



Special Executive Report

DATE: May 18, 2020

SER#: 8600

SUBJECT: Amendments to Daily Price Limit Rule of all Livestock and Dairy Futures Contracts

Pending Commodity Futures Trading Commission (“CFTC” or “Commission”) approval, Chicago Mercantile Exchange Inc. (“CME” or “Exchange”) will amend the Daily Price Limit Rule of all Livestock and Dairy contracts in the following table (the “Contracts”) as more specifically summarized further below (collectively, the “Rule Amendments”). The Exchange has requested the Commission’s expedited approval of the Rule Amendments. Pending CFTC approval, the Exchange may implement the Rule Amendments effective on Sunday, June 21, 2020 for trade date Monday, June 22, 2020.

Contract Title	Rulebook Chapter	Clearing Code	CME Globex Code	CME ClearPort Code
Lean Hog Futures	152	LN	HE	LN
Live Cattle Futures	101	48	LE	48
Feeder Cattle Futures	102	62	GF	62
Class III Milk Futures	52	DA	DC	DA
Cheese Futures	60	CSC	CSC	CSC
Block Cheese Futures	61	BLK	BLK	BLK
Dry Whey Futures	57	DY	DY	DY
Class IV Milk Futures	55	DK	GDK	DK
Cash-Settled Butter Futures	56	CB	CB	CB
Nonfat Dry Milk Futures	54	NF	GNF	NF

Summary of the Rule Amendments:

A. CME Livestock:

- Link Live Cattle and Feeder Cattle futures regarding when the daily limits are expanded and when they revert so that both contracts are always at initial price limits together or at expanded price limits together.
- Amend the methodology that triggers the expanded/reverted daily price limits from being based on the settlement from the front two (2) contract months in Live Cattle and Feeder Cattle futures to the front four (4) contract months of Live Cattle and Feeder Cattle futures.
- Include a price limit floor of \$3.00/cwt in Lean Hog futures.

B. CME Dairy:

- Add an expanded daily price limit in Class III & IV Milk futures of \$1.50/cwt.
- Amend how expanded limits are triggered in all CME Dairy futures contracts.
- Link Class III, Cash-Settled Cheese, Block Cheese, and Dry Whey futures price limits so that all contracts are always at initial price limits together or at expanded price limits together. Also link Class IV, Cash Butter, and Nonfat Dry Milk futures in the same manner.
- Remove the second expanded price limit in Cheese futures, Block Cheese futures, and Cash-Settled Butter futures.
- Increase the initial and expanded limits for Cash-Settled Butter futures from \$0.05 / \$0.10 to \$0.075 / \$0.150.

- Decrease the initial and expanded limits for Dry Whey futures from \$0.06 / \$0.12 to \$0.04 / \$0.08.
- Amend the methodology regarding reversion to initial limits from expanded limits in all CME Dairy futures contracts.

Should you have any questions regarding this Special Executive Report, please contact either: Jim Sullivan, Director, Commodity Research and Product Development, 312-930-2308, Jim.Sullivan@cmegroup.com, or Sarah Calhoun, Director, Livestock Products, 312-338-2888, Sarah.Calhoun@cmegroup.com or Joanna Litchfield, Manager, Dairy Products, 312-338-2653, Joanna.Litchfield@cmegroup.com.

For media inquiries concerning this Special Executive Report, please contact CME Group Corporate Communications at 312-930-3434 or news@cmegroup.com.

CME Rulebook

(additions underscoring; deletions ~~struck through~~)

Chapter 101 Live Cattle Futures

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10102.

TRADING SPECIFICATIONS

(FOR ALL CONTRACT MONTHS THROUGH DECEMBER 2020)

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10102.D. Daily Price Limits

With the exception of the last two trading days in the expiring contract month, there shall be a daily price limit of \$0.030 per pound above or below the previous day's settlement price.

~~In the event that one or both of the first two contract months settle at limit~~ **Should any Live Cattle futures contract month within the first four listed contracts subject to price limits settle at limit, or should any Feeder Cattle futures contract month within the first four listed contracts subject to price limits settle at limit,** the daily price limits for all contract months shall expand to \$0.045 per pound on the next business day.

~~If neither of the first two listed futures contract months settle at the expanded limit the next business day~~ **If none of the first four listed Live Cattle contracts subject to price limits settles at \$0.045 on the next business day, or if none of the first four listed Feeder Cattle contracts subject to price limits settles at \$0.0675 on the next business day,** daily price limits for all contract months shall revert back to \$0.030 per pound on the following business day. During the last two days of trading, the expiring contract month shall be excluded from triggering expanded limits.

During the last two trading days in the expiring contract month, there shall be a daily price limit of \$0.050 per pound above or below the previous day's settlement price. All other contract months remain subject to a \$0.030 per pound daily price limit or \$0.045 per pound price limit in the event the daily price limits have been expanded pursuant to the provisions set forth above.

[Remainder of Rule Unchanged.]

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10102.

TRADING SPECIFICATIONS

(FOR ALL CONTRACT MONTHS COMMENCING WITH FEBRUARY 2021 and BEYOND)

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10102.D. Daily Price Limits

With the exception of the last two trading days in the expiring contract month, there shall be a daily price limit of \$0.030 per pound above or below the previous day's settlement price.

~~In the event that one or both of the first two contract months settle at limit~~ **Should any Live Cattle futures contract month within the first four listed contracts subject to price limits settle at limit, or should any Feeder Cattle futures contract month within the first four listed contracts subject to price limits settle at limit,** the daily price limits for all contract months shall expand to \$0.045 per pound on the next business day.

~~If neither of the first two listed futures contract months settle at the expanded limit the next business day~~ **If none of the first four listed Live Cattle contracts subject to price limits settles at \$0.045 on the next business day, or if none of the first four listed Feeder Cattle contracts subject to price limits settles at \$0.0675 on the next business day,** daily price limits for all contract months shall revert back to \$0.030 per pound on the following business day. During the last two days of trading, the expiring contract month shall be excluded from triggering expanded limits.

During the last two trading days in the expiring contract month, there shall be a daily price limit of \$0.050 per pound above or below the previous day's settlement price. All other contract months remain subject to a \$0.030 per pound daily price limit or \$0.045 per pound price limit in the event the daily price limits have been expanded pursuant to the provisions set forth above.

[Remainder of Rule Unchanged.]

Chapter 102

Feeder Cattle Futures

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10202. TRADING SPECIFICATIONS

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10202.D. Daily Price Limits

There shall be a daily price limit of \$0.045 per pound above or below the previous day's settlement price.

~~In the event that one or both of the first two listed contract months settle at limit~~ **Should any Feeder Cattle futures contract month within the first four listed contracts subject to price limits settle at limit, or should any Live Cattle futures contract month within the first four listed contracts subject to price limits settle at limit,** the daily price limits for all contract months shall expand to \$0.0675 per pound on the next business day.

~~If neither of the first two listed futures contract months settle at the expanded limit the next business day~~ **If none of the first four listed Feeder Cattle contracts subject to price limits settles at \$0.0675 on the next business day, or if none of the first four listed Live Cattle contracts subject to price limits settles at \$0.045 on the next business day,** daily price limits for all contract months shall revert back to \$0.045 per pound on the following business day.

[[Remainder of Rule Unchanged.]

Chapter 152

Lean Hog Futures

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15202. TRADING SPECIFICATIONS (commencing April 13, 2020 and up to and including August 31, 2020)

15202.A. Trading Schedule

Futures contracts shall be scheduled for trading during such hours and for final settlement in such months as may be determined by the Exchange.

15202.B. Trading Unit

The unit of trading shall be 40,000 pounds of lean value hog carcasses.

15202.C. Price Increments

Minimum price fluctuations shall be in multiples of \$.00025 per pound.

15202.D. Daily Price Limits

There shall be no trading at a price more than \$0.0375 per pound above or below the previous day's settlement price, except that there shall be no daily price limits in the expiring month contract during the last 2 Trading Days. In the event that any of the first eight listed contract months settle at limit, the daily price limits for all contract months shall expand to \$0.0550 per pound on the next Business Day. If none of the first eight listed Lean Hog contracts subject to price limits settles at a price change equal to or greater than \$0.0375 on the next business day, daily price limits for all contract months shall revert back to \$0.0375 per pound on the following Business Day. During the last two days of trading, the expiring month contract shall be excluded from triggering expanded limits.

15202.E. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

15202.F. [Reserved]

15202.G. [Reserved]

15202.H. Termination of Trading

Trading shall terminate on the tenth Business Day of the contract month.

15202.I. [Reserved]

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15202. TRADING SPECIFICATIONS (commencing September 1, 2020 and beyond)

15202.A. Trading Schedule

Futures contracts shall be scheduled for trading during such hours and for final settlement in such months as may be determined by the Exchange.

15202.B. Trading Unit

The unit of trading shall be 40,000 pounds of lean value hog carcasses.

15202.C. Price Increments

Minimum price fluctuations shall be in multiples of \$.00025 per pound.

15202.D. Daily Price Limits

Daily price limits for Lean Hog futures are reset annually on the first trading day in September based on the following: Daily settlement prices are collected for the nearest August contract over 45 consecutive trading days before and including the tenth business day in July (Last Trade Date of the nearest July contract). The average price is calculated based on the collected settlement prices and then multiplied by 4.5 percent. The resulting number, or \$0.03 per pound, whichever is higher, rounded down to the nearest \$0.0025 per pound, will be the new initial price limits for Lean Hog futures and will become effective on the first trading day in September and will remain in effect through the last trading day in August of the following year. During the last two days of trading, the expiring contract month shall be excluded from triggering expanded limits.

There shall be no trading in Lean Hog futures at a price more than the initial price limit above or below the previous day's settlement price. Should any Lean Hog futures contract month within the first eight listed contracts subject to price limits settle at limit, the daily price limits for all contract months shall increase by 50 percent the next business day, rounded down to the nearest \$0.0025 per pound. If none of the first eight listed Lean Hog contracts subject to price limits settles at a price change equal to or greater than the initial price limit on the next business day, daily price limits for all contract months shall revert back to

the initial price limit the following business day. There shall be no price limits on the current month contract during the last two trading days.

15202.E. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

15202.F. [Reserved]

15202.G. [Reserved]

15202.H. Termination of Trading

Trading shall terminate on the tenth Business Day of the contract month.

15202.I. [Reserved]

[Remainder of Chapter Unchanged.]

Chapter 52 Class III Milk Futures

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5202. TRADING SPECIFICATIONS

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5202.D. Daily Price Limits

There shall be ~~no trading at a price more than~~ **a daily price limit of** \$0.75 per cwt. above or below the previous day's settlement price.

Should any Class III Milk futures contract month settle at limit, the daily price limits for all contract months shall expand to \$1.50 per cwt. on the next business day.

If none of the listed Class III Milk futures contracts settle at a price change equal to or greater than \$0.75 per cwt. on the next business day, daily price limits for all contract months shall revert back to \$0.75 per cwt. on the following business day.

Should any futures component of the Class III Crush (Class III, Cash-Settled Cheese, Block Cheese, and Dry Whey) trigger an expanded limit, the daily price limits for other futures components shall also expand on the same day. If no futures component settles at a price change equal to or greater than its respective initial price limit, daily price limits for all futures components of the Class III Crush shall revert back to their respective initial limits the following business day.

[Remainder of Rule Unchanged.]

Chapter 54

Nonfat Dry Milk Futures

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5402. TRADING SPECIFICATIONS

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5402.D. Daily Price Limits

There shall be no trading at a price more than a daily price limit of \$0.04 per pound above or below the previous day's settlement price, except that there shall be no daily price limits in the spot month.

~~If Should any Nonfat Dry Milk contract that is subject to a daily price limit settle on the limit bid or the limit offer at limit, the daily price limits for all contract months shall expand to \$0.08 per pound on the next business day. then the daily price limit shall be raised to \$0.08 per pound for all contracts subject to a daily limit. If none of the contracts that are subject to a daily price limit of \$0.08 settles at a limit bid or limit offer, the price, without regard to market direction, limits for all contracts subject to a daily limit shall revert to \$0.04 per pound on the next Business Day.~~

If none of the listed Nonfat Dry Milk futures contracts settle at a price change equal to or greater than \$0.04 per pound on the next business day, daily price limits for all contract months shall revert back to \$0.04 per pound on the following business day. During the spot month period, the expiring month contract shall be excluded from triggering expanded limits.

Should any futures component of the Class IV Crush (Class IV, Cash-Settled Butter, and Nonfat Dry Milk) trigger an expanded limit, the daily price limits for other futures components shall also expand on the same day. If no futures component settles at a price change equal to or greater than its respective initial price limit, daily price limits for all futures components of the Class IV Crush shall revert back to their respective initial limits the following business day.

[Remainder of Rule Unchanged.]

Chapter 55 Class IV Milk Futures

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5502. TRADING SPECIFICATIONS

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5502.D. Daily Price Limits

There shall be no trading at a price more than a daily price limit of \$0.75 per cwt. above or below the previous day's settlement price.

Should any Class IV Milk futures contract month settle at limit, the daily price limits for all contract months shall expand to \$1.50 per cwt. on the next business day.

If none of the listed Class IV Milk futures contracts settle at a price change equal to or greater than

\$0.75 per cwt. on the next business day, daily price limits for all contract months shall revert back to \$0.75 per cwt. on the following business day.

Should any futures component of the Class IV Crush (Class IV, Cash-Settled Butter, and Nonfat Dry Milk) trigger an expanded limit, the daily price limits for other futures components shall also expand on the same day. If no futures component settles at a price change equal to or greater than its respective initial price limit, daily price limits for all futures components of the Class IV Crush shall revert back to their respective initial limits the following business day.

[Remainder of Rule Unchanged.]

Chapter 56 Cash-Settled Butter Futures

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5602. TRADING SPECIFICATIONS

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5602.D. Daily Price Limits

There shall be no trading at a price more than ~~a daily price limit of \$0.05~~ **\$0.075** per pound above or below the previous day's settlement price, except that there shall be no daily price limits in the spot month.

~~If Should any Cash-Settled Butter contract that is subject to a daily price limit settle at limit on the limit bid or the limit offer, the daily price limits for all contract months shall expand to \$0.150 per pound on the next business day. then the daily price limit shall be raised to \$0.10 per pound for all contracts subject to a daily price limit.~~

If none of the listed Cash-Settled Butter futures contracts settle at a price change equal to or greater than \$0.075 per pound on the next business day, daily price limits for all contract months shall revert back to \$0.075 per pound on the following business day. During the spot month period, the expiring month contract shall be excluded from triggering expanded limits.

~~If, after the daily price limits have been increased to \$0.10 per pound, any contract that is subject to a daily price limit settles on the limit bid or the limit offer, then the daily price limit shall be raised to \$0.20 per pound for all contracts subject to a daily price limit.~~

~~If any contract that is subject to a daily price limit of \$0.20 does not settle at the limit bid or offer, the price limits shall revert to \$0.10 per pound on the next Business Day.~~

~~If any contract that is subject to a daily price limit of \$0.10 does not settle at the limit bid or offer, the price limits shall revert to \$0.05 per pound on the next Business Day.~~

Should any futures component of the Class IV Crush (Class IV, Cash-Settled Butter, and Nonfat Dry Milk) trigger an expanded limit, the daily price limits for other futures components shall also expand on the same day. If no futures component settles at a price change equal to or greater than its respective initial price limit, daily price limits for all futures components of the Class IV Crush shall revert back to their respective initial limits the following business day.

[Remainder of Rule Unchanged.]

Chapter 57 Dry Whey Futures

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5702. TRADING SPECIFICATIONS

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5702.D. Daily Price Limits

There shall be ~~no trading at a price more than~~ **a daily price limit of \$0.064** per pound above or below the previous day's settlement price, except that there shall be no daily price limits in the spot month.

~~If **Should any Dry Whey** contract that is subject to a daily price limit settle on the limit bid or the at limit offer **at limit**, then the daily price limit shall be raised to \$0.12 per pound for all contracts. If none of the contracts that are subject to a daily price limit of \$0.12 settles at the limit bid or offer, the price, without regard to market direction, limits for all contracts subject to a daily limit shall revert to \$0.06 per pound on the next Business Day.~~

If none of the listed Dry Whey futures contracts settle at a price change equal to or greater than \$0.04 per pound on the next business day, daily price limits for all contract months shall revert back to \$0.04 per pound on the following business day. During the spot month period, the expiring month contract shall be excluded from triggering expanded limits.

Should any futures component of the Class III Crush (Class III, Cash-Settled Cheese, Block Cheese, and Dry Whey) trigger an expanded limit, the daily price limits for other futures components shall also expand on the same day. If no futures component settles at a price change equal to or greater than its respective initial price limit, daily price limits for all futures components of the Class III Crush shall revert back to their respective initial limits the following business day.

[Remainder of Rule Unchanged.]

Chapter 60 Cheese Futures

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6002. TRADING SPECIFICATIONS

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6002.D. Daily Price Limits

There shall be ~~no trading at a price more than~~ **a daily price limit of \$0.075** per pound above or below the previous day's settlement price, except that there shall be no daily price limits in the spot month.

~~If **Should any Cash-Settled Cheese** contract that is subject to a daily price limit settle **at limit, the daily price limits for all contract months shall expand to \$0.150 per pound on the next business day.** on the limit bid or the limit offer, then the daily price limit shall be raised to \$0.15 per pound for all contracts subject to a daily price limit.~~

If none of the listed Cash-Settled Cheese futures contracts settle at a price change equal to or greater than \$0.075 per pound on the next business day, daily price limits for all contract months shall revert back to \$0.075 per pound on the following business day. During the spot month period, the expiring month contract shall be excluded from triggering expanded limits.

~~If, after the daily price limits have been increased to \$0.15 per pound, any contract that is subject to a daily price limit settles on the limit bid or the limit offer, then the daily price limit shall be raised to \$0.30 per pound for all contracts subject to a daily price limit.~~

~~If any contract that is subject to a daily price limit of \$0.30 does not settle at a limit bid or limit offer, without regard to market direction, the price limits shall revert to \$0.15 per pound the next Business Day.~~

~~If any contract that is subject to a daily price limit of \$0.15 does not settle at a limit bid or limit offer, without regard to market direction, the price limits shall revert to \$0.075 per pound the next Business Day.~~

Should any futures component of the Class III Crush (Class III, Cash-Settled Cheese, Block Cheese, and Dry Whey) trigger an expanded limit, the daily price limits for other futures components shall also expand on the same day. If no futures component settles at a price change equal to or greater than its respective initial price limit, daily price limits for all futures components of the Class III Crush shall revert back to their respective initial limits the following business day.

[Remainder of Rule Unchanged.]

Chapter 61 Block Cheese Futures

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6102. TRADING SPECIFICATIONS

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6102.D. Daily Price Limits

~~There shall be no trading at a price more than~~ **a daily price limit of** \$0.075 per pound above or below the previous day's settlement price, except that there shall be no daily price limits in the spot month.

~~If **Should any Block Cheese** contract that is subject to a daily price limit settle **at limit, the daily price limits for all contract months shall expand to \$0.150 per pound on the next business day.** on the limit bid or the limit offer, then the daily price limit shall be raised to \$0.15 per pound for all contracts subject to a daily price limit.~~

If none of the listed Block Cheese futures contracts settle at a price change equal to or greater than \$0.075 per pound on the next business day, daily price limits for all contract months shall revert back to \$0.075 per pound on the following business day. During the spot month period, the expiring month contract shall be excluded from triggering expanded limits.

~~If, after the daily price limits have been increased to \$0.15 per pound, any contract that is subject to a daily price limit settles on the limit bid or the limit offer, then the daily price limit shall be raised to \$0.30 per pound for all contracts subject to a daily price limit.~~

~~If any contract that is subject to a daily price limit of \$0.30 does not settle at a limit bid or limit offer, without regard to market direction, the price limits shall revert to \$0.15 per pound the next Business Day.~~

~~If any contract that is subject to a daily price limit of \$0.15 does not settle at a limit bid or limit offer, without regard to market direction, the price limits shall revert to \$0.075 per pound the next Business Day.~~

Should any futures component of the Class III Crush (Class III, Cash-Settled Cheese, Block Cheese, and Dry Whey) trigger an expanded limit, the daily price limits for other futures components shall also expand on the same day. If no futures component settles at a price change equal to or greater than its respective initial price limit, daily price limits for all futures components of the Class III Crush shall revert back to their respective initial limits the following business day.

[Remainder of Rule Unchanged.]