroleum at a terminal or transshipment point.

LIGHT CRUDE

Crude oil with a low specific gravity and high API gravity due to the presence of a high proportion of light hydrocarbon fractions.

LIGHT ENDS

The more volatile products of petroleum refining, such as butane, propane, and ethane.

LIMIT MOVE

A contract's maximum price advance or decline from the previous day's settlement price permitted in one trading session, as determined by the exchange. See Price Limit.

LIMIT ORDER

A Limit order allows the buyer to define the maximum price to pay and the seller the minimum price to accept (the limit price). A Limit order remains on the book until the order is either executed, canceled or expires. Any portion of the order that can be matched is immediately executed.

LIQUEFIED NATURAL GAS (LNG)

Natural gas which has been made liquid by reducing its temperature to minus 258 degrees Fahrenheit at atmospheric pressure. Its volume is 1/600 of gas in vapor form.

LIQUEFIED PETROLEUM GAS (LPG)

Propane, butane, or propane-butane mixtures derived from crude oil refining or natural gas fractionation. For convenience of transportation, these gases are liquefied through pressurization.

LIQUID

A characteristic of a security or commodity market with enough units outstanding to allow large transactions without a substantial change in price. Institutional investors are inclined to seek out liquid investments so that their trading activity will not influence the market price.

LIQUIDATE

To offset an existing position.

LIQUIDITY

A condition that describes the ability to execute orders of any size quickly and efficiently without a substantial affect on the price. Institutional investors are inclined to seek out liquid investments so that their trading activity will not influence the market price.

LIQUIDITY DATA BANK

A computerized profile of CBOT market activity, used by technical traders to analyze price trends and develop trading strategies. There is a specialized display of daily volume data and time distribution of prices for every commodity traded on the Chicago Board of Trade.

LIVESTOCK CYCLE

A long, repeating pattern of increasing and decreasing livestock supply and prices.

LOAD (ENERGY)

The amount of power carried by a utility system or subsystem, or the amount of power consumed by an electric device, at a specified time. Load is also referred to as demand.

LOAD FOLLOWING

The daily varying of power output by a generator.

LOAN PROGRAM

A federal program in which the government lends money at preannounced rates to farmers and allows them to use the crops they plant for the upcoming crop year as collateral. Default on these loans is the primary method by which the government acquires stock of agricultural commodities.

LOCAL DISTRIBUTION COMPANY (LDC)

Company that distributes natural gas primarily to end-users. A gas utility.

LOCALS

Exchange members who trade for their own accounts and/or fill orders for customers.

LONDON INTER-BANK OFFERED RATE (LIBOR)

The price at which short term deposits are traded among major banks in London. Basically, the interest rate that banks charge each other for loans (usually in Eurodollars). The LIBOR is officially fixed once a day by a small group of large London banks, but the rate changes throughout the day.

LONG

One who has bought futures or options contracts to create an open position or owns a cash commodity. Opposite of Short.

LONG CASH

To own the physical commodity.

LONG HEDGE

The purchase of a futures contract in anticipation of an actual purchase in the cash commodity market. Used by processors or exporters as protection against an advance in the cash price. See hedge.

LONG POSITION

A market position in which the trader has bought a futures contract or options on futures contract that does not offset a previously established short position.

LONG THE BASIS

Position where a hedger is long the cash market and short in the futures market.

LOT

A unit of trading (used to describe a designated number of contracts). For example, a trade quantity of one equals a "one lot;" a trade quantity of four equals a "four lot." Also called cars.

LOW

The lowest price of the day for a particular futures contract.

M

MAINTENANCE MARGIN

See maintenance performance bond.

MAINTENANCE PERFORMANCE BOND

The minimum equity that must be maintained for each contract in a customer's account subsequent to deposit of the initial performance bond. If the equity drops below this level, a deposit must be made to bring the account back to the initial performance bond level.

MAJOR (ENERGY)

A term broadly applied to those multinational oil companies which by virtue of size, age, or degree of integration are among the preeminent companies in the international petroleum industry.

MANAGED ACCOUNT

An arrangement by which the owner of the account gives written power of attorney to someone else, usually the broker or a commodity trading advisor, to buy and sell without prior approval of the account owner. Often referred to as a discretionary Account.

MANAGED FUTURES

The term managed futures describes an industry comprised of professional money managers known as commodity trading advisors (CTAs). These trading advisors manage client assets on a discretionary basis using global futures markets as an investment medium. Trading advisors take positions based on expected profit potential. All CTAs involved must be registered with the Commodity Futures Trading Commission (CFTC), a US government regulatory agency. While many casual observers most closely associate managed futures and Commodity Trading Advisors with trend following, the reality is that the strategies and approaches within managed futures vary tremendously, and that the one common unifying these is that these managers trade highly liquid, exchange-traded instruments and deep foreign exchange markets. As a result, the terms many fund managers choose to implement, including lock-ups, gates, side pockets, and penalties for early redemptions, rarely apply to investments in managed futures. Liquidity and transparency also simplify risk management, and investing via separately managed accounts, a common practice among managed futures investors, mitigates the risk of fraud since investors retain custody of assets.

MARGIN

See Performance Bond.

MARGIN CALL

See Performance Bond Call.

MARKET DATA APPLICATION PROGRAMMING INTERFACE (MD API)

Market Data Application Programming Interface, to be used in conjunction with CME's order entry APIs. Employs TIBCO technology. CME developed the Market Data API, which allows firms to receive real-time market data from the electronic markets, and at a later date, also from the open outcry markets.

MARKET-IF-TOUCHED (MIT)

An order that automatically becomes a market order if the price is reached. An MIT order to buy becomes a limit order if and when the instrument trades at a specific or lower trigger price; an MIT order to sell becomes a limit order if and when the instrument trades at a specified or higher trigger price. On CME Globex, this order type is only available via CME Globex Trader, which is scheduled to be decommissioned by the end of 2007.

MARKET MAKER

A firm or person with trading privileges on an exchange who has an obligation to buy when there is an excess of sell orders and to sell when there is an excess of buy orders. In the futures industry, this term is sometimes loosely used to refer to a floor trader or local who, in speculating for his own account, provides a market for commercial users of the market.

MARKET-ON-CLOSE (MOC)

An order submitted at any time within a trading session, but only executed on the close.

MARKET ORDER (MKT)

An order placed at any time during the trading session to immediately execute the entire order at the best available offer price (for buy orders) or bid price (for sell orders).

MARKET ON OPEN (MOO)

A market order entered before an opening, to be executed immediately upon the open of the trading session.

MARKETPLACE

An organized venue, apart from CME, for the trade of securities, commodities or derivative instruments including, but not limited to, futures, options, options on futures or Security Futures Products.

MARKET PROFILE

Market Profile is an analytical tool that organizes price and time information to reveal trends and patterns as they develop. Its ability to identify areas where price is being accepted and where price is being rejected allowing traders of any market to adjust their trading accordingly.

MARKET REPORTER

A person employed by the exchange and located in or near the trading pit who records prices as they occur during trading.

MARKET SEGMENT

A part of a market that relates to a place, an exchange authority, a type of security (equity / bond / option / future), and a list of securities with a given set of trading methods

MARKET VALUE

The current value of all commodities held in a performance bond account.

MARKET WITH PROTECTION

Electronic market orders at CME Group are implemented using a “Market with Protection” approach. Unlike a conventional Market order, where customers are at risk of having their orders filled at extreme prices, Market with Protection orders are filled within a predefined range of prices (the protected range). The protected range is typically the current best bid or offer, plus or minus 50 percent of the product’s No Bust range. If the entire order cannot be filled within the protected range, the unfilled quantity remains on the book as a Limit order at the limit of the protected range.

MARK-TO-MARKET

To debit or credit on a daily basis a margin account based on the close of that day’s trading session. In this way, buyers and sellers are protected against the possibility of contract default.

MATCHED TRADE

The execution of the buy and sell orders that together consummate a trade; consists of one or more contracts and occurs when the same price is specified by buy and sells orders, for a specified number of contracts.

MATURITY

Period within which a futures contract can be settled by delivery of the actual commodity; the period between the first notice day and the last trading day of a commodity futures contract.

MAXIMUM PRICE FLUCTUATION

The maximum amount the contract price can change up or down during one trading session, as stipulated by exchange rules. Consult CME Clearing contract specifications for specific price limit information.

MCF (ENERGY)

Initials for Thousand Cubic Feet, typically in reference to a quantity of natural gas.

MEGAWATT (MW)

One Million watts.

MEGAWATT HOUR (MWH)

Amount of electricity needed to light ten thousand 100-watt light bulbs for a one-hour period. One million watts used for one hour.

MEMBER

An individual owning or holding a membership in the Exchange.

MEMBER FIRM

An entity to which membership privileges on the Exchange have been conferred.

MEMBER PERFORMANCE BOND

The minimum equity that must be maintained for each contract in a member's account subsequent to deposit of the initial margin. Also see member rate.

MEMBERSHIP OR MEMBERSHIP INTEREST

The trading right associated with a Class B Share in any of the following classes: Class B-1 (CME Membership), Class B-2 (IMM Membership), Class B-3 (IOM Membership) and Class B-4 (GEM Membership). A membership or membership interest may only be purchased or sold with its associated Class B Share.

MIDDLE DISTILLATE

Hydrocarbons that are in the so-called "middle boiling range" of refinery distillation. Examples are heating oil, diesel fuels, and kerosene.

MILLION BRITISH THERMAL UNITS (MMBTU)

Approximately equal to a thousand cubic feet (Mcf) of natural gas. Also known as Dekatherm.

MINIMUM PRICE FLUCTUATION

The smallest increment of price movement possible in trading a given contract often referred to as a tick. The minimum unit by which the price of a commodity can fluctuate, as established by the Exchange.

MISCLEAR

The incorrect matching of trades between two brokers or between two clearing firms.

MONEY SUPPLY

The amount of money in the economy, consisting primarily of currency in circulation plus deposits in banks: M-1 U.S. money supply consisting of currency held by the public, traveler's checks, checking account funds, NOW and super-NOW accounts, automatic transfer service accounts, and balances in credit unions. M-2 U.S. money supply consisting M-1 plus savings and small time deposits (less than \$100,000) at depository institutions, overnight repurchase agreements at commercial banks, and money market mutual fund accounts. M-3 U.S. money supply consisting of M-2 plus large time deposits (\$100,000 or more) at depository institutions, repurchase agreements with maturities longer than one day at commercial banks, and institutional money market accounts.

MOTOR GASOLINE (MOGAS)

A complex mixture of relatively volatile hydrocarbons, with or without small quantities of additives, which have been blended to form a fuel suitable for use in spark-ignition engines.

MOTOR OIL

Refined lubricating oil, usually containing additives, used in internal combustion engines.

MOVING AVERAGE CHART

A chart recording moving averages (three-day, ten-day, etc.) of market prices.

MOVING AVERAGES

A statistical price analysis method of recognizing different price trends. A moving average is calculated by adding the prices for a predetermined number of days and then dividing by the number of days.

MUTUAL OFFSET SYSTEM (MOS)

In 1984 the CME and the Singapore Exchange (SGX) established a mutual offset agreement, which resulted in the implementation of the Mutual Offset System (MOS). In accordance with this agreement, trades executed on one exchange can be transferred to the books of a firm on the other exchange. Currently only Eurodollar, Euroyen, Euroyen LIBOR and Nikkei Yen futures are eligible contracts for MOS.

N

NAKED FUTURES POSITION

An open futures position that is not covered by an offsetting futures position or by an options contract against which it can be spread.

NAKED OPTIONS POSITION

An open options contract that is not covered by an offsetting position in the underlying futures commodity or by another options contract against which it can be spread.

NAPHTHENES

One of the three basic hydrocarbon classifications found naturally in crude oil. Naphthenes are widely used as petrochemical feedstocks.

NAPTHA

A volatile, colorless product of petroleum distillation. Used primarily as a paint solvent, cleaning fluid, and blendstock in gasoline production.

NARROW-BASED INDEX FUTURE

Refers to a futures contract based upon a Security Index that is considered narrow-based as defined in Section 1a(25) of the Commodity Exchange Act.

NATIONAL FUTURES ASSOCIATION (NFA)

The National Futures Association. NFA is an independent self-regulatory organization for the U.S. futures industry with no ties to any specific marketplace.

NATIONAL INTRODUCING BROKERS ASSOCIATION

Established in 1991—the National Introducing Brokers Association is one of the foremost, nationally recognized organizations representing professionals in the futures and options industry.

NATURAL GAS

A naturally occurring mixture of hydrocarbon and non-hydrocarbon gases found in porous rock formations. Its principal component is methane.

NATURAL GAS LIQUIDS (NGL)

A general term for all liquid products separated from natural gas in a gas processing plant. NGLs include propane, butane, ethane, and natural gasoline.

NEARBY

The nearest active trading month of a futures or options on futures contract. Also referred to as the lead month.

NEAR-THE-MONEY

The relationship between an option's strike price and the value of the underlying instrument, where the strike price is near the underlying instrument's current market price.

NEGATIVE YIELD CURVE

A chart in which the yield level is plot on the vertical axis and the term to maturity of debt instruments of similar creditworthiness is plotted on the horizontal axis. The yield curve is positive when long-term rates are higher than short-term rates. However, the yield curve is referred to as negative or inverted as short term rates begin to rise above longer term ones.

NEGOTIABLE WAREHOUSE RECEIPT

A legal document issued by a warehouse describing and guaranteeing the existence of a specific quantity (and sometimes a specific grade) of a commodity stored in the warehouse.

NETBACK (ENERGY)

Industry term referring to the net free on board cost of product offered on a delivered or cost, insurance, and freight basis. It is derived by subtracting all costs of shipment from the landed price.

NET CHANGE

The amount of increase or decrease from the previous trading period's settlement price.

NET MARGINING

A method by which a clearing firm's margins are based on the net position, e.g. the remaining position after netting long positions in a contract against the short positions in the customer origin. For example, if a firm had only two accounts for two customers in its customer segregated origin and one of those accounts had three open long positions and the other had two open short positions, the firm's margin would be based on the one net long position.

NET POSITION

The difference between the long contracts and the short contracts held in any one commodity.

NET POSITION

The difference between an individual or firm's open long contracts and open short contracts in any one commodity.

NOMINAL PRICE

The declared price for a futures month sometimes used in place of a closing price when no recent trading has taken place in that particular delivery month; usually an average of the bid and asked prices.

NON-ASSOCIATED GAS

Natural gas in a reservoir which contains no crude oil.

NON-FCM

A clearing member of the exchange that is not required to register with the CFTC as a futures commission merchant because it handles no U.S. customer business.

NON-MEMBER

Any Person who is not a Member of the Exchange

NON-MEMBER FIRM

An entity to which membership privileges on the Exchange have not been conferred.

NORTH AMERICA ELECTRIC RELIABILITY COUNCIL (NERC)

A group formed in 1968 by the electric utility industry to promote the reliability and adequacy of bulk power supply in the electric utility systems of North America. NERC consists of 10 regional reliability councils and encompasses essentially all the power regions of the contiguous United States, Canada, and Mexico.

NOT HELD

A discretionary note on an order telling the floor broker that he or she won't be held accountable if the trade is executed outside the requirements of the order.

NOTICE

Except as otherwise specifically provided, a notice in writing emailed to or personally served upon the person to be notified, left at his usual place of business during business hours or mailed by U.S. First Class Mail, Certified Mail, Registered Mail or by overnight delivery to his last known place of business or residence.

NOTICE DAY

The day the buyer with the oldest long position is matched with the seller's intent and both parties are notified of delivery obligations.

NOTIONAL VALUE

The underlying value (face value), normally expressed in U.S. dollars, of the financial instrument or commodity specified in a futures or options on futures contract.

O

OCTANE NUMBER

A measure of the resistance of gasoline to pre-ignite or knock when burned in an internal combustion engine.

OFFER (ASK OR SELL)

An offer to sell a specific quantity of a commodity at a stated price. (Opposite of a bid.)

OFF-PEAK (ENERGY)

The load for the remaining hours that are not on-peak (See on-peak).

OFFSET

To remove an open position from an account by establishing a position equal to or opposite the existing position, making or taking delivery, or exercising an option (i.e., selling if one has bought, or buying if one has sold).

OFFSETTING A HEDGE

For a short hedger, to buy back futures and sell a commodity. For a long hedger, to sell back futures and buy a commodity. Also called lifting a hedge.

OMNIBUS ACCOUNT

An account of one Futures Commission Merchant (FCM), the originating FCM, which resides on the books of another FCM (the carrying FCM), in which the transactions of two or more persons are combined and carried in the name of the originating FCM rather than in the name of the individual customers.

ON-PEAK (ENERGY)

Refers to hours of the business day when demand is at its peak. For example, the NYMEX Division California-Oregon border and Palo Verde electricity futures contracts define the on-peak period from the hour ending 0700 to the hour ending 2200 (6 A.M. to 10 P.M.), prevailing time. In the physical market, on-peak definitions vary by North America Electric Reliability Corporation region.

OPENING

The period at the beginning of the trading session officially designated by the exchange during which all transactions are considered made "at the opening."

OPENING PRICE

The price at which the first transaction was completed.

OPENING RANGE

The price range recorded during the period designated by the exchange as the official opening.

OPEN INTEREST

The total number of futures contracts long or short in a delivery month or market that has been entered into and not yet offset or fulfilled by delivery. Also known as Open Contracts or Open Commitments. Each open transaction has a buyer and a seller, but for calculation of open interest, only one side of the contract is counted.

OPEN MARKET OPERATION

The buying and selling of government securities Treasury bills, notes, and bonds by the Federal Reserve.

OPEN ORDER

An order that remains good until filled, canceled, or eliminated. See Good-'till-canceled

OPEN OUTCRY

A method of public auction for making bids and offers in the trading pits of futures exchanges.

OPEN POSITION

A long or short position that has not been liquidated.

OPTION CONTRACT

A contract that gives the bearer the right, but not the obligation, to be long or short a futures contract at a specified price within a specified time period. The specified price is called the strike price. The futures contract that the long may establish by exercising the option is referred to as the underlying futures contract.

OPTION ASSIGNMENT

See Assignment

OPTION BUYER

One who purchases an option and pays a premium.

OPTION PREMIUM

The price a buyer pays for an option. Premiums are arrived at through open competition between buyers and sellers on the trading floor of the exchange.

OPTION SELLER (WRITER)

One who sells an option and receives a premium.

OPTIONS SERIES

All options of the same class which share a common strike price.

OR BETTER ORDER (OB)

Order qualifier that instructs a broker to fill an order at a specific price or better.

ORDER

A request by a trader to buy or sell a given futures instrument with specified conditions such as price, quantity, type of order.

ORDER-CANCELS-ORDER (OCO)

An order qualifier that consists of two linked orders, typically (but not always) a Limit order and a Stop order, that both work until one order is filled, at which time the other order is canceled.

ORDER TO PAY

A payment guarantee provided by a buyer's (or in some cases, the seller's) paying bank to CME's agent bank to guarantee payment on a currency delivery transaction. Orders to Pay are due by 1:00 p.m. on the day following the last day of trading in currencies.

ORDER TYPES

ORDER TYPES

(Note that not all order types are eligible for execution in a trading pit on Globex and through open outcry. Additionally, order types eligible for both venues may have different meanings depending on whether the order is to be executed in a trading pit via open outcry or through Globex.)

OPEN OUTCRY ORDER TYPES

ALL-OR-NONE (AON) ORDER

An order to be executed in designated contracts in a trading pit via open outcry only for its entire quantity at a single price, with a size at or above a predetermined threshold.

DISREGARD TAPE (DRT) OR NOT-HELD ORDER

Absent any restrictions, a "DRT" (Not-Held Order) means any order giving a person complete discretion over price and time in execution of the order, including discretion to execute all, some, or none of the order. A member or clearing member shall not accept an order containing the phrase "with a tick, you are held" (or similar such language). It is understood that a floor broker may trade for his own account while holding such an order without violating Rule 530 ("Priority of Customers' Orders") provided the customer has previously consented in writing and evidence of such general consent is indicated on the order with the "WP" (with permission) designation.

An instruction to the clearing firm to enter a stop order after execution of a previous order has been achieved.

FILL OR KILL (FOK) ORDER

A designation, added to an order, instructing the broker to fill the order immediately in its entirety or not all. If the order is not filled immediately in its entirety, it is cancelled.

LIMIT ORDER

An order with instructions to be executed at a specific price ("limit price") or better.

MARKET (MKT) ORDER

An order with instructions to be executed upon receipt by a floor broker at the best available price.

MARKET IF TOUCHED (MIT) ORDER

A sell (buy) order placed above (below) the market which becomes a market order when the designated price is touched.

MARKET ON CLOSE (MOC) ORDER

An order to be executed as a market order only in the closing range.

ONE-CANCELS-OTHER (OCO) ORDER

A combination of two orders, in which the execution of either one automatically cancels the other.

OPEN ORDER (GOOD-TILL-CANCELLED)

An order which remains in force until cancelled. Without such designation, all unfilled orders are cancelled at the end of the Regular Trading Hours Session.

OPENING ONLY ORDER

An order that is to be executed during the time period designated by the Exchange as the Regular Trading Hours session opening range time period. Any remaining unfilled quantity not executed during the time period designated as the opening range will be deemed cancelled.

STOP ORDER

An order which becomes a market order when the price designated on the order (the "Stop Price") is elected as described below.

A "Buy Stop" order is placed above the market, and is elected only when the market trades at or above, or is bid at or above, the Stop Price. A "Sell Stop" order is placed below the market, and is elected only when the market trades at or below, or is offered at or below, the Stop Price.

STOP-CLOSE ONLY ORDER

A stop order which is in effect only during the closing range. It becomes a market order if, during the closing range, the market: (1) in the case of a Buy Stop-Close Only order, trades at or above, or is bid at or above the Stop Price; or (2) in the case of a Sell Stop-Close Only order, trades at or below, or is offered at or below the Stop Price.

STOP LIMIT ORDER

A stop order which becomes executable at its limit price or better, when and if the market: (1) in the case of a Buy Stop Limit order, trades at or above, or is bid at or above the Stop Price; or (2) in the case of a Sell Stop Limit order, trades at or below, or is offered at or below the Stop Price.

GLOBEX ORDER TYPES

The availability of specific Globex Order Types is dependent on the product, and not all Order Types are available for all products. Supported Order Types by Product are set forth in the Globex Reference Guide (<http://www.cmegroup.com/globex/files/GlobexRefGd.pdf>)

COMBINATION ORDER

A combination of buy and/or sell orders for the same account or accounts with the same ownership, except as provided by Rule 527, at a fixed differential or by some other appropriate pricing convention.

HIDDEN QUANTITY ORDER

An order which displays only a small portion of the order to the marketplace. When the displayed quantity has been filled, another portion of the order will then be displayed to the marketplace.

LIMIT ORDER

An order to be executed at a specific price ("limit price") or better.

MARKET WITH PROTECTION ORDER

An order to execute as much of order as possible at the best current offer price (for buy orders) or bid price (for sell orders) within a range of prices predefined by the Exchange (the protected range). Any quantity which cannot be filled within the protected range will remain in the order book as a limit order at the limit of the protected range.

MINIMUM QUANTITY ORDER

An order which is executed only if a certain minimum quantity of that order can be immediately matched.

STOP LIMIT ORDER

An order which becomes eligible for execution at its limit price or better when the market trades at or above the stop price in the case of a buy stop limit order or at or below the stop price in the case of a sell stop limit order.

STOP WITH PROTECTION ORDER

An order which becomes eligible for execution when the designated price (the stop price) is traded on Globex. Such orders are filled only within a range of prices predefined by the Exchange (the protected range). When the stop price is triggered, the order enters the order book as a limit order with the limit price equal to the trigger price plus or minus the predefined protected range. Any quantity which cannot be filled within the protected range will remain in the order book as a limit order at the limit price.

GLOBEX ORDER DURATION QUALIFIERS

An order eligible to be entered into Globex that does not contain a duration qualifier will be cancelled if not filled during the Trading Day in which it was received or, if it was received between Trading Days, during the next Trading Day. An order may specify one of the following duration qualifiers:

DAY

An order that will be canceled if not filled by the conclusion of the Globex trade date for which it was entered.

FILL AND KILL

An order immediately filled in whole or in part at the specified price, with any remaining quantity canceled or eliminated.

GOOD 'TILL CANCELED (GTC)

An order which will remain in force until executed, cancelled or the contract expires.

GOOD 'TILL DATE (GTD)

An order which will remain in force through a specified trade date unless executed or canceled, or until the contract expires.

ORIGIN

The type of account (house, customer, or customer non-segregated) for which a trade was executed. Also see segregation type.

OUTAGES

A planned outage is the shutdown of a generating unit, transmission line, or other facility for inspection and maintenance, in accordance with an advance schedule. A forced outage is the unplanned loss of service of a generating unit, transmission line, or other facility for purposes other than inspection and maintenance.

OUT-OF-THE-MONEY

A term used to describe an option that has no intrinsic value. A call option with a strike price higher (or a put with a strike price lower) than the current market value of the underlying futures commodity. Since it depends on current prices, an option can vary from in the money to out of the money with market price movements during the life of the options contract.

OVERBOUGHT

A technical opinion of a market which has risen too high in relation to underlying fundamental factors.

OVERSOLD

A technical opinion of a market which has fallen too low in relation to underlying fundamental factors.

OVER THE COUNTER (OTC) MARKET

A market in which custom-tailored contracts such as stocks and foreign currencies are bought and sold between counterparties and are not exchange traded.

P

PACKS

The simultaneous purchase or sale of an equally weighted, consecutive series of four futures contracts, quoted on an average net change basis from the previous day's settlement price. Packs provide a readily available, widely accepted method for executing multiple futures contracts with a single transaction.

PANEL

A subcommittee selected in accordance with committee procedure to adjudicate or make a particular determination. A decision of a panel shall be deemed a decision of the committee.

PANELIST

An individual appointed to an Exchange committee who is entitled to participate in a decision on any matter under consideration by the committee or panel thereof.

PAPER BARRELS

A term used to denote trade in non-physical oil (futures, forwards, swaps, etc.) markets which give a buyer or seller the right to a certain quantity and quality of crude oil or refined products at a future date, but not to any specific physical lot.

PAR GRADE

The grade or grades specified in a given futures contract for delivery. A contract may permit substitutions for and deviations from the par grade subject to specified premiums or discounts. Also known as Basis Grade.

PARTICIPATING EXCHANGE

An exchange or clearing house that has entered into a business relationship with the Exchange for clearing, order routing or any other business purpose.

PARTNER CLEARINGHOUSE

The term "Partner Clearinghouse" means a derivatives clearing organization or a clearinghouse which has agreed to act in concert with the Exchange to facilitate clearance of Security Futures Products as defined herein. A Partner Clearinghouse shall be considered a Clearing Member for purposes of the Rules except to the extent otherwise provided in an agreement between the Exchange and the Partner Clearinghouse.

PAYMENT-IN-KIND PROGRAM

A government program in which farmers who comply with a voluntary acreage-control program and set aside an additional percentage of acreage specified by the government receive certificates that can be redeemed for

government-owned stocks of grain.

PERFORMANCE BOND

The minimum amount of funds that must be deposited as a performance bond by a customer with his broker, by a broker with a clearing member or by a clearing member with the Clearing House.

PERFORMANCE BOND CALL

A request from a brokerage firm to a customer to bring performance bond deposits up to minimum levels or a request by CME Clearing to a clearing firm to bring clearing performance bonds back to levels required by the Exchange Rules. Most exchanges refer to this as a "margin call."

PERFORMANCE BOND TO CLEARING HOUSE

The minimum dollar deposit required by CME Clearing from its clearing members in accordance with their positions. This is one of the financial safeguards that help to ensure that clearing members (usually companies or corporations) perform on their customers' open futures and options contracts.

PERSON

It shall include the singular or plural, and individuals, associations, partnerships, corporations and trusts.

PETROCHEMICAL

An intermediate chemical derived from petroleum, hydrocarbon liquids, or natural gas, such as ethylene, propylene, benzene, toluene, and xylene.

PETROLEUM

A generic name for hydrocarbons, including crude oil, natural gas liquids, refined, and product derivatives.

PETROLEUM ADMINISTRATION FOR DEFENSE DISTRICTS (PADD)

The United States is divided into five distinct marketing regions in which prices might differ due to variations in the supply or demand.

PIN RISK

Typically at expiration, the risk to a trader who has sold an option that has a strike price identical to, or pinned to, the underlying futures price. In this case, the trader will not know whether he will be required to assume his options obligations.

PIPELINE

A pipe through which oil or natural gas is pumped between two points, either offshore or onshore.

PIT

The area on the trading floor of where trading in a specific futures or options contracts is conducted by open outcry.

PLAIN VANILLA SWAP

An individual simultaneously buys and sells the same amount of the same currency with the same counterparty, with the two legs of the transaction maturing on different dates and trading at different exchange rates.

POINT AND FIGURE CHART

A graph of prices charted where Xs denote price increases and Os represent price decreases. A method used by technical analyst to help anticipate price movement.

POSITION

An obligation to perform in the futures or options market. A long position is an obligation to buy at a specified date in the future. A short position is an obligation to sell at a specified date in the future. However a vast majority of all open positions are simply offset prior to expiration. See also call option and put option.

POSITION ADJUSTMENT

The position adjustment may increase or decrease a position in a given contract and origin by equal quantities long and short to correct discrepancies in position reporting. The adjustment is made to reconcile out of balance trade conditions between clearing records and transaction records.

POSITION LIMIT

The maximum number of speculative futures contracts one can hold as determined by the Commodity Futures Trading Commission and/or the exchange upon which the contract is traded. Also referred to as trading limits.

POSITION TRADER

A trader who takes a position in anticipation of a longer term trend in the market. Unlike a day trader a position trader hopes to maintain the position over a longer period of time.

POSTED PRICE (ENERGY)

The price some refiners will pay for crude of a certain API gravity from a particular field or area.

POUR POINT

A temperature 5 degrees Fahrenheit higher than the temperature at which crude oil or a refined product stops flowing.

POWER MARKETER

A wholesale power entity that has registered with the Federal Energy Regulatory Commission to buy and sell wholesale power from and to each other and other public entities at market-derived prices. Power marketing companies include investor-owned, utility-affiliated companies; natural gas marketing companies; financial intermediaries; independent power producers; and entrepreneurs. Typically, power marketers do not own generating facilities.

PREMIUM

(1) The price paid by the purchaser of an option to the grantor (seller);(2) The amount by which a cash commodity price trades over a futures price or another cash commodity price.

PRESIDENT

The president of the Exchange, or one duly authorized to act in lieu of and with the authority of the President.

PRESIDENT OF THE CLEARING HOUSE

The President of the Clearing House, or one duly authorized to act in lieu of and with the authority of the President of the Clearing House.

PRICE GAP

A chart pattern of the price movement of a commodity when the low price of one bar on a Bar Chart is higher than the high of the preceding bar (or inversely, the high is lower than the low of the preceding bar); depicting a price or price range where no trades take place. The price patterns are used by technical analysts to try to recognize changes in a price trend.

PRICE LIMIT

The maximum daily price fluctuations on a futures contract during any one session, as determined by the Exchange. (Also known as limit).

PRICE TRANSPARENCY

Market prices that are universally available in real time, where all market participants have equal access to the same markets and prices at the same time. This facilitates a fair and anonymous trading environment where the best bid and best offer have priority. A level playing field.

PRIMARY DEALER

A designation given by the Federal Reserve System to commercial banks or broker/dealers who meet specific criteria. Among the criteria are capital requirements and meaningful participation in the Treasury auctions.

PRIMARY MARKET

(1) For producers, their major purchaser of commodities; (2) in commercial marketing channels, an important center at which spot commodities are concentrated for shipment to terminal markets; and (3) to processors, the market that is the major supplier of their commodity needs.

PRIMARY STOCKS (ENERGY)

Stocks of crude oil or refined products held in storage at leases, refineries, natural gas processing plants, pipelines, tankfarms, and bulk terminals that can store at least 50,000 barrels of refined products.

PRIME RATE

Interest rate charged by institutional banks to their larger most creditworthy customers.

PROCESSING PLANT (ENERGY)

Plant which separates natural gas into methane and the various other gases (e.g., propane, butane, ethane).

PRODUCER PRICE INDEX (PPI)

A measure of the average change in prices received by domestic producers for their output. Most of the data is collected through a systematic sampling of producers in manufacturing, mining, and service industries, and is published monthly by the Bureau of Labor Statistics.

PROMPT BARREL (ENERGY)

Liquid petroleum product which will move or become available within three to four days.

PROPANE

A natural hydrocarbon occurring in a gaseous state under normal atmospheric pressure and temperature, however, propane is usually liquefied through pressurization for transportation and storage. Propane is primarily used for rural heating and cooking and as a fuel gas in areas not serviced by natural gas mains and as a petrochemical feed stock.

PUMP OVER (ENERGY)

An intra, or inter-facility transfer. For example, when one pipeline pumps crude oil or refined products from its tanks or mainline into the mainline or storage tank of the receiving pipeline.

PURCHASE AND SALES (P&S) STATEMENT

A statement issued by an FCM to a customer when his or her futures or options position has changed, showing the number of contracts involved, the prices at which the contracts were bought or sold, the gross profit or loss, the commission charges, and the net profit or loss on the transactions.

PURCHASE DATE

The date on which a long position, used to assign agricultural deliveries, is established on a clearing firm's books.

PURE HEDGER

A person who places a hedge to lock in a price for a commodity. He or she offsets the hedge and transacts in the cash market simultaneously.

PUT OPTION

A contract that provides the purchaser the right (but not the obligation) to sell a futures contract at an agreed price (the strike price) at any time during the life of the option. A put option is purchased in the expectation of a decline in price.

Q

QUALIFIER

The time for which the order is valid FAK, Session, FOK, Day, GTC, GTD. Validity field options. See CME Globex Order Duration Qualifiers

QUALIFYING FACILITY (QF)

A generator or small power producer that meets certain ownership, operating, and efficiency criteria established by the Federal Energy Regulatory Commission, and has filed with FERC for QF status or has self-certified. QFs are physical generating facilities.

QUANTITY

Number of units or lots of a futures contract. Sometimes also called size.

QUOTE

(1) The actual price, bid, or asked price of either cash commodities or futures contracts; (2) An indication of current bids and offers in the market on a particular instrument or spread.

QUOTE CURRENCY

Currency being used to pay for the transaction.

R

RALLY

A market reaction resulting in an upward movement of prices. The opposite of a decline.

RANGE

The difference between the highest and lowest prices recorded during a given time period, trend, or trading session.

RATIO SPREAD

This strategy, which applies to both puts and calls, involves buying or selling options at one strike price in greater number than those bought or sold at another strike price.

RECIPROCAL OF EUROPEAN TERMS

One method of quoting exchange rates, which measured the U.S. dollar value of one foreign currency unit, i.e., U.S. dollars per foreign units. See European Terms.

RECLAIM

An act carried out by a seller who has tendered a live cattle delivery certificate that the assigned buyer has retendered. A seller will do this to collect the retender fee. To reclaim, the original seller establishes a long position in the pit and submits a reclaim notice. If no one demands the certificate of delivery, the seller takes assignment of his own retendered certificate and collects the accrued retender fee, thus eliminating the delivery obligation.

REFERENCE PRICE

The price of future contract used as "reference" e.g., for determining an opening price, starting an algorithm, or figuring into an index; is usually the settlement price or last closing price.

REFERENCE REGULAR TRADING HOURS

For a contract's CME Globex trading hours on a given calendar day beginning after that contract's RTH session on that calendar day and ending no later than 4:00 p.m., Chicago time, on that same calendar day, the Reference Regular Trading Hours (RTH) Session is that contract's second-previous RTH session. For a contract's CME Globex trading hours beginning at or after 4:00 p.m., Chicago time, and ending no later than the start of that contract's next RTH session, the Reference Regular Trading Hours (RTH) Session is that contract's previous RTH session.

REFINER-DISTRIBUTOR

A company that acts as a wholesaler of gasoline, heating oil, or other products which operates its own refinery; may also retail and buy additional supplies to supplement its own refining output.

REFINERY

A company that acts as a wholesaler of gasoline, heating oil, or other products which operates its own refinery; may also retail and buy additional supplies to supplement its own refining output.

REFORMING PROCESS

The use of heat and catalysts to effect the rearrangement of certain hydrocarbon molecules without altering their composition appreciably; for example, the conversion of low-octane naphthas or gasolines into high-octane number products.

REGISTERED REPRESENTATIVE

A person employed by, and soliciting business for, a commission house or futures commission merchant. See also Associated Person.

REGULAR TRADING HOURS (RTH)

Those hours designated for open outcry trading of the relevant product as determined from time to time.

REPORTING LEVELS

Sizes of positions set by the exchanges and/or the CFTC at or above which commodity traders or brokers who carry these accounts must make daily reports about the size of the position by commodity, by delivery month, and whether the position is controlled by a commercial or non-commercial trader.

REPURCHASE AGREEMENT OR REPO

An agreement between a seller and a buyer, usually in U.S. government securities, in which the seller agrees to buy back the security at a later date.

REQUEST FOR QUOTE (RFQ)

An electronic message disseminated on Globex for the purpose of soliciting bids or offers for specific contract(s) or combinations of contracts.

RESERVE REQUIREMENTS

The minimum amount of cash and liquid assets as a percentage of demand deposits and time deposits that member banks of the Federal Reserve are required to maintain.

RESIDUAL FUEL OIL

Heavy fuel oil produced from the residue in the fractional distillation process rather than from the distilled fractions.

RESISTANCE LINE

The place on a chart where the selling of futures contracts is sufficient to halt a rise in prices.

RESTING ORDER

An order away from the market, waiting to be executed.

RETENDER

An act that an assigned long may perform to avoid obligation to receive delivery of live cattle. To avoid obligation, the assigned long must establish a short position on the business day following assignment and pay a retender fee.

RETRACEMENT

A price move in the opposite direction of a recent trend.

REVERSE CRUSH SPREAD

The sale of soybean futures and the simultaneous purchase of soybean oil and meal futures.

RISK

(1) The possibility of loss. (2) The dollar difference between the current price and the price at which the liquidation of open positions would occur. (3) The portion of the performance bond requirement associated with the likely worst case change in value from one day to the next.

ROLLOVER

As pertaining to an existing futures position, exiting your current delivery month and entering the next expiring month. For example, if long a December contract, offsetting that position (by selling) and entering a position in the next expiration (by buying).

ROUND-TURN

A completed transaction involving both a purchase and a liquidating sale, or a sale followed by a covering purchase. A round turn counts both the buy and the sell as one event. In a typical exchange volume measurement, a one-contract trade would be counted as one round turn (i.e., single event, same trade, different customers). From the customer's perspective, a round turn represents two filled orders from his or her brokerage firm - one to take a position and one to offset that position (i.e., same customer, different trades).

RULES

The Certificate of Incorporation, By-Laws, rules, interpretations, orders, resolutions, advisories, notices, manuals and similar directives of the Exchange, and all amendments thereto. The trading and clearing of all Exchange futures, options on futures, cleared-only and spot contracts shall be subject to the rules.

RUNAWAY GAP

A gap in prices after a trend has begun that signals the halfway point of a market move.

RUNNERS

Messengers who rush orders received by phone clerks to brokers for execution in the pit.

S

SCALP

To trade for small gains. Scalping normally involves establishing and liquidating a position quickly, usually within seconds.

SCALPER

A speculator on an exchange floor who trades in and out of the market on very small price fluctuations. The scalper, trading in this manner, provides market liquidity but seldom carries a position overnight.

SECONDARY MARKET

Market where previously issued securities are bought and sold.

SECURITY FUTURES PRODUCTS

A contract based on securities products as such term is defined by 1a(32) of the Commodity Exchange Act. Security Futures Products ("SFPs") include futures contracts based upon a single security (or "stock futures"); futures contracts based upon a narrow-based security index; and, options on any security futures as those terms are defined in Sections 1a(25) and 1a(31) of the Commodity Exchange Act.

SEGREGATION TYPE

The account which holds open position for customer (segregated), for the house (non-segregated), and for customer non-segregated origins.

SELLER

A person who takes a short futures position or grants (sells) a commodity option. An option seller is also called a marker, grantor, or granter, or writer.

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. Opposite of buyer's market.

SELLING CLIMAX

An extraordinarily high volume occurring suddenly in a downtrend, signaling the end of the trend.

SELLING HEDGE OR SHORT HEDGE

Selling futures contracts to protect against possible declining prices of commodities that will be sold in the future. At the time the cash commodities are sold, the open futures position is closed by purchasing an equal number and type of futures contracts as those that were initially sold. The practice of offsetting the price risk inherent in any cash market position by taking an equal but opposite position in the futures market. Hedgers use the futures markets to protect their business from adverse price changes.

SERIAL OPTIONS

Options for months for which there are no futures contracts. The underlying futures contract for a serial option month would be the next nearby futures contract.

SETTLEMENT PRICE

The official daily closing price of futures and options on futures contracts, as determined in accordance with Rule 813, used by the Clearing House for marking all open positions at the close of the daily settlement cycle.

SETTLEMENT VARIATION

The change in dollar amount calculated by the Clearing House for clearing members figured to the daily settlement price on the basis of their positions.

SHARES

A Seek Limit order has a price limit automatically assigned (up to the fifth best price level) to the order when sent and seeks to fill the entire quantity. Available only on CME Globex Trader.

SHORT

An open futures or options position where you have been a net seller. The opposite of being long.

SHORT HEDGE

The sale of a futures contract in anticipation of a later cash market sale. Used to eliminate or minimize the possible decline in value of ownership of an approximately equal amount of the cash financial instrument or physical commodity. See hedge.

SHORT-TERM INTEREST RATES

Interest rates on loan contracts--or debt instruments such as Treasury bills, bank certificates of deposit, or commercial paper--having maturities of less than one year. Often called money market rates.

SHORT THE BASIS

Position where a hedger is short the cash market and long the futures market.

SIDE

Each buy and sell represents $\frac{1}{2}$ of a trade. Every contract that trades has two sides - the buy side and the sell side. Taken together, these two sides equal one unit of volume known as a round turn.

SIDE-BY-SIDE TRADING

Where a single futures contract trades in two locations at the same time. Usually on a trading floor via open outcry as well as on an electronic trading platform.

SINGLE-STOCK FUTURES (SSF)

OneChicago, LLC is a joint venture created by Chicago Mercantile Exchange® (CME), Chicago Board of Options Exchange® (CBOE), and Chicago Board of Trade® (CBOT), to trade single stock futures (SSF) and narrow-based stock indexes.

SOUR GAS

Natural gas found with a sufficiently high quantity of sulfur to require purifying prior to shipment or use.

SOUR OR SWEET CRUDE

Industry terms which denote the relative degree of a given crude oil's sulfur content. Sour crude refers to those crudes with a comparatively high sulfur content, 0.5% by weight and above; sweet refers to those crudes with sulfur content of less than 0.5%.

SPAN® PERFORMANCE BOND SYSTEM

The Standard Portfolio Analysis of Risk (SPAN) Performance Bond System). A program that determines portfolio performance bond requirements for futures, options, cash, and other instruments. SPAN is a portfolio based approach to risk management and performance bond calculations. CME Clearing uses SPAN to calculate overnight margin for its clearing firms and clearing firms use SPAN to margin their customers.

SPARK SPREAD

The spark spread reflects the costs or anticipated costs of producing power from a specific facility. It can be used as a method of converting millions of Btus to megawatt hours and vice versa, and thus relates well to the electricity and natural gas futures contracts. The spread is simply the heat rate (a proxy for efficiency) of a specific generating unit or power system (the number of Btus needed to make one kilowatt hour of electricity), multiplied by the cost of energy expressed as dollars per British thermal units (Btus). For example, if it takes 10,000 Btus to make one kilowatt hour of electricity, the formula can be simplified by multiplying the price per million Btus (MMBtu) by 10 to equate one MMBtu of natural gas to one megawatt hour (Mwh) of electricity. The usefulness of the spread evaluation is dependent on the market price for power which reflects the relationship of the supply and demand for power, not the efficiencies of the generating units. Other costs affecting the price of power using the spark spread evaluation include those of gas transportation, power transmission, plant operations and maintenance, and fixed costs. Because the electricity futures contract is specified in lots of 736 megawatt hours, and the natural gas futures contracts are specified in units of 10,000 million Btus, one power contract equates to 0.736 natural gas contracts.

SPECIFICATIONS

1) Contract terms specified by the Exchange. 2) Term referring to the properties of a given crude oil or refined petroleum product, which are "specified" since they often vary widely even within the same grade of product. In the normal process of negotiation, seller will guarantee buyer that the product or crude to be sold will meet certain specified limits. Generally, the major properties of oil that are guaranteed are API gravity, sulfur, pour point, viscosity, and BS&W.

SPECIFIC GRAVITY

The ratio of the density of a substance at 60 degrees Fahrenheit to the density of water at the same temperature.

SPECULATIVE POSITION LIMIT

The maximum position, either net long or net short, in one commodity futures or options, or in all futures or options of one commodity combined, which may be held or controlled by an entity without a hedge exemption as prescribed by an exchange or the Commodity Futures Trading Commission

SPECULATOR

An individual who accepts market risk in an attempt to profit from buying and selling futures and/or options contracts by correctly anticipating future price movements.

SPOT

The actual physical commodity as distinguished from the futures contract that is based on the physical commodity. Also referred to as "cash commodity."

SPOT MARKET

The market in which cash transactions for the physical commodity occurs -- (cattle, currencies, stocks, etc.) are bought and sold for cash and delivered immediately.

SPOT MONTH

The contract month of a futures contract which is also the current calendar month.

SPOT PRICE

The price at which a physical commodity for immediate delivery is selling at a given time and place. The cash price.

SPREAD

The price difference between two contracts. Holding a long and a short position in two or more related futures or options on futures contracts, with the objective of profiting from a change in the price relationship.

SPREAD ORDER OR COMBINATION ORDER

A combination of buy and/or sell orders for the same account, except as provided by Rule 527, at the market, at a fixed differential or by some other appropriate pricing convention. Also referred to as a combination order.

STANDARD DEVIATION

A representation of the risk associated with a financial instrument (stocks, bonds, etc.) or a portfolio of investments. The larger the standard deviation in a given period, the greater implied risk. Risk is an important factor in determining how to efficiently manage investments and understanding the standard deviation gives investors a statistical basis for their decisions.

STEER/CORN RATIO

The relationship of cattle prices to feeding costs. It is measured by dividing the price of cattle (\$/hundredweight) by the price of corn (\$/bushel). When corn prices are high relative to cattle prices, fewer units of corn equal the dollar value of 100 pounds of cattle. Conversely, when corn prices are low in relation to cattle prices, more units of corn are required to equal the value of 100 pounds of beef. A ratio used to express the relationship of feeding costs to the dollar value of livestock.

STOCK INDEX

A statistic reflecting the composite value of a selected group of stocks. How a particular stock index tracks the overall market depends on the sampling of stocks, the weighing of individual stocks, and the method of averaging used to establish the index. Many indexes are used to benchmark the performance of portfolios such as mutual funds.

STOP CLOSE ONLY

A stop order that is executed only if the stop price is triggered during the closing range of the trading session.

STOP LIMIT ORDER

A resting Stop Limit order is triggered when the designated price is traded on the market. The order then enters the order book as a Limit order with the customer's specified limit price. The order is executed at all price levels between the trigger price and the limit price. If the order is not fully executed, the remaining quantity of the order remains in the market. A buy Stop Limit order must have a trigger price greater than the last traded price for the instrument. A sell Stop Limit order must have a trigger price lower than the last traded price.

STOP ORDER

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.

STOP WITH PROTECTION

Electronic stop orders at CME Group are implemented using a "Stop with Protection" approach. Unlike a conventional Stop order, where customers are at risk of having their orders filled at extreme prices, Stop with Protection orders are filled within a predefined range of prices (the protected range). A Stop with Protection order is triggered when the designated price is traded on the market. The order then enters the order book as a Limit order with the limit price equal to the trigger price, plus or minus the pre-defined protected range. The protected range is typically the trigger price, plus or minus 50 percent of the No Bust range for that product. The order is executed at all price levels between the trigger and limit price. If the order is not completely filled, the remaining quantity rests in the market at the limit price. A buy Stop order must have a trigger price greater than the last traded price for the instrument. A sell Stop order must have a trigger price lower than the last traded price.

STORAGE GAIN

The selling price received after storage minus the previous harvest market price.

STRADDLE

The purchase or sale of an equal number of puts and calls, with the same strike price and expiration dates. A long straddle is a straddle in which a long position is taken in both a put and a call option. A short straddle is a straddle in which a short position is taken in both a put and a call option.

STRANGLE

The purchase of a put and a call, in which the options have the same expiration and the put strike is lower than the call strike, called a long strangle. Also the sale of a put and a call, in which the options have the same expiration and the put strike is lower than the call strike, called a short strangle.

STRIKE PRICE

The terms "exercise price", "strike price" and "striking price" shall be synonymous and mean the price at which the futures contract underlying the options contract will be assigned upon exercise of the option. For options contracts which are exercised into multiple futures contracts, the exercise price represents the spread price differential between the futures contracts.

STRIKING PRICE

The terms "exercise price", "strike price" and "striking price" shall be synonymous and mean the price at which the futures contract underlying the options contract will be assigned upon exercise of the option. For options contracts which are exercised into multiple futures contracts, the exercise price represents the spread price differential between the futures contracts.

STRIP

The simultaneous purchase (or sale) of futures positions in consecutive months. The average of the prices for the futures contracts bought (or sold) is the price level of the hedge. A six-month strip, for example, consists of an equal number of futures contracts for each of six consecutive contract months. Also known as a calendar strip.

SUPPLY

The quantity of a commodity that producers are willing to provide to the market at a given price.

SUPPORT

The place on a chart where the buying of futures contracts is sufficient to halt a price decline.

SWAP (OTC)

A custom-tailored, individually negotiated transaction designed to manage financial risk, usually over a period of one to 12 years. Swaps can be conducted directly by two counterparties, or through a third party such as a bank or brokerage house. The writer of the swap, such as a bank or brokerage house, may elect to assume the risk itself, or manage its own market exposure on an exchange. Swap transactions include interest rate swaps, currency swaps, and price swaps for commodities, including energy and metals. In a typical commodity or price swap, parties exchange payments based on changes in the price of a commodity or a market index, while fixing the price they effectively pay for the physical commodity. The transaction enables each party to manage exposure to commodity prices or index values. Settlements are usually made in cash.

SWAPS

Simultaneous purchase and sale of currencies or interest rate products in spot and forward market transactions.

SYNTHETIC CALL OPTION

A combination of a long futures contract and a long put, called a synthetic long call. Also, a combination of a short futures contract and a short put, called a synthetic short call.

SYNTHETIC FUTURES

A combination of a put and a call with the same strike price, in which both are bullish, called synthetic long futures. Also, a combination of a put and a call with the same strike price, in which both are bearish, called synthetic short futures.

SYNTHETIC OPTION

A combination of a futures contract and an option, in which one is bullish and one is bearish.

SYNTHETIC PUT OPTION

A combination of a short futures contract and a long call, called a synthetic long put. Also, a combination of a long futures contract and a short call, called a synthetic short put.

SYNTHETIC SPOT

Futures price information that is consistent with spot market convention where positive or negative forward points are added to the futures price to produce an equivalent spot price.

T

TAG

With the FIX protocol, a delimited message component that contains a particular purpose-not just start or stop. Example: Tag 50 in a message indicates the real trader's ID, not just the company he or she works for.

TARGET PRICE

An expected selling or buying price. For long and short hedges with futures: futures price + expected basis. For puts: futures price - premium + expected basis. For calls: futures price + premium + expected basis.

TARIFF (ENERGY)

A schedule of rates or charges permitted a common carrier or utility; pipeline tariffs are the charges made by pipelines for transporting crude oil, refined products, or natural gas from an origin to a destination.

TAS

Trade at Settlement. A TAS is an order type that specifies the day's settlement price as the order price. This column represents the number of TAS transactions for the given date.

TECHNICAL ANALYSIS

An approach to forecasting commodity prices which examines patterns of price change, rates of change, and changes in volume of trading and open interest, without regard to underlying fundamental market factors.

TELESTAT

CME® TeleSTAT is an automated phone system that provides individual traders the ability to cancel and status CME Globex® orders. After entering a unique ID and PIN, users quickly navigate through the menu prompts to expedite their requests

TENDER (INTENT)

An intention to deliver, submitted to the Clearing House against a futures contract.

THEORETICAL VALUE

An option's value generated by a mathematical model given certain prior assumptions about the term of the option, the characteristics of the underlying futures contract, and prevailing interest rates.

THERM

100,000 British thermal units. A dekatherm is 1 million Btu's.

THETA

The measure of the change in an option's premium given a change in the option's time until expiration. Equal to the change in the option's premium divided by the change in time to expiration.

THROUGHPUT (ENERGY)

1) A term used to describe the total volume of raw materials that are processed by a plant such as an oil refinery in a given period. 2) The total volume of crude oil and refined products that are handled by a tank farm, pipeline, or terminal loading facility.

TICK

The minimum fluctuation in price allowed for a futures or options contract during a trading session as specified by the contract terms in CME Rulebook.

TICKER

Summarized display of almost instantaneous information on instruments of an exchange. Provides information on performed trades by displaying the instrument and the last trade price in scrolling mode.

TIME

Except as otherwise specifically provided, any reference to time shall mean local Chicago time.

TIME AND SALES DATA

Data that provides price and time information of every transaction throughout the day.

TIME DECAY

Decline in the theoretical value of an option position based solely on the passage of time.

TIME SPREAD

The selling of a nearby option and buying of a more deferred option with the same strike price. Also known as a Calendar or Horizontal Spread.

TIME-STAMPED

Part of the order-routing process in which the time of day is stamped on an order. An order is time-stamped when it is (1) received on the trading floor, and (2) completed (3) returned to the customer.

TIME VALUE

The amount by which an option's premium exceeds its intrinsic value. Usually relative to the time remaining before the option expires.

TOTAL RETURN ASSET CONTRACTS (TRAKRS)

Total Return Asset ContractsSM (TRAKRS) are designed to enable customers to track an index of stocks, bonds, currencies or other financial instruments. TRAKRS are futures contracts based on an index that is calculated on a total return basis. Declared dividends and other distributions are included in the calculation of the index.

TRADE

The term "trade" shall mean any purchase or sale of any commodity futures or options contract made on the Exchange.

TRADE BALANCE

The difference between a nation's imports and exports of merchandise.

TRADE DATE

The date on which a trade was executed.

TRADE PRICE

The price at which a trade was executed on the original trade date.

TRADER

(1) A person who takes positions in the futures market, usually without the intention of making or taking delivery; (2) A member of the exchange who buys and sells futures and options through the floor of the exchange. See "day trader", "floor broker", "position trader," and "scalper".

TRADING DAY

A trading day shall mean the hours of trading as determined by the board for each contract starting with the opening of trading and ending with the close of trading for such contract.

TRADING LIMIT

The maximum number of speculative futures contracts one can hold as determined by the Commodity Futures Trading Commission and/or the exchange upon which the contract is traded. Also referred to as position limit.

TRADING SESSION

A trading session will mean either the pit trading session (the hours designated for open outcry trading for a product) and/or the Globex session (the hours on a particular trading day when a product can be traded on Globex).

TRANSMISSION COMPANY (ENERGY)

Company that transports gas for resale on its own behalf or transports gas for others. Also known as a pipeline company.

TREASURY BILL

A Treasury bill is a short-term U.S. government obligation with an original maturity of one year or less. Unlike a bond or note, a bill does not pay a semi-annual, fixed rate coupon. A bill is typically issued at a price below its par value and is therefore a discounted instrument. The level of the discount depends on the level of prevailing interest rates. In general, the higher short-term interest rates are, the greater the discount. The return to an investor in bills is simply the difference between the issue price and par value.

TREASURY BOND

Government-debt security with a coupon and original maturity of more than 10 years. Interest is paid semiannually.

TREASURY NOTE

Government-debt security with a coupon and original maturity of one to 10 years.

TREND

The general direction of the market.

U

UNDERLYING

The stock, commodity, futures contract, or cash index against which a futures or options contract is valued.

UNDERLYING FUTURES CONTRACT

The futures contract that may be purchased (in the case of a call) or sold (in the case of a put upon the exercise of the option).

UPTREND

The ability to choose the legs of a spread if the spread is not identified by CME already.

USER DEFINED SPREADS

The ability to choose the legs of a spread if the spread is not identified by CME already.

UTI

Unique Trading Identifier. See "SLE user ID."

V

VARIATION

Payment made on a daily or intraday basis by a clearing member to the clearinghouse to cover losses created by adverse price movement in positions carried by the clearing member, calculated separately for customer and proprietary positions.

VEGA

The measure of the change in an option's premium for a 1% change in the volatility of the underlying futures contract. Equal to the change in premium divided by 1% change in volatility.

VERTICAL SPREAD

Buying and selling puts or calls of the same expiration month but having different strike prices.

VIRTUAL PRIVATE NETWORK (VPN)

A private data network that makes use of the public telecommunication infrastructure, maintaining privacy through the use of a tunneling protocol and security procedures.

VISCOSITY

A method of measuring a given liquid's resistance to flow, usually decreasing with increasing temperatures. Material with higher viscosity is more resistant to flow.

VOLATILITY

A measurement of the change in price over a given time period.

VOLATILITY QUOTE

An alternative means of quoting options, or combinations involving options, by bidding or offering the implied volatility. Any transactions quoted in volatility terms will be translated into price terms for clearing purposes by means of a standard options pricing model maintained and disseminated by the exchange.

VOLUME

The number of contracts in futures or options on futures transacted during a specified period of time.

W

WAREHOUSE RECEIPT

A document indicating a specific contract and location information of a commodity in storage; commonly used as the instrument of transfer of ownership in both cash and futures transactions.

WARRANT (METALS)

A document of title issued by a warehouse or depository for a specific lot of stored metal that meets the specifications of the corresponding Exchange metals futures contract. Metal that is "on warrant" is eligible for delivery against a short position on the Exchange.

WEST TEXAS INTERMEDIATE (WTI)

A grade of crude oil deliverable against the New York Mercantile Exchange light, sweet crude oil contract. Nominally, the benchmark crude of the U.S. oil industry.

WET BARREL (ENERGY)

A physical barrel of crude oil or refined product as opposed to a "paper barrel."

WET GAS

Natural gas containing condensable hydrocarbons.

WIRE HOUSE

An individual or organization that solicits or accepts orders to buy or sell futures contracts or options on futures and accepts money or other assets from customers to support such orders. Also referred to as "commission house" or Futures Commission Merchant (FCM).

WITH DISCRETION (DISC) OR DISREGARD THE TAPE (DRT)

A note on an order telling the floor broker to use his or her own good judgment in filling the order.

WRITER

The issuer or seller of an option contract.

X

Y

YARD

Market slang for a billion.

YIELD

1) A measure of the annual return on an investment expressed as a percentage. 2) The proportion of heavy or light products which can be derived from a given barrel of crude oil.

YIELD CHANGE

One day's change in the futures' interest rate - equal and opposite to change in the settlement price.

YIELD CURVE

A chart that graphically depicts the yields of different maturity bonds of the same credit quality and type. Yield is depicted on the vertical axis and maturity on the horizontal axis. A normal yield curve is upward sloping, with short-term rates lower than long-term rates. An inverted yield curve is downward sloping, with short-term rates higher than long-term rates. A flat yield curve occurs when short-term rates are the same as long-term rates.

YIELD-TO-MATURITY

The rate of return an investor receives if a fixed-income security is held to maturity.

Z

ZERO-SUM GAME

Type of game when one player gains only at the expense of another player.