

Special Executive Report

S-4868

May 26, 2009

Revisions to CME, CBOT and NYMEX Rule 813 ("Settlement Price")

In an effort to harmonize and streamline settlement rules, a completely harmonized Rule 813 ("Settlement Price") will be adopted across all the exchanges, effective June 1, 2009. The effective date coincides with new settlement procedures being adopted in certain contract months in NYMEX WTI Crude Oil, Natural Gas, Heating Oil, and RBOB futures contracts. Specific information concerning the new procedures is included in today's release of CME Group Special Executive Report S-4867.

Concurrent with the adoption of the harmonized rule on June 1, NYMEX and COMEX will eliminate all Settlement Committees currently responsible for determining settlement prices. Where and when appropriate, Exchange staff will obtain input from market participants; however the settlement process and final authority with respect to settlement prices will reside with staff.

The adoption of harmonized Rule 813 will have no effect on the methodologies presently employed to settle CME and CBOT contracts.

Information on the settlement price methodologies employed for each product is available in a Settlement Price Procedures document available on the CME Group website at the following address:

http://www.cmegroup.com/market-data/files/CME_Group_Settlement_Procedures.pdf

Rule 813. SETTLEMENT PRICE

Settlement prices shall be determined each business day for each product pursuant to one or more of the procedures set forth below. The settlement price shall be a price consistent with the minimum tick increment for the product; if the calculated settlement price is not a standard tick increment, the calculated settlement price will be rounded either to the nearest tick or to the tick closer to the previous day's settlement price. The procedure used to determine the settlement price of a product will depend on the product group, level of activity and liquidity during the defined closing time period, and the trading venue(s) used to derive the settlement.

1. **Midpoint of the Closing Range:** In products that use this procedure, the first trade and all subsequent trades, higher bids and lower offers that are quoted during the established closing time period will be included in the closing range. The midpoint of the high and low quotes in the closing range will be the settlement price. If no trade occurs during the defined closing period, the last quote of the day (trade, higher bid, lower offer) will be the settlement price. In the event there are no valid quotes during the day, the settlement price will be the prior day's settlement price.
2. **Volume-Weighted Average Price (VWAP) of the Closing Range:** In products that use this procedure, all outright trades that occur during the defined closing time period are utilized to calculate the VWAP for specified contract months and the VWAP will be the settlement price. If the open outcry venue is used to determine the settlement price, the VWAP may be estimated. The calculated or estimated VWAP of relevant spread trades that occur during the closing time period may be used to determine the settlement price of deferred or less actively traded contract months in products that use this procedure.

3. Bid/Ask Midpoint at the Close: In products that use this procedure, the midpoint of the bid-ask at the defined closing time will be the settlement price.
4. Option Settlements: Option settlements are derived from available market information including, but not limited to, outright trades, bids or offers during the close, relevant spread trades, bids or offers during the close, the settlement price of the underlying future and relevant relationships based on option pricing theory using option pricing models employed by the exchange.
5. For all contract months not determined by one of the methods set forth above, relevant spread relationships between contract months will be used to derive the settlement.
6. For all products that trade as both full-sized and mini-sized contracts, a single settlement price will be applicable to both the full-sized and mini-sized contracts, with necessary adjustments made to round to the nearest tradable price increment eligible in both contracts.
7. Unless otherwise specified in the contract terms or settled pursuant to one of the methods set forth above, contracts cleared through ClearPort Clearing will be settled by Staff based upon relevant market data including, but not limited to, cleared prices in the contract, pricing data obtained from market participants, the settlement prices of related products and any other pricing data from sources deemed to be reliable.
8. Notwithstanding the above, if a settlement price in any product, as derived by the normal methodology used for that product, is inconsistent with trades, bids or offers in other months/ strikes during the closing range, or other relevant market information, or if there is no relevant market activity, an Exchange official may establish a settlement price that best reflects the true market valuation at the time of the close.
9. For products cleared by the Clearing House on behalf of another entity, the settlement price shall be determined according to the rules of such entity.
10. Notwithstanding the above, in the case of inaccuracy or unavailability of a settlement price, or if a settlement price creates risk management concerns for the Clearing House, the Clearing House reserves the right to calculate settlement variation using an alternate price determined by the Clearing House.

Questions regarding this advisory may be directed to one of the following individuals:

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