

Chapter 156 Pork Cutout Futures

15600. SCOPE OF CHAPTER

This chapter is limited in application to Pork Cutout futures. In addition to this chapter, Pork Cutout futures shall be subject to the general rules and regulations of the Exchange insofar as applicable.

For purposes of this chapter, unless otherwise specified, times referred to herein shall refer to and indicate Chicago time.

15601. CONTRACT SPECIFICATIONS

Each futures contract shall be valued at 40,000 pounds times the CME Pork Cutout Index®.

15602. TRADING SPECIFICATIONS

15602.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.

15602.B. Trading Unit

The unit of trading shall be 40,000 pounds of 215-pound, 55-56% lean pork carcasses with 0.55-0.70 inches of back fat at the last rib or equivalent.

15602.C. Price Increments

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

15602.D. Daily Price Limits (up to and including August 31, 2021)

There shall be no trading in Pork Cutout futures at a price more than \$0.045 per pound above or below the previous day's settlement price. Should any Pork Cutout futures contract month within the first eight listed contracts subject to price limits settle at limit, or should any Lean Hogs 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 expand to \$0.0675 per pound on the next business day. During the last five days of trading, the expiring contract month shall be excluded from triggering expanded limits.

If none of the first eight listed Pork Cutout contracts subject to price limits settles at a price change equal to or greater than \$0.045 per pound on the following business day, and if none of the first eight listed Lean Hogs contracts subject to price limits settles at a price change equal to or greater than the initial price limit the following business day, daily price limits for all contract months shall revert back to \$0.045 per pound on the following business day. There shall be no price limits on the expiring contract month during the last five trading days.

15602.D. Daily Price Limits (commencing September 1, 2021)

Daily price limits for Pork Cutout 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 5 percent. The resulting number, or \$0.045 per pound, whichever is higher, rounded down to the nearest \$0.0025 per pound, will be the new initial price limits for Pork Cutout 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 five days of trading, the expiring contract month shall be excluded from triggering expanded limits.

There shall be no trading in Pork Cutout futures at a price more than the initial price limit above or below the previous day's settlement price. Should any Pork Cutout futures contract month within the first eight listed contracts subject to price limits settle at limit, or should any Lean Hogs 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 Pork Cutout contracts subject to price limits settles at a price change equal to or greater than the initial price limit the following business day, and if none of the first eight listed Lean Hogs contracts subject to price limits settles at a price change equal to or greater than

the initial price limit the following business day, daily price limits for all contract months shall revert back to the initial price limit on the following business day. There shall be no price limits on the expiring contract month during the last five trading days.

15602.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.

15602.F. [Reserved]

15602.G. [Reserved]

15602.H. Termination of Trading

Trading shall terminate on the tenth Business Day of the contract month, 12:00 p.m.

15602.I. [Reserved]

15603. SETTLEMENT PROCEDURES

15603.A. Final Settlement

There shall be no delivery of pork carcasses in settlement of this contract. All contracts open as of the termination of trading shall be cash settled based upon the CME Pork Cutout Index® for the five-day period ending on the day on which trading terminates.

1. The Sample

The sample consists of the daily estimates by the USDA of the value of a 215-pound, 55-56% lean pork carcasses, with 0.55-0.70 inches of back fat at the last rib or equivalent and is based upon negotiated wholesale prices being paid for sub-primal pork cuts. The information upon which the estimates are made and the resulting values are reported daily by the USDA in the "NATIONAL DAILY PORK REPORT FOB PLANT – Negotiated Sales – Afternoon (LM_PK602)".

2. The Calculation

The procedure for calculating the CME Pork Cutout Index is as follows, using data reported on five consecutive weekdays.

- a. The most recent daily number of loads is multiplied by the corresponding daily carcass price to determine the daily value;
- b. The most recent daily value is added to the four previous consecutive daily values to determine the 5-day value;
- c. The most recent daily load count is added to the four previous consecutive daily load counts to determine the 5-day load count;
- d. The 5-day value (i.e. the result from b. above) is divided by the 5-day load count (i.e. the result from c. above) to obtain the CME Pork Cutout Index.

For the purposes of this rule, Friday of one week and Monday of the following week shall be considered to be consecutive weekdays.

Also for the purposes of this rule, any days when the necessary data are not released by the USDA shall not be considered weekdays, in which case the first weekday immediately preceding and the first weekday immediately following such day(s) shall be considered two consecutive weekdays.

15603.B. - H. [Reserved]

15604.-08. [RESERVED]

(End Chapter 156)