

Chapter 102 Feeder Cattle Futures

10200. SCOPE OF CHAPTER

This chapter is limited in applications to futures trading of Feeder Cattle. The procedures for trading, clearing and settlement, and any other matters not specifically covered herein shall be governed by the Rules of the Exchange.

10201. COMMODITY SPECIFICATIONS ¹

Each futures contract shall be valued at 50,000 pounds times the CME Feeder Cattle Index™.

10202. FUTURES CALL

10202.A. Trading Schedule²

Futures contracts shall be scheduled for trading during such hours and for final settlement in such months as may be determined by the Board of Directors.

10202.B. Trading Unit ³

The unit of trading shall be 50,000 pounds of feeder steers.

10202.C. Price Increments

Minimum price fluctuations shall be in multiples of \$.00025 per pound.

10202.D. Daily Price Limits ⁴

There shall be a no trading at a price more than \$.030 per pound above or below the previous day's settlement price.

10202.E. Position Limits ⁵

No person shall own or control more than:

1. 1000 contracts long or short in any contract month;
2. 300 contracts long or short in the spot month during the last ten days of trading.

For positions involving options on Feeder Cattle futures, this rule is superseded by the option speculative position limit rule.

10202.F. Accumulation of Positions

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, shall be cumulated.

10202.G. Exemptions ⁶

The foregoing position limits shall not apply to bona fide hedging positions meeting the requirements of Regulation 1.3(z)(1) of the CFTC and the rules of the Exchange and shall not apply to other positions exempted pursuant to Rule 543.

10202.H. Termination of Trading ⁷

Trading shall terminate on the last Thursday of the contract month, except:

1. The November contract shall terminate on the Thursday prior to Thanksgiving Day, unless a holiday falls on that Thursday or on any of the four weekdays prior to that Thursday, in which case trading shall terminate on the first prior Thursday that is not a holiday and is not so preceded by a holiday. Weekdays shall be defined as Monday, Tuesday, Wednesday, Thursday and Friday.

¹ Revised June 1992; December 1998; February 2004; September 2004.

² Revised December 2001.

³ Revised June 1992; February 2004.

⁴ Revised November 2003; February 2004.

⁵ Revised February 1987; March 1988; August 1993; November 1996.

⁶ Revised September 1988.

⁷ Effective with November 1990 and all subsequent November contracts. Revised August 1999.

2. Any contract month in which a holiday falls on the last Thursday of the month or on any of the four weekdays prior to that Thursday shall terminate on the first prior Thursday that is not a holiday and is not so preceded by a holiday.

10202.I. Contract Modifications

Specifications shall be fixed as of the first day of trading of a contract, except that if any federal governmental agency issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules and all open and new contracts shall be subject to such government orders.

10203. SETTLEMENT PROCEDURES⁸

10203.A. Final Settlement

There shall be no delivery of feeder cattle in settlement of this contract. All contracts open as of the termination of trading shall be cash settled based upon the CME Feeder Cattle Index™ for the seven calendar days ending on the day on which trading terminates.

1. The Sample

The CME Feeder Cattle Index™ is based upon a sample of transactions from these weight/frame score categories: 650 to 849 pound Medium and Large Frame #1 feeder steers, and 650 to 849 pound Medium and Large Frame #1-2 feeder steers.

The sample consists of all feeder cattle auction, direct trade, video sale, and Internet sale transactions within the 12-state region of Colorado, Iowa, Kansas, Missouri, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas and Wyoming for which the number of head, weighted average price and weighted average weight are reported by the Agricultural Marketing Service of the USDA.

All direct trade reports shall be considered to be Friday transactions except for the mid-week Oklahoma Range Sales Report, which shall be considered to be Tuesday transactions.

Multiple day sales, for which separate weighted average reports are not issued for each day or it is not evident from the reports issued what cattle sold on which day, shall be included in the sample as if all transactions occurred the final day of the sale.

Saturday and Sunday sales shall be included in the sample as if all transactions occurred on Monday.

Reports that are designated as "preliminary" shall not be included in the sample, and no transactions from that location shall be used until a final report is issued.

Cattle identified in the report as being fancy, thin, fleshy, gaunt or full; having predominantly dairy, exotic or Brahma breeding; shall be excluded from the sample. Direct trade, video sale, and Internet sale transactions must be quoted on an FOB basis, 3% standing shrink or equivalent, with pickup within 14 days to be included in the sample.

2. The Calculation

The procedure for calculating the CME Feeder Cattle Index™ is as follows:

- a. For each of the relevant weight/frame score categories in each report:
 - i. the number of head is multiplied by the corresponding weighted average weight to obtain the total pounds sold in that weight/frame score category for that report; and
 - ii. the number of head is multiplied by the corresponding weighted average weight, and the resulting product is then multiplied by the corresponding weighted average price, to obtain the total dollars sold in that weight/frame score category for that report.
- b. For each report:
 - i. the total pounds sold in the relevant weight/frame score categories (i.e., the results from

⁸ Revised June 1992; November 1998; February 2004; September 2004.

- 1.a., above) are aggregated to obtain the total pounds sold for that report; and
- ii. the total dollars sold in the relevant weight/frame score categories (i.e., the results from 1.b., above) are aggregated to obtain the total dollars sold for that report.
- c. For all reports covering relevant transactions that occurred within the same seven calendar day period:
 - i. the total pounds (i.e., the results from 2.a., above) are aggregated to obtain the total pounds sold within the 12-state region during that seven calendar day period; and
 - ii. the total dollars (i.e., the results from 2.b., above) are aggregated to obtain the total dollars sold within the 12-state region during that seven calendar day period.
- d. The total dollars sold within the 12-state region during that seven calendar day period (i.e., the result from 3.b., above) is divided by the total pounds sold within the 12-state region during that same seven calendar day period (i.e., the result from 3.a., above) to obtain the CME Feeder Cattle Index™.

10203.B. - H.[Reserved]

10204.-07. [RESERVED]

10208. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES

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

(End Chapter 102)

INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER 102

INTERPRETATION OF RULE 10203.A.1 – FINAL SETTLEMENT, THE SAMPLE

In keeping with the requirements of Rule 10203.A.1, transactions for cattle reported by USDA-AMS as having an origin outside of the United States are excluded from the sample.