



Special Executive Report

DATE: September 11, 2018

SER#: 8228

SUBJECT: Amendments to the Livestock, Dairy, and Lumber Daily Settlement Procedure Documents

Effective Saturday, September 29, 2018 for trade date Monday, October 1, 2018, and pending all relevant CFTC regulatory review periods, Chicago Mercantile Exchange Inc. ("CME" or "Exchange") will amend the Daily Settlement Procedure Documents relating to the Live Cattle Futures, Feeder Cattle Futures, Lean Hog Futures, Class III Milk Futures, Class IV Milk Futures, Non-fat Dry Milk Futures, Dry Whey Futures, Cash-settled Butter Futures, Cash-settled Cheese Futures, and Random Length Lumber Futures contracts (the "Contracts") as indicated below:

| Product Class | Contract Title | CME Rulebook Chapter | CME Globex Code |
|---------------|------------------------------|----------------------|-----------------|
| Livestock | Live Cattle Futures | 101 | LE |
| | Feeder Cattle Futures | 102 | GF |
| | Lean Hog Futures | 152 | HE |
| Dairy | Class III Milk Futures | 52 | DC |
| | Class IV Milk Futures | 55 | GDK |
| | Non-fat Dry Milk Futures | 54 | GNF |
| | Dry Whey Futures | 57 | DY |
| | Cash-settled Butter Futures | 56 | CB |
| | Cash-settled Cheese Futures | 60 | CSC |
| Lumber | Random Length Lumber Futures | 201 | LBS |

Specifically, the Exchange is amending and harmonizing the settlement methodologies for the Contracts with the Exchange's other similar Agricultural futures contracts. The methodologies will be exactly the same with the exception of the settlement time windows. The amendments shall facilitate the automation of the settlement processes allowing for quicker derivation and dissemination of settlement prices. The amendments will also help enhance the relevance of the settlement, particularly during periods of declined liquidity, thereby further aligning the Contracts' characteristics with customer expectations.

The amended Livestock, Dairy, and Lumber Daily Settlement Procedure Documents are provided in Exhibit A below in blackline format.

Inquiries regarding the aforementioned may be directed to the CME Group Global Command Center at 312.456.2391. Questions regarding this Special Executive Report may be directed to the CME Global Command Center at 800.438.8616, in Europe at 44.800.898.013, in Asia at 65.6532.5010, or GCC@cmegroup.com

EXHIBIT A

Livestock, Dairy, and Lumber Settlement Procedure Documents

(additions underscoring; deletions ~~overstruck~~)

Livestock Futures

Normal Daily Settlement Procedure

CME Group staff determines the daily settlements for Feeder Cattle (GF), Lean Hogs (HE), and Live Cattle (LE) futures based on trading activity on CME Globex between 12:59:30 and 13:00:00 Central Time (CT), the settlement period.

Tier 1: Each contract month settles to its volume-weighted average price (VWAP) of all trades that occur between 12:59:30 and 13:00:00 CT, the settlement period, rounded to the nearest tradable tick. If the VWAP is exactly in the middle of two tradable ticks, then the settlement will be the tradable price that is closer to the contract's prior day settlement price.

Tier 2: If no trades occur on CME Globex between 12:59:30 and 13:00:00 CT, the settlement period, then the last trade ~~(or the contract's settlement price from the previous day in the absence of a last trade price)~~ is used to determine whether to settle to the low bid or the high ask during this period. is used to determine the settlement price validated against the bid/ask.

~~1. If the last trade price is outside of the bid/ask spread, then the contract month settles to the nearest bid or ask price.~~

~~2. If the last trade price is within the bid/ask spread, or if a bid/ask spread is not available, then the contract month settles to the last trade price.~~

Tier 3: In the absence of any trading activity ~~or bid/ask in a given contract month during the current trading day~~, the daily settlement price will be determined by applying the net change from the preceding contract month to the given contract month's prior daily settlement price validated against the bid/ask and adjusted to the bid or ask if necessary.

CME Feeder Cattle Futures Final Settlement Procedure

Feeder Cattle (GF) futures are cash settled. Please note that the settlement price determined on the last day of trading is only a temporary settlement price, and the contract will be cash settled based upon the CME Feeder Cattle Index™ price for the seven calendar days ending on the day on which trading terminates. The index price is released one business day after trading in the expiring contract month terminates. For example, the index for the seven calendar days ending on Thursday, May 21, 2015 was released on Friday, May 22, 2015.

Temporary Settlement Calculation for Expiring Contract

CME Group staff determines the temporary settlement for the expiring Feeder Cattle (GF) futures contract based on trading activity on CME Globex between 11:58:30 and 12:00:00 Central Time (CT) – the last minute and a half of the contract's life.

Tier 1: The expiring contract's temporary final settlement is its volume-weighted average price (VWAP) of all trades that occur between 11:58:30 and 12:00:00 CT on the day of expiration, rounded to the nearest tradable tick. If the VWAP is equidistant between two ticks, then it's rounded to the nearest tradable tick that is closer to the prior-day's settlement price.

Tier 2: In the absence of any trade activity in the expiring contract between 11:58:30 and 12:00:00 CT, the bid price that is higher than the last trade or prior day's settlement price, or the ask price that is lower than the last trade or prior day's settlement price, from 11:58:30 and 12:00:00 CT will determine the temporary final settlement price for that contract month.

Tier 3: If there is no market activity, then the contract settles to the prior-day settlement price.

Final Settlement Details

For additional details, please see the CME Rulebook (Chapter 102):

<http://www.cmegroup.com/rulebook/CME/II/100/102/102.pdf>

CME Lean Hog Futures Final Settlement Procedure

Lean Hog (HE) futures are cash settled. Please note that the settlement price determined on the last day of trading is only a temporary settlement price, and the contract will be cash settled based upon the CME Lean Hog Index® price for the two-day period ending on the day on which trading terminates. The relevant index price is released two business days after trading in the expiring contract month terminates. For example, the index for the two-day period ending on Friday, June 12, 2015 was released on Tuesday, June 16, 2015.

Temporary Settlement Calculation for Expiring Contract

CME Group staff determines the settlement for the expiring Lean Hog (HE) future contract based on trading activity on CME Globex between 11:58:30 and 12:00:00 Central Time (CT) – the last minute and a half of the contract's life.

Tier 1: The expiring contract's temporary final settlement is its volume-weighted average price (VWAP) of all trades that occur between 11:58:30 and 12:00:00 CT on the day of expiration, rounded to the nearest tradable tick. If the VWAP is equidistant between two ticks, then it's rounded to the nearest tradable tick that is closer to the prior-day's settlement price.

Tier 2: In the absence of any trade activity in the expiring contract between 11:58:30 and 12:00:00 CT, the bid price that is higher than the last trade or prior day's settlement price, or the ask price that is lower than the last trade or prior day's settlement price, from 11:58:30 and 12:00:00 CT, will determine the temporary final settlement price for that contract month.

Tier 3: If there is no market activity, then the contract's temporary final settlement will be its prior-day settlement price.

Final Settlement Details

For final settlement details, please see the CME Rulebook (Chapter 152):

<http://www.cmegroup.com/rulebook/CME/II/150/152/152.pdf>

CME Live Cattle Futures Final Settlement Procedure

Final Settlement Calculation for Expiring Contract

CME Group staff determines the settlement for the expiring Live Cattle (LE) futures contract based on trading activity on CME Globex between 11:58:30 and 12:00:00 Central Time (CT) – the last minute and a half of the contract's life.

Tier 1: The expiring contract settles to its volume-weighted average price (VWAP) of all trades that occur between 11:58:30 and 12:00:00 CT on the day of expiration, rounded to the nearest tradable tick. If the VWAP is equidistant between two ticks, then it's rounded to the nearest tradable tick that is closer to the prior-day's settlement price.

Tier 2: In the absence of any trade activity in the expiring contract between 11:58:30 and 12:00:00 CT, the bid price that is higher than the last trade or prior day's settlement price, or the ask price that is lower than the last trade or prior day's settlement price, from 11:58:30 and 12:00:00 CT, will determine the temporary final settlement price for that contract month.

Tier 3: If there is no market activity, then the contract's temporary final settlement will be its prior-day settlement price.

Final Settlement Details

For final settlement details, please see the CME Rulebook (Chapter 101):

<http://www.cmegroup.com/rulebook/CME/II/100/101/101.pdf>

If you have any questions, please call the CME Global Command Center at 800.438.8616, in Europe at 44.800.898.013, or in Asia at 65.6532.5010.

Note: In the event the aforementioned calculations cannot be made or if CME Group staff, in its sole discretion, determines that anomalous activity produces results that are not representative of the fair value of the contract, staff may determine an alternative settlement price.

Dairy

Normal Daily Settlement Procedure

Daily settlement of Class III Milk (DC), Class IV Milk (GDK), Nonfat Dry Milk (GNF), Dry Whey (DY), Cash-Settled Butter (CB), and Cash-Settled Cheese (CSC) futures is determined by CME Group staff based on trading activity on CME Globex between 13:09:30 and 13:10:00 Central Time (CT).

~~**Tier 1:** If a trade(s) occurs on Globex between 13:09:30 and 13:10:00 Central Time (CT), the settlement period, then the contract settles to the volume-weighted average price (VWAP) of the trade(s) during this period.~~

~~**Tier 2:** If no trades occur on Globex between 13:09:30 and 13:10:00 CT, then the most recent trade (or prior settle in the absence of a last trade price) is used.~~

~~The contract settles to the last trade/prior settle assuming that it does not violate the low bid or high ask in the settlement period. If the low bid in the settlement period is higher than the last trade/prior settlement price, then the lead month settles to that bid. If the high ask in the settlement period is lower than the last trade/prior settle, then the lead month settles to that ask.~~

Tier 1: Each contract month settles to its volume-weighted average price (VWAP) of all trades that occur between 13:09:30 and 13:10:00 CT, the settlement period, rounded to the nearest tradable tick. If the VWAP is exactly in the middle of two tradable ticks, then the settlement will be the tradable price that is closer to the contract's prior day settlement price.

Tier 2: If no trades occur on CME Globex between 13:09:30 and 13:10:00 CT, the settlement period, then the last trade is used to determine the settlement price validated against the bid/ask.

Tier 3: In the absence of any trading activity or bid/ask in a given contract month during the settlement period, the daily settlement price will be determined by applying the net change from the preceding contract month to the given contract month's prior daily settlement price validated against the bid/ask and adjusted to the bid or the ask if necessary.

CME Class III Milk Futures Final Settlement

Class III Milk (DC) futures are cash settled. Please note that the settlement price determined on the last day of trading is only a temporary settlement price, and the contract will be cash settled based upon the USDA Class III price for milk for the particular month, as first released.

Temporary Settlement Calculation for Expiring Contract

CME Group staff determines the settlement for the expiring Class III Milk (DC) future contract based upon market activity on CME Globex between 12:08:30 and 12:10:00 Central Time (CT), the settlement period – the last minute and a half of the contract's life.

Tier 1: If a trade occurs on Globex between 12:08:30 and 12:10:00 Central Time (CT), then the expiring contract settles to the volume-weighted average price (VWAP) of the trade(s) during this period.

Tier 2: If no trades occur on Globex between 12:08:30 and 12:10:00 CT, then the last trade (or prior settle in the absence of a last trade price) is used to determine whether to settle to the current bid or the current ask.

If the current bid is higher than the last trade/prior settlement price, then the contract settles to the bid. If the current ask is lower than the last trade/prior settle, then the contract settles to the ask. The contract settles to the last trade/prior settle if it is equal to or between the bid and the ask.

Final Settlement Details

For additional details, please see the CME Rulebook (Chapter 52).

CME Class IV Milk Futures Final Settlement

Class IV Milk (GDK) futures are cash settled. Please note that the settlement price determined on the last day of trading is only a temporary settlement price, and the contract will be cash settled based upon the USDA Class I V price for milk for the particular month, as first released.

Temporary Settlement Calculation for Expiring Contract

CME Group staff determines the settlement for the expiring Class IV Milk (GDK) future contract based upon market activity on CME Globex between 12:08:30 and 12:10:00 Central Time (CT), the settlement period – the last minute and a half of the contract's life.

Tier 1: If a trade occurs on Globex between 12:08:30 and 12:10:00 Central Time (CT), then the expiring contract settles to the volume-weighted average price (VWAP) of the trade(s) during this period.

Tier 2: If no trades occur on Globex between 12:08:30 and 12:10:00 CT, then the last trade (or prior settle in the absence of a last trade price) is used to determine whether to settle to the current bid or the current ask.

If the current bid is higher than the last trade/prior settlement price, then the contract settles to the bid. If the current ask is lower than the last trade/prior settle, then the contract settles to the ask. The contract settles to the last trade/prior settle if it is equal to or between the bid and the ask.

Final Settlement Details

For additional details, please see the CME Rulebook (Chapter 55).

CME Butter Futures Final Settlement

Butter (CB) futures are cash settled. Please note that the settlement price determined on the last of trading is only a temporary settlement price, and the contract will be cash settled based upon the USDA monthly weighted average price in the U.S. for butter, as first released.

Temporary Settlement Calculation for Expiring Contract

CME Group staff determines the settlement for the expiring Cash-Settled Butter (CB) future contract based upon market activity on CME Globex between 12:08:30 and 12:10:00 Central Time (CT), the settlement period – the last minute and a half of the contract's life.

Tier 1: If a trade occurs on Globex between 12:08:30 and 12:10:00 Central Time (CT), then the expiring contract settles to the volume-weighted average price (VWAP) of the trade(s) during this period.

Tier 2: If no trades occur on Globex between 12:08:30 and 12:10:00 CT, then the last trade (or prior settle in the absence of a last trade price) is used to determine whether to settle to the current bid or the current ask.

If the current bid is higher than the last trade/prior settlement price, then the contract settles to the bid. If the current ask is lower than the last trade/prior settle, then the contract settles to the ask. The contract settles to the last trade/prior settle if it is equal to or between the bid and the ask.

Final Settlement Details

For additional details, please see the CME Rulebook (Chapter 56).

CME Cheese Futures Final Settlement

Cheese (CSC) futures are cash settled. Please note that the settlement price determined on the last day of trading is only a temporary settlement price, and the contract will be cash settled based upon the USDA monthly weighted average price in the U.S. for cheese. The reported USDA monthly weighted average price for cheese uses both 40 pound cheddar block and 500 pound barrel prices.

Temporary Settlement Calculation for Expiring Contract

CME Group staff determines the settlement for the expiring Cheese (CSC) future contract based upon market activity on CME Globex between 12:08:30 and 12:10:00 Central Time (CT), the settlement period – the last minute and a half of the contract's life.

Tier 1: If a trade occurs on Globex between 12:08:30 and 12:10:00 Central Time (CT), then the expiring contract settles to the volume-weighted average price (VWAP) of the trade(s) during this period.

Tier 2: If no trades occur on Globex between 12:08:30 and 12:10:00 CT, then the last trade (or prior settle in the absence of a last trade price) is used to determine whether to settle to the current bid or the current ask.

If the current bid is higher than the last trade/prior settlement price, then the contract settles to the bid. If the current ask is lower than the last trade/prior settle, then the contract settles to the ask. The contract settles to the last trade/prior settle if it is equal to or between the bid and the ask.

Final Settlement Details

For additional details, please see the CME Rulebook (Chapter 60).

CME Dry Whey Futures Final Settlement

Dry Whey (DY) futures are cash settled. Please note that the settlement price determined on the last of trading is only a temporary settlement price, and the contract will be cash settled based upon the USDA monthly weighted average price in the U.S. for dry whey, as first released.

Temporary Settlement Calculation for Expiring Contract

CME Group staff determines the settlement for the expiring Dry Whey (DY) future contract based upon market activity on CME Globex between 12:08:30 and 12:10:00 Central Time (CT), the settlement period – the last minute and a half of the contract's life.

Tier 1: If a trade occurs on Globex between 12:08:30 and 12:10:00 Central Time (CT), then the expiring contract settles to the volume-weighted average price (VWAP) of the trade(s) during this period.

Tier 2: If no trades occur on Globex between 12:08:30 and 12:10:00 CT, then the last trade (or prior settle in the absence of a last trade price) is used to determine whether to settle to the current bid or the current ask.

If the current bid is higher than the last trade/prior settlement price, then the contract settles to the bid. If the current ask is lower than the last trade/prior settle, then the contract settles to the ask. The contract settles to the last trade/prior settle if it is equal to or between the bid and the ask.

Final Settlement Details

For additional details, please see the CME Rulebook (Chapter 57).

CME Nonfat Dry Milk Futures Final Settlement

Nonfat Dry Milk (GNF) futures are cash settled. Please note that the settlement price determined on the last of trading is only a temporary settlement price, and the contract will be cash settled based upon the USDA monthly weighted average price in the U.S. for nonfat dry milk, as first released.

Temporary Settlement Calculation for Expiring Contract

CME Group staff determines the settlement for the expiring Nonfat Dry Milk (GNF) future contract based upon market activity on CME Globex between 12:08:30 and 12:10:00 Central Time (CT), the settlement period – the last minute and a half of the contract's life.

Tier 1: If a trade occurs on Globex between 12:08:30 and 12:10:00 Central Time (CT), then the expiring contract settles to the volume-weighted average price (VWAP) of the trade(s) during this period.

Tier 2: If no trades occur on Globex between 12:08:30 and 12:10:00 CT, then the last trade (or prior settle in the absence of a last trade price) is used to determine whether to settle to the current bid or the current ask.

If the current bid is higher than the last trade/prior settlement price, then the contract settles to the bid. If the current ask is lower than the last trade/prior settle, then the contract settles to the ask. The contract settles to the last trade/prior settle if it is equal to or between the bid and the ask.

Final Settlement Details

For additional details, please see the CME Rulebook (Chapter 54).

Dairy Spot Call

Normal Daily Settlement Procedure

The settlement of the following products is determined by CME Group staff based on trading activity in the pit:

- Butter Spot Call (AA)
- Cheese Spot Call Blocks (KB)
- Cheese Spot Call Barrels (RB)
- Nonfat Dry Milk Spot Call Grade A (NM)

Tier 1: The contract settles to the last trade price if the last trade price is within the current bid/ask.

Tier 2: If the last trade price is outside of the current bid/ask, the contract will settle to the current bid price that is higher than the last trade or the current ask price that is lower than the last trade.

Tier 3: If no trades occur, then the contract will settle to the prior day settlement price if the prior day settlement price is within the current bid/ask. If the prior day settlement price is outside of the current bid/ask, then the contract will settle to the current bid price that is higher than the prior day settlement price or the current ask price that is lower than the prior day settlement price. In the absence of any trades or current bid/asks, the contract will settle to the prior day settlement price.

If you have any questions, please call the CME Global Command Center at 800.438.8616, in Europe at 44.800.898.013, or in Asia at 65.6532.5010.

Note: In the event the aforementioned calculations cannot be made or if CME Group staff, in its sole discretion, determines that anomalous activity produces results that are not representative of the fair value of the contract, staff may determine an alternative settlement price.

Lumber

Normal Daily Settlement Procedure

CME Group staff determines the daily settlements for Random Length Lumber (LBS) futures based on trading activity on CME Globex between 13:04:30 and 13:05:00 Central Time (CT), the settlement period.

Tier 1: Each contract month settles to its volume-weighted average price (VWAP) of all trades that occur between 13:04:30 and 13:05:00 CT, the settlement period, rounded to the nearest tradable tick. If the VWAP is exactly in the middle of two tradable ticks, then the settlement will be the tradable price that is closer to the contract's prior day settlement price.

Tier 2: If no trades occur on CME Globex between 13:04:30 and 13:05:00 CT, the settlement period, then the last trade ~~(or the contract's settlement price from the previous day in the absence of a last trade price)~~ is used to determine whether to settle to the low bid or the high ask during this period. is used to determine the settlement price validated against the bid/ask.

- ~~1. If the last trade price is outside of the bid/ask spread, then the contract month settles to the nearest bid or ask price.~~
- ~~2. If the last trade price is within the bid/ask spread, or if a bid/ask spread is not available, then the contract month settles to the last trade price.~~

Tier 3: In the absence of any trading activity ~~or bid/ask in a given contract month during the current trading day,~~ the daily settlement price will be determined by applying the net change from the preceding contract month to the given contract month's prior daily settlement price validated against the bid/ask and adjusted to the bid or ask if necessary.

Final Settlement Calculation for Expiring Contract

CME Group staff determines the final settlement price for the expiring Random Length Lumber (LBS) future contract based on trading activity on CME Globex between 12:03:30 and 12:05:00 Central Time (CT) – the settlement period for the expiring contract and the last 90 seconds of the contract's life.

Tier 1: For the contract month, if a trade occurs between 12:03:30 and 12:05:00 CT, the settlement period, then the contract settles to the volume-weighted average price (VWAP) of the trade(s) between 12:03:30 and 12:05:00 CT, rounded to the nearest tradable tick. If the VWAP is exactly in the middle of two tradable ticks, then the settlement will be the tradable price that is closer to the contract's prior day settlement price.

Tier 2: If no trades occur on CME Globex between 12:03:30 and 12:05:00 CT, the settlement period, then the last trade (or prior settle in the absence of a last trade price) is used to determine whether to settle to the current bid or the current ask during the settlement period.

1. If the last trade price is outside of the bid/ask spread, then the contract settles to the nearest bid or ask price.
2. If the last trade price is within the bid/ask spread, or if a bid/ask spread is not available, then the contract settles to the last trade price.

Tier 3: In the absence of any trade activity or bid/ask in the expiring contract month during the current trading day, then the contract settles to the prior-day settlement price.

Additional Details

Random Length Lumber (LBS) futures are physically delivered upon expiration. For additional details, please see the CME Rulebook (Chapter 201):

<http://www.cmegroup.com/rulebook/CME/II/200/201/201.pdf>

If you have any questions, please call the CME Global Command Center at 800.438.8616, in Europe at 44.800.898.013, or in Asia at 65.6532.5010.

Note: In the event the aforementioned calculations cannot be made or if CME Group staff, in its sole discretion, determines that anomalous activity produces results that are not representative of the fair value of the contract, staff may determine an alternative settlement price.