



Special Executive Report

DATE: May 30, 2018

SER#: 8161

SUBJECT: Increase in Daily Price Limits of the Random Length Lumber Futures Contract

Effective Wednesday, June 13, 2018, for trade date Thursday, June 14, 2018, Chicago Mercantile Exchange Inc. ("CME" or "Exchange") will amend Rule 20102.D. ("Daily Price Limits") of the Random Length Lumber Futures contract (the "Contract") (CME Globex Code: LBS; Clearing Code: LB; Rulebook Chapter 201) to increase the daily price limit of the Contract.

Specifically, the Exchange is increasing the daily price limit from \$10 per thousand board feet to \$15 per thousand board feet. The expanded price limit will move from \$15 per thousand board feet to \$25 per thousand board feet. Amendments to Rule 20102.D. are provided in Exhibit A below with additions underscored and deletions struck through.

The Exchange has identified that most recently, the Contract is trading at record high prices, and the current daily price limits are not wide enough to accommodate proper price discovery. The current daily price limits are \$10 per thousand board feet, expandable to \$15 per thousand board feet should the Contract be limit bid or limit offer for two (2) successive days. The level of these limits was appropriate when the Contract was trading at approximately \$300 per thousand board feet. It should be noted that the May 2018 and July 2018 contract months have been trading near \$600 per thousand board feet. The lead month of the Contract has settled at limit on nineteen (19) occasions in 2018. Thus far in May of 2018, the Contract has settled at the \$10 daily limit on nine (9) occasions, and has settled at the expanded \$15 daily limit on three (3) occasions.

The Exchange is considering additional amendments to the Contract and will conduct additional market outreach prior to implementing these amendments.

If you require any additional information, please contact Alison Coughlin at 312-338-7171 or via email at Alison.Coughlin@cmegroup.com or Candice Lucas at 312-930-3365 or via email at Candice.Lucas@cmegroup.com.

Exhibit A

(additions are **underscored**; deletions ~~struck through~~)

CME Rulebook Chapter 201 Random Length Lumber Futures

20102.D. Daily Price Limits

There shall be no price limit in the expiring month contract beginning on the first Business Day of the contract month.

There shall be a daily price limit of ~~\$40.00~~ **\$15.00** per thousand board feet above or below the previous day's settlement price.

If the contract nearest to expiration that is subject to a daily limit is quoted at the limit bid or limit offer as the last price in the designated settlement period, without regard to CME trading venue, for two successive days, then the price limit shall be raised to ~~\$45.00~~ **\$25.00** per thousand board feet for all contracts subject to a daily limit.

Unless the contract nearest to expiration that is subject to a daily price limit of ~~\$45.00~~ **\$25.00** is quoted at the limit bid or limit offer as the last price in the designated settlement period, without regard to CME trading venue and without regard to market direction, the price limits shall revert to ~~\$40.00~~ **\$15.00** per thousand board feet on the next Business Day.