



## Special Executive Report

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S-7534

December 4, 2015

### **Revisions to CME Chapter 101 (“Live Cattle Futures”) Codifying Requirement for Delivery of U.S. Origin Cattle in Satisfaction of Delivery Obligations Attendant to All Currently Listed CME Live Cattle Futures Contract Months**

Effective on Friday, December 18, 2015, and pending all relevant CFTC regulatory review periods, Chicago Mercantile Exchange Inc. (“CME”) will amend CME Chapter 101 (“Live Cattle Futures”). The amendments will codify that all cattle delivered in satisfaction of delivery obligations attendant to all CME Live Cattle futures contract months with open interest must be born and raised exclusively in the U.S, which is all currently listed contract months through April 2017.

The amendments are intended to provide clarity as to the existing delivery requirements of the Live Cattle Futures contract in light of the possible repeal by the U.S. Congress of the Country of Origin Labeling (“COOL”) law for beef and pork and repeal of the corresponding implementing regulations by the U.S. Secretary of Agriculture. Recently, the World Trade Organization has ruled for the fourth time that the COOL law violates trade agreements with Canada and Mexico. Those countries are preparing trade sanctions in retaliation. The U.S. House of Representatives voted to repeal the COOL law and the matter is now before the U.S. Senate.

The amendments are being made as the timing of legislation and a final United States Department of Agriculture rule repealing COOL for beef and pork has not been determined, but we believe it important to provide certainty to the marketplace as to existent requirements. The purpose of these rule changes is to maintain the status quo in an uncertain policy environment, since the current U.S. origin requirement is dependent on COOL being in place.

During the next several months, we intend to engage with the industry to discuss whether non-U.S. origin cattle should be allowed for delivery against the CME Live Cattle futures contract for contract months subsequent to the April 2017 contract month. Until a determination is made, we will suspend listing additional CME Live Cattle futures and options contract months.

The amendments appear below, with additions underscored and deletions overstruck.

#### **Chapter 101 Live Cattle Futures**

##### **10100. SCOPE OF CHAPTER**

This chapter is limited in application to Live Cattle futures. In addition to this chapter, Live Cattle 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.

#### 10101. CONTRACT SPECIFICATIONS

Each futures contract shall be for 55% Choice, 45% Select, Yield Grade 3 live steers or live heifers, as defined by the United States Department of Agriculture (USDA) "Official United States Standards for Grades of Slaughter Cattle", or producing 55% Choice, 45% Select, Yield Grade 3 steer or heifer carcasses, as defined by "Official United States Standards for Grades of Carcass Beef". All cattle must be born and raised exclusively in the United States and delivering sellers must sign an Exchange affidavit attesting that the cattle were born and raised in the United States. The affidavit is to be considered part of the Certificate of Delivery and must accompany the Certificate at all times.

[Rules 10102 – 10105 are unchanged.]

#### INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER 101

In response to the regulations issued on January 12, 2004 by the United States Department of Agriculture, Food Safety and Inspection Service ("USDA-FSIS"), in Docket No. 03-025IF, and supplemented in USDA FSIS Notice 05-04, issued on January 12, 2004, any and all cattle aged 30 months or more are not deliverable for either live or carcass delivery pursuant to Rules 10103.B. and 10103.C.

~~All rules in this chapter shall be read to include the following:~~

~~IF THE SECRETARY OF AGRICULTURE HAS ISSUED REGULATIONS, IN ACCORDANCE WITH 7 USC 1638C, REQUIRING COUNTRY OF ORIGIN LABELING FOR BEEF AND THOSE REGULATIONS ARE, OR ARE SCHEDULED TO BECOME, EFFECTIVE AT ANY TIME DURING THE DELIVERY PERIOD, ALL CATTLE IN THE DELIVERY UNIT MUST BE BORN AND RAISED EXCLUSIVELY IN THE UNITED STATES. THE SELLER MUST TENDER DOCUMENTATION THAT CONFORMS TO INDUSTRY STANDARDS AT THE TIME OF DELIVERY VERIFYING COUNTRY OF ORIGIN INFORMATION REQUIRED BY THE REGULATION.~~

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