



Special Executive Report

DATE: August 20, 2020

SER#: 8642

SUBJECT: Amendments to the Daily Price Limits Rule of the Live Cattle and Feeder Cattle Futures Contracts

Pending Commodity Futures Trading Commission (“CFTC” or “Commission”) approval, Chicago Mercantile Exchange, Inc. (“CME” or “Exchange”) will amend the Live Cattle and Feeder Cattle Futures contracts (the “Contracts”) effective on trade date Monday, October 5, 2020 as more specifically summarized below.

Contract Title	Rulebook Chapter	Clearing Code	CME Globex Code	CME ClearPort Code
Live Cattle Futures	101	48	LE	48
Feeder Cattle Futures	102	62	GF	62

Specifically, the Exchange intends to:

1. Amend Rules 10102.D. and 10202.D. (“Daily Price Limits”) to adjust the current, initial daily price limit for Live Cattle futures from \$0.03 to \$0.040 per pound and for Feeder Cattle futures from \$0.045 to \$0.05 per pound. Maintain the existing practice of establishing expanded price limit levels at 150 percent of initial price limit levels, which will result in an increase in the expanded price limit for Live Cattle from \$0.045 to \$0.06 per pound and an increase in the expanded price limit for Feeder Cattle from \$0.0675 to \$0.075 per pound;
2. Amend Rules 10102.D. and 10202.D. to replace the current fixed daily price limit regimes (consisting of a fixed price limit and expansion mechanism) with a variable price limit regime that will be price-based and reset annually. It will set the price limit levels for the Feeder Cattle futures contract at a ratio of 1.25 times the Live Cattle futures contract price limit levels. Lastly, it will establish a minimum initial price limit level of \$0.04 per pound for Live Cattle futures and \$0.05 per pound for Feeder Cattle futures. The mechanism herein is similar to the variable price limit mechanism that has been previously approved by the Commission and implemented by CME in April of 2020 for Lean Hog futures (see CME Submission No. 20-112);
3. Amend Rules 10102.D. and 10202.D. to clarify the reversion back to initial daily price limits once they are expanded. Currently, the rulebook language states that expanded limits revert back to initial limit levels on the following business day when none of the front four (4) contracts in Live and Feeder Cattle settle at the **expanded** limit. Pursuant to the amendments to the Rule, daily price limits will remain at expanded levels until all the front four contracts in Live and Feeder Cattle settle below their respective **initial** levels;
4. Make permanent the daily price limit expansion triggering mechanisms on the last trade of an expiring contract which were previously implemented on a temporary basis in June of 2020 (see CME Submission No. 20-212SSS); and
5. Correction of a typographical error to the existing rulebook language in Rules 10102.D. and 10202.D. regarding the existing reversion to initial limits once they are expanded (replacing the word “or” with the word “and”) (collectively, the “Rule Amendments”).

The Rule Amendments are provided in Appendix A below.

Pending CFTC approval, the Exchange intends to implement the Rule Amendments effective on Sunday, October 4, 2020 for trade date Monday, October 5, 2020.

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.

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

APPENDIX A

CME Rulebook

(additions underlined; deletions ~~overstruck~~)

(Effective on October 5, 2020 – pending CFTC approval.)

Chapter 101

Live Cattle Futures

10102. TRADING SPECIFICATIONS (FOR ALL CONTRACT MONTHS THROUGH DECEMBER 2020)

10102.A. Trading Schedule

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

10102.B. Trading Unit

The unit of trading shall be 40,000 pounds producing 65% Choice, 35% Select grade live steers or live heifers.

10102.C. Price Increments

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

10102.D. Daily Price Limits

There shall be no trading in Live Cattle futures at a price more than the price limit above or below the previous day's settlement price. With the exception of the last two trading days in the expiring contract month, there shall be an initial daily price limit of ~~\$0.030~~ \$0.040 per pound above or below the previous day's settlement price.

Should any Live Cattle futures contract month within the first four listed contracts subject to price limits settle at the initial limit, or should any Feeder Cattle futures contract month within the first four listed contracts subject to price limits settle at the initial limit, the daily price limits for all contract months shall expand to ~~\$0.0450~~ \$0.060 per pound on the next business day.

If none of the first four listed contract months for Live Cattle and Feeder Cattle futures contracts subject to price limits settle at a price change equal to or greater than their respective initial price limits ~~\$0.045~~ on the next business day, ~~or if none of the first four listed Feeder Cattle contracts subject to price limits settles at~~ daily price limits for all contract months shall revert back to ~~\$0.030 per pound~~ the initial daily price limit level 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~~ **\$0.040** per pound daily price limit or ~~\$0.045~~ **\$0.060** per pound price limit in the event the daily price limits have been expanded pursuant to the provisions set forth above.

If an expiring Live Cattle futures contract settles at its price limit on the day prior to the last trading day, the price limit for an expiring Live Cattle futures contract on the last trading day shall be two times the expanded price limit.

10102.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.

10102.F. [Reserved]

10102.G. [Reserved]

10102.H. Termination of Trading

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

10102.I. [Reserved]

10102. TRADING SPECIFICATIONS

(FOR ALL CONTRACT MONTHS COMMENCING WITH FEBRUARY 2021 AND BEYOND through May 31, 2021)

10102.A. Trading Schedule

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

10102.B. Trading Unit

The unit of trading shall be 40,000 pounds producing 70% Choice, 30% Select grade live steers or live heifers.

10102.C. Price Increments

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

10102.D. Daily Price Limits

There shall be no trading in Live Cattle futures at a price more than the price limit above or below the previous day's settlement price. With the exception of the last two trading days in the expiring contract month, there shall be an initial daily price limit of ~~\$0.030~~ **\$0.040** per pound above or below the previous day's settlement price.

Should any Live Cattle futures contract month within the first four listed contracts subject to price limits settle at the initial limit, or should any Feeder Cattle futures contract month within the first four listed contracts subject to price limits settle at the initial limit, the daily price limits for all contract months shall expand to ~~\$0.045~~ **\$0.060** per pound on the next business day.

If none of the first four listed contract months for Live Cattle and Feeder Cattle futures contracts subject to price limits settle at a price change equal to or greater than their respective initial price limits ~~\$0.045~~ on the next business day, ~~or if none of the first four listed Feeder Cattle contracts subject to price limits settles~~ at daily price limits for all contract months shall revert back to ~~\$0.030 per pound~~ the initial daily price limit level 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~~ **\$0.040** per pound daily price limit or ~~\$0.045~~ **\$0.060** per pound price limit in the event the daily price limits have been expanded pursuant to the provisions set forth above.

If an expiring Live Cattle futures contract settles at its price limit on the day prior to the last trading day, the price limit for an expiring Live Cattle futures contract on the last trading day shall be two times the expanded price limit.

10102.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.

10102.F. [Reserved]

10102.G. [Reserved]

10102.H. Termination of Trading

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

10102.I. [Reserved]

10102. TRADING SPECIFICATIONS

(FOR ALL CONTRACT MONTHS COMMENCING WITH THE JUNE 2021 CONTRACT AND BEYOND beginning on June 1, 2021)

10102.A. Trading Schedule

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

10102.B. Trading Unit

The unit of trading shall be 40,000 pounds producing 70% Choice, 30% Select grade live steers or live heifers.

10102.C. Price Increments

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

10102.D. Daily Price Limits

Daily price limits for Live Cattle futures are reset annually on the first trading day in June based on the following: Daily settlement prices are collected for the nearest June contract over 45 consecutive trading days before and including the last trading day in April (Last Trade Date of the nearest April contract). The average price is calculated based on the collected settlement prices and then multiplied by 4.25 percent. The resulting number rounded down to the nearest \$0.0025 per pound, or \$0.040 per pound, whichever is higher, will be the new initial price limits for Live Cattle futures and will become effective on the first trading day in June and will remain in effect through the last trading day in May of the following year.

There shall be no trading in Live Cattle futures at a price more than the price limit above or below the previous day's settlement price. Should any Live Cattle futures contract month within the first four listed contract months subject to price limits settle at limit, or should any Feeder Cattle futures contract month within the first four listed contract months subject to price limits settle at limit, the daily price limits for all contract months shall increase on the next business day by 50 percent, rounded down to the nearest \$0.0025 per pound.

If none of the first four listed contract months for Live Cattle and Feeder Cattle futures contracts subject to price limits settle at a price change equal to or greater than their respective initial price limits on the next business day, daily price limits for all contract months shall revert back to the initial price limit 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, the daily price limit shall be equal to the expanded price limit above or below the previous day's settlement price. All other contract months remain subject to an initial or expanded price limit pursuant to the provisions set forth above.

If an expiring Live Cattle futures contract settles at its price limit on the day prior to the last trading day, the price limit for an expiring Live Cattle futures contract on the last trading day shall be two times the expanded price limit.

10102.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.

10102.F. [Reserved]

10102.G. [Reserved]

10102.H. Termination of Trading

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

10102.I. [Reserved]

Chapter 102 Feeder Cattle Futures

10202. TRADING SPECIFICATIONS

(FOR ALL CONTRACT MONTHS through May 31, 2021)

10202.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.

10202.B. Trading Unit

The unit of trading shall be 50,000 pounds of feeder steers.

10202.C. Price Increments

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

10202.D. Daily Price Limits

There shall be no trading in Feeder Cattle futures at a price more than the price limit above or below the previous day's settlement price. There shall be an initial daily price limit of ~~\$0.045~~ \$0.050 per pound above or below the previous day's settlement price.

Should any Feeder Cattle or Live Cattle futures contract month within the first four listed contracts subject to price limits settle at limit settle at its initial price limit level, ~~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~~ \$0.075 per pound on the next business day.

If none of the first four listed Feeder Cattle and Live Cattle futures contract months subject to price limits settles at a price change equal to or greater than their respective initial price limits ~~\$0.0675~~ on the next business day, ~~or if none of the first four listed Live Cattle contracts subject to price limits settles at a price change equal to or greater than \$0.045 on the next business day~~, daily price limits for all contract months shall revert back to the initial daily price limit ~~\$0.045~~ per pound on the following business day.

If at the end of trade on the day prior to last trade day for an expiring Feeder Cattle futures contract, the CME Feeder Cattle Index differs from the settlement price of the expiring Feeder Cattle futures contract by an increment that exceeds the initial price limit (if under initial price limits), or if the CME Feeder Cattle Index differs from the settlement price of the expiring Feeder Cattle futures contract by an increment that exceeds the expanded price limit (if under expanded price limits), the price limits on the last trading day for the expiring Feeder Cattle futures contract shall be two times the expanded price limit.

10202.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.

10202.F. [Reserved]

10202.G. [Reserved]

10202.H. Termination of Trading

Trading shall terminate on the last Thursday of the contract month, except:

1. The November contract shall terminate on the Thursday prior to Thanksgiving Day, unless a holiday falls on that Thursday or on any of the four weekdays prior to that Thursday, in which case trading shall terminate on the first prior Thursday that is not a holiday and is not so preceded by a holiday. Weekdays shall be defined as Monday, Tuesday, Wednesday, Thursday and Friday.
2. Any contract month in which a holiday falls on the last Thursday of the month or on any of the four weekdays prior to that Thursday shall terminate on the first prior Thursday that is not a holiday and is not so preceded by a holiday.

10202.I. [Reserved]

10202. TRADING SPECIFICATIONS

(FOR ALL CONTRACT MONTHS beginning on June 1, 2021)

10202.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.

10202.B. Trading Unit

The unit of trading shall be 50,000 pounds of feeder steers.

10202.C. Price Increments

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

10202.D. Daily Price Limits

Daily price limits for Feeder Cattle futures are reset annually on the first trading day in June based on the price limit levels for Live Cattle futures (see CME Rulebook Chapter 10102.D. Daily Price Limits). Initial daily price limits for Feeder Cattle futures are set at 1.25 times the initial daily price limit level for Live Cattle futures, rounded down to the nearest \$.00025 per pound above or below the previous day's settlement price.

There shall be no trading in Feeder Cattle futures at a price more than the price limit above or below the previous day's settlement price. Should any Feeder Cattle or Live Cattle futures contract month within the first four listed contracts subject to price limits settle at its initial limit, the daily price limits for all contract months shall increase by 50 percent on the next business day, rounded down to the nearest \$.00025 per pound.

If none of the first four listed Feeder Cattle and Live Cattle contract months subject to price limits settle 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 on the following business day.

If at the end of trade on the day prior to last trade day for an expiring Feeder Cattle futures contract, the CME Feeder Cattle Index differs from the settlement price of the expiring Feeder Cattle futures contract by an increment that exceeds the initial price limit (if under initial price limits), or if the CME Feeder Cattle Index differs from the settlement price of the expiring Feeder Cattle futures contract by an increment that exceeds the expanded price limit (if under expanded price limits), the price limits on the last trading day for the expiring Feeder Cattle futures contract shall be two times the expanded price limit.

10202.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.

10202.F. [Reserved]

10202.G. [Reserved]

10202.H. Termination of Trading

Trading shall terminate on the last Thursday of the contract month, except:

1. The November contract shall terminate on the Thursday prior to Thanksgiving Day, unless a holiday falls on that Thursday or on any of the four weekdays prior to that Thursday, in which case trading shall terminate on the first prior Thursday that is not a holiday and is not so preceded by a holiday. Weekdays shall be defined as Monday, Tuesday, Wednesday, Thursday and Friday.
2. Any contract month in which a holiday falls on the last Thursday of the month or on any of the four weekdays prior to that Thursday shall terminate on the first prior Thursday that is not a holiday and is not so preceded by a holiday.

10202.I. [Reserved]