



## Special Executive Report

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S-5810

July 5, 2011

### **Modification to Settlement Price Determinations in CME Random Length Lumber Futures**

Effective on August 8, 2011, CME Group will modify the manner in which settlement prices are determined in CME Random Length Lumber futures in an effort to incorporate all relevant bid, offer and trade prices in the calculation of the daily settlement price. As of August 8, 2011, daily settlement prices in CME Random Length Lumber futures will be determined pursuant to the following methodology:

- A volume weighted average price ("VWAP") of the trades executed in the pit for each contract month from 13:04:30 – 13:05:00 Central Time ("CT") will be calculated.
- A VWAP of the trades executed on CME Globex for each contract month from 13:04:30 – 13:05:00 CT will be calculated.
- The two VWAPs will be combined to produce a single VWAP settlement price for each contract month, which will then be rounded to the nearest tradable tick.
- In the absence of any trade activity in a given contract month, the bid that is higher than the last sale or prior day's settlement price or the offer that is lower than the last sale or prior day's settlement price in either trading venue from 13:04:30 – 13:05:00 CT will determine the daily settlement price for that contract month.
- In the absence of any trade activity or bid/ask in a given contract month during the current trading day, the daily settlement price will be determined by applying the net change from the preceding contract month to the given contract month's prior daily settlement price.

#### **Examples**

##### **Front Month – September 2011**

Globex: 50 contracts trade at a VWAP of 242.5

Floor: 100 contracts trade at a VWAP of 243

**The September 2011 daily settlement price is the combined VWAP of 242.8, calculated as:**

$$((50*242.5) + (100*243))/150 = 242.83$$

##### **Second month – November 2011**

Globex: 31 contracts trade at a VWAP of 251.3

Floor: 7 contracts trade at a VWAP of 251

**The November 2011 daily settlement is the combined VWAP of 251.2, calculated as:**

$$((31*251.3) + (7*251))/38 = 251.24$$

Third month – January 2012

Globex: No trades occurred.

Floor: 5 contracts trade at a VWAP of 263.2

**The January 2012 daily settlement price is the floor VWAP of 263.2, calculated as:**

$$((5*263.2) + (0*0))/5 = 263.2$$

Fourth month – March 2012

Globex: No trades occurred.

Floor: No trades occurred.

The prior day's settlement is 284. There is an active offer on CME Globex of 282.5 and an active offer in the pit of 282.3.

**The March 2012 daily settlement price is the best available offer of 282.3**

Fifth month – May 2012

Globex: No trades occurred and no active bids or offers on CME Globex.

Floor: No trades occurred and no active bids or offers in the pit.

The prior day's settlement was 299. The net change for the March 2012 contract (the immediately preceding contract month) is -1.7 from the previous day's settlement price.

**The May 2012 daily settlement price is the prior day's settlement price minus the net change in the March 2012 contract, or 297.3, calculated as:**

$$299 - 1.7 = 297.3$$

Questions regarding this Special Executive Report may be directed to the CME Globex Control Center at 312.456.2391 or in Europe at 44.207.623.4708.

For media inquiries concerning this Special Executive Report, please contact CME Group Corporate Communications at 312.930.3434 or [news@cmegroup.com](mailto:news@cmegroup.com).