

Special Executive Report

S-5016

September 28, 2009

REMINDER – LIVE CATTLE DELIVERY PROCEDURES

Market participants making deliveries against the CME Live Cattle Futures contract are reminded of their obligation to contact the delivery point and verify that it can accommodate a live-graded delivery on the corresponding delivery day, prior to tendering a Certificate of Delivery. This obligation is described in the final paragraph of Live Cattle Futures Rule 10104.A.:

10104. PROCEDURES FOR TENDER, DEMAND, RETENDER, RECLAIM, AND ASSIGNMENT OF CERTIFICATES OF DELIVERY

10104.A. Tendering a Certificate

(Prior text omitted)

The seller is responsible for determining, in advance of tendering a Certificate, if the delivery point stockyards will be able to accommodate a live-graded delivery on the sixth business day following the day of tender (fourth business day following the day of tender if tender is on or after the last trading day) should the buyer request one. If the buyer requests a live-graded delivery which the stockyards is unable to accommodate, then this will be deemed a failure by the seller to present a load of cattle for USDA grading under Rule 10103.B.8. In addition, the Exchange may prohibit deliveries on certain days for certain locations at which it deems deliveries would not be feasible due to auctions or other activities.

Due to potential conflicts with regularly scheduled auctions, most Live Cattle delivery points are not eligible to receive CME deliveries on at least one day each week. In addition, occasionally there may be special sales or other circumstances that temporarily reduce a delivery point's ability to accept Live Cattle deliveries on a particular day. For example, a delivery point might decline to schedule a Live Cattle delivery if it would interfere with an auction or other activity, or if the delivery point has already committed to a large number of Live Cattle deliveries and does not have sufficient capacity for any additional deliveries.

Failure by the seller to contact the delivery point and verify that it can accommodate a live-graded delivery, and the subsequent inability of the delivery point to accommodate a Live Cattle delivery after a Certificate of Delivery has been tendered, is considered to be a "failure by the seller to present a load of cattle" under Rule 10103. B.8. with a penalty on the seller of \$600 per delivery unit per day until the delivery can be completed.

If you have any questions regarding this matter, please contact Paul Peterson, Director, Commodity Research & Product Development Department, at (312) 930-4587 or paul.peterson@cmegroup.com