

New Settlement Process for CBOT Grains and Oilseeds

Frequently Asked Questions

June 22, 2012

Beginning June 25, 2012, settlements for CME Group's Chicago Board of Trade (CBOT) Agricultural Commodity products listed below will incorporate both Floor-based and CME Globex-based activity into the methodology used to determine the settlement price. This compilation of **Frequently Asked Questions** provides information concerning the new settlement process.

Included CBOT Grain and Oilseed Futures:	
Corn Futures	Wheat Futures
Soybean Futures	Soybean Oil Futures
Oat Futures	Soybean Meal Futures
Rough Rice Futures	

View detailed SER 6245-R at www.cmegroup.com/ser

1. What prices will be used to determine the settlement price for the designated lead contract?

The designated lead month will be settled to the volume-weighted average price ("VWAP") of all outright trades executed in the pit and on CME Globex from 13:59:00 - 14:00:00 Central Time ("CT").

Lead Month – March 2012

Settled based on outright trades on the Floor and CME Globex (blended VWAP)

Pit VWAP: 400 contracts trade at a VWAP of \$6.75½

CME Globex VWAP: 1000 contracts trade at a VWAP of \$6.76

March 2012 settlement: \$6.75¾ $((400 \times \$6.75\frac{1}{2}) + (1,000 \times \$6.76))/1400$

2. Which contract is the designated lead contract?

As is presently the case, the designated lead month for a product is generally the most active month and will shift as open interest and volume migrate during the contract lifecycle. Advance notification of changes to the designated lead month will be provided to the marketplace.

3. How will the settlement prices for months other than the designated lead month be calculated?

All months other than the designated lead month will settle chronologically based upon the VWAP of pit and CME Globex calendar spread transactions executed from 13:59:00 -14:00:00 CT. For example, in a March, May, July listing cycle in which the March contract is the designated lead month, the May contract will settle based on the VWAP of the March/May spreads, and the July contract will settle based on the VWAP of the March/July and May/July spreads.

Second Month – May 2012

Settled based on March/May trades on the Floor and CME Globex (blended VWAP)

Pit VWAP: 600 spreads trade at a VWAP of -12¾ cents

CME Globex VWAP: 300 spreads trade at a VWAP of -13 cents

Blended VWAP: -12¾ cents = ((600 x -12¾) + (300 x -13))/900

May 2012 settlement: \$6.88½ \$6.75¾ - (-12¾)

4. What if there is no spread trade for a contract month?

In the absence of relevant calendar spread trades, the midpoint of the calendar spreads' bid/ask in the pit and on CME Globex will be used to value the spread, provided that the width of the bid/ask is no greater than the pre-defined bid/ask width threshold established for that product.

In the absence of relevant calendar spread markets that meet bid/ask threshold, the net change of the previous contract month will be applied to determine the contract's settlement price. However, if a contract is initially settled to the net change of the previous month and there are posted markets at 14:00 in one or more calendar spreads with that contract as the nearby leg, then the settlement price will be adjusted on a subsequent iteration based upon the midpoint of the bid/ask of those calendar spreads, provided they meet the bid/ask threshold.

Third month – July 2012 (Initial)

Assume no March/July or May/July spreads were executed between 13:59 and 14:00, and that there was no bid/ask in those spreads less than or equal to the 12 tick bid/ask threshold for Corn futures.

Initial settlement is therefore based on the net change of the previous month, May 2012, which is applied to the prior day's July settlement.

May 2012 Net Change = +1¼

July 2012 Prior Day's Settlement = \$7.00

Initial July 2012 settlement: \$7.01¼ \$7.00 + 1¼

5. What is the Bid/Ask Width Threshold?

As noted above, a bid/ask width threshold has been established for each product that will determine, based on the bid/ask in the pit and on Globex at 14:00, whether a specific calendar spread may be used in the derivation of settlements in the absence of transactions. The Settlement staff reserves the right, in its sole discretion, to ignore bids or offers that are not transparently exposed for a sufficient period of time prior to 14:00.

Product	Maximum Spread Bid/Ask	Product	Maximum Spread Bid/Ask
Corn	12 ticks	Soybeans	20 ticks
Wheat	20 ticks	Soybean Meal	30 ticks
Rice	40 ticks	Soybean Oil	30 ticks
Oats	40 ticks		

6. What is the reassessment stage of determining settlements?

There may be time when, by following the process outlined above, we use a settlement based on the net change in the previous month. As we go through the process, and determine settlements where spreads are available, we will look to use this information to improve the validity of the previously calculated settlement price.

Reassessment of July 2012 Settlement

Because the July 2012 contract initially settled to the net change of the May 2012, a second review is performed which examines the bid/ask in spreads in which July was the nearby leg of the spread.

CME Globex July/Sep spread bid/ask at 13:59:59.999: -32/-30³/₄

Pit July/Sep spread bid/ask at close: -32¹/₄/-31

Best Bid/Ask at Close: -32/-31

Sep 2012 settled \$7.31. Midpoint of July/Sep spread market is -31¹/₂.

July 2012 settlement revised from \$7.01¹/₄ to \$6.99¹/₂: 7.31 – 31¹/₂

7. Will there still be a rotation in Soybean Oil and Soybean Meal?

Beginning June 25, the settlement period for Soybean Oil and Soybean Meal will be 13:59:00-14:00:00, and only trades and bid/ask information during that period will be used in the calculation of daily settlements. There will continue to be a closing rotation after 14:00 for outright contract months other than the designated lead month, and market on close (MOC) orders in those contract months entered for execution in the open outcry venue will continue to be executed during the rotation. However, activity during the rotation will not impact the determination of settlement prices.

8. Will there still be a post close session?

There will continue to be a three-minute post close session in the open-outcry venue that will begin as soon as practicable after the close of regular trading hours. During the post close session, trades may be executed at any price within the daily price limits for the contract. Activity during the post close session will not impact the determination of settlement prices

9. How does this work on Option Expiry Days?

Consistent with current practice, on option expiration days (including Crush option expiration days), when the designated lead month futures contract is not the expiring month, both the lead month and the expiring month will settle based on the VWAP of outright activity during the settlement period from 13:59:00 – 14:00:00. However, the settlements will be based upon the volume-weighted average price of activity in both the pit and on CME Globex during that period.

References to CME Clearing are to CME's U.S. Clearinghouse.

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