



Special Executive Report

S-7740

September 8, 2016

Amendments Final Settlement Procedures of the Lean Hog Futures Contract

Effective Tuesday, October 11, 2016 for trade date Wednesday, October 12, 2016, pending all relevant CFTC regulatory review periods, Chicago Mercantile Exchange Inc. ("CME" or "Exchange") will amend Rule 15203.A. ("Settlement Procedures") Lean Hog Futures contract (Rulebook Chapter: 152, Commodity Code: HE) to include negotiated formula purchases.

On September 30, 2015, the negotiated formula purchase type was created when the Livestock Mandatory Reporting program was reauthorized.

Commencing on Wednesday, October 12, 2016, the United States Department of Agriculture, Agricultural Marketing Service (AMS) LM_HG201 "National Daily Direct Hog Prior Day Report" (the "Report") will include the negotiated formula purchases. As a result, CME will concurrently incorporate negotiated formula purchases into the final settlement calculation methodology for all listed months of the Contract and commencing with the October 2016 contract month and beyond.

Amendments to Rule 15203.A. are provided below with additions underlined and deletions overstruck.

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

Chapter 152

Lean Hog Futures

15203. SETTLEMENT PROCEDURES

15203.A. Final Settlement

There shall be no delivery of hogs in settlement of this contract. All contracts open as of the termination of trading shall be cash settled based upon the CME Lean Hog Index® for the two-day period ending on the day on which trading terminates.

1. The Sample

The sample consists of all producer-sold negotiated, ~~and~~ swine or pork market formula and negotiated formula barrows and gilts purchased on a lean value direct basis by packers for which the head count, average net price and average carcass weight are reported in the "National Daily Direct Hog Prior Day Report-Slaughtered Swine" released by the USDA.

2. The Calculation

The procedure for calculating the CME Lean Hog Index is as follows, using data reported on two consecutive weekdays.

1. The daily head count for negotiated transactions is multiplied by the corresponding daily average carcass weight to obtain the negotiated daily total weight;
2. The daily head count for swine or pork market formula transactions is multiplied by the corresponding daily average carcass weight to obtain the swine or pork market formula daily total weight;
3. The daily head count for negotiated formula transactions is multiplied by the corresponding daily average carcass weight to obtain the negotiated formula daily total weight;
- ~~34.~~ The daily totals for negotiated weight (i.e., the result from 1. above), ~~and~~ swine or pork market formula weight (i.e., the result from 2. above) and negotiated formula weight (i.e., the result from 3. above) are added to obtain the daily total weight;
- ~~45.~~ The daily total weights (i.e., the result from ~~34.~~ above) for two consecutively reported days are aggregated to obtain the two-day total weight;
- ~~56.~~ The negotiated daily total weight (i.e., the result from 1. above) is multiplied by the corresponding daily average net price to obtain the negotiated daily total value;
- ~~67.~~ The swine or pork market formula daily total weight (i.e., the result from 2. above) is multiplied by the corresponding daily average net price to obtain the swine or pork market formula daily total value;
8. The negotiated formula daily total weight (i.e., the result from 3. above) is multiplied by the corresponding daily average net price to obtain the negotiated formula daily total value;
- ~~79.~~ The daily totals for negotiated value (i.e., the result from ~~56.~~ above), ~~and~~ swine or pork market formula value (i.e. the result from ~~67.~~ above) and negotiated formula value (i.e., the result from 8. above) are added to obtain the daily total value;
- ~~810.~~ The daily total values (i.e., the result from ~~79.~~ above) for two consecutively reported days are aggregated to obtain the two-day total value; and
- ~~911.~~ The two-day total value (i.e., the result from ~~810.~~ above) is divided by the two-day total weight (i.e., the result from ~~45.~~ above) to obtain the CME Lean Hog 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.

15203.B. - H.[Reserved]