

Chapter 152 Lean Hog Futures

15200. SCOPE OF CHAPTER

This chapter is limited in application to futures trading of lean hogs. The procedures for trading, clearing and settlement, and any other matters not specifically covered herein shall be governed by the rules of the Exchange.

15201. COMMODITY SPECIFICATIONS ¹

Each futures contract shall be valued at 40,000 pounds times the CME Lean Hog Index®.

15202. FUTURES CALL ²

15202.A. Trading Schedule³

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.

15202.B. Trading Unit ⁴

The unit of trading shall be 40,000 pounds of lean value hog carcasses that fall within the packer base weight range.

15202.C. Price Increments

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

15202.D. Daily Price Limits ⁵

There shall be no trading at a price more than \$.030 per pound above or below the previous day's settlement price, except that there shall be no daily price limits in the spot month contract during the last 2 days of trading.

15202.E. Position Limits ⁶

No person shall own or control more than:

1. 4,100 contracts long or short in any contract month;
2. 950 contracts long or short in the expiring contract month as of the close of business on the fifth business day of the contract month.

For positions involving options on Lean Hogs futures, this rule is superseded by the option speculative position limit rule.

15202.F. Accumulation of Positions

For 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 having a proprietary or beneficial interest, shall be cumulated.

15202.G. Exemptions

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 559.

15202.H. Termination of Trading ⁷

Trading shall terminate on the tenth business day of the contract month.

¹ Revised November 1997.

² Daily trading limits eliminated August 4, 1978.

³ Revised December 2001.

⁴ Revised February 1990 effective with April 1991 and all subsequently listed contracts. Revised August 2002.

⁵ Revised May 1996, May 2006.

⁶ Revised December 1997; June 1998; July 1998; March 2000, March 2005, March 2006.

⁷ Revised October 1979; January 1990 revisions effective with February 1991 and all subsequently listed contracts.

15202.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.

15203. SETTLEMENT PROCEDURES ⁸**15203.A. Final Settlement**

There shall be no delivery of hogs in settlement of this contract. All contracts open as of the termination of trading shall be cash settled based upon the CME Lean Hog Index® for the two-day period ending on the day on which trading terminates.

1. The Sample⁹

The sample consists of all producer-sold negotiated and swine or pork market formula barrows and gilts purchased on a lean value direct basis by packers for which the head count, average net price and average carcass weight are reported in the "National Daily Direct Hog Prior Day Report-Slaughtered Swine" released by the USDA.

2. The Calculation ¹⁰

The procedure for calculating the CME Lean Hog Index is as follows, using data reported on two consecutive weekdays.

1. The daily head count for negotiated transactions is multiplied by the corresponding daily average carcass weight to obtain the negotiated daily total weight;
2. The daily head count for swine or pork market formula transactions is multiplied by the corresponding daily average carcass weight to obtain the swine or pork market formula daily total weight;
3. The daily totals for negotiated weight (i.e., the result from 1. above) and swine or pork market formula weight (i.e., the result from 2. above) are added to obtain the daily total weight;
4. The daily total weights (i.e., the result from 3. above) for two consecutively reported days are aggregated to obtain the two-day total weight;
5. The negotiated daily total weight (i.e., the result from 1. above) is multiplied by the corresponding daily average net price to obtain the negotiated daily total value;
6. The swine or pork market formula daily total weight (i.e., the result from 2. above) is multiplied by the corresponding daily average net price to obtain the swine or pork market formula daily total value;
7. The daily totals for negotiated value (i.e., the result from 5. above) and swine or pork market formula value (i.e. the result from 6. above) are added to obtain the daily total value;
8. The daily total values (i.e., the result from 7., above) for two consecutively reported days are aggregated to obtain the two-day total value; and
9. The two-day total value (i.e., the result from 8., above) is divided by the two-day total weight (i.e., the result from 4., above) to obtain the CME Lean Hog Index

For the purposes of this rule, Friday of one week and Monday of the following week shall be considered to be consecutive weekdays.

Also for the purposes of this rule, any days when the necessary data are not released by the USDA shall not be considered weekdays, in which case the first weekday immediately preceding and the first weekday immediately following such day(s) shall be considered two consecutive weekdays.

15203.B. - H. [Reserved]**15204.-07. [RESERVED]**

⁸ Revised November 1997.

⁹ Revised November 1979; January 1990 revisions effective with February 1991 and all subsequently listed contracts.

¹⁰ Revised June 1998.

15208. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES

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

(End Chapter 152)