



Special Executive Report

DATE: April 22, 2019

SER#: 8369

SUBJECT: Amendments to the Trading Hours and Daily Settlement Procedure Document and Daily Price Limits Rule in Connection with the Random Length Lumber Futures and Options on Random Length Lumber Futures Contracts

Effective Sunday, May 19, 2019 for trade date Monday, May 20, 2019, and pending all relevant CFTC regulatory review periods, Chicago Mercantile Exchange Inc. ("CME" or "Exchange") will amend the Daily Settlement Procedure Document and Rule 20112.D. ("Daily Price Limits") in connection with the Random Length Lumber Futures contract and the trading hours of the Random Length Lumber Futures and Options on Random Length Lumber Futures contracts (the "Contracts") (collectively, the "Rule Amendments") as more specifically described below.

In an effort to improve price discovery, liquidity, and overall performance of the futures contract, the Exchange is implementing the Rule Amendments to reduce the time period between settlement and closing. The clearing hours of the Contracts shall remain unchanged. Amendments to the trading hours are more specifically described in the table below:

Contract Title	CME Rulebook Chapter	Commodity Code	Current Trading Hours (Central Time)	Amended Trading Hours (Central Time)
Random Length Lumber Futures	201	CME Globex: LBS	CME Globex: 9:00 a.m. – 4:00 p.m. Monday – Thursday 9:00 a.m. – 1:55 p.m. Friday	CME Globex: 9:00 a.m. – 3:05 p.m. Monday – Friday
Options on Random Length Lumber Futures	201A	CME Globex: LBS Open Outcry: Put: JL Call: KL	CME Globex: 9:00 a.m. – 4:00 p.m. Monday – Thursday 9:00 a.m. – 1:55 p.m. Friday Open Outcry: 9:00 a.m. – 1:07 p.m. Monday - Friday	CME Globex and Open Outcry: 9:00 a.m. – 3:05 p.m. Monday – Friday

Also at this time, CME is amending Rule 20102.D. such that the Exchange will automatically update daily price limits two times per year. The new price limit mechanism will allow higher limits when prices are high and lower limits when prices are low. Going forward, the first reset date will be the first trading day in May based on the following: Daily settlement prices will be collected for the July contract over 45 consecutive trading days before and on the business day prior to April 16th. Average prices for each contract will be calculated based on the collected settlement prices and then multiplied by five (5) percent. The resulting number would be rounded to the nearest \$1 per thousand board feet to determine the new initial price limits for futures. The second reset date will be the first trading day in November, following the same methodology using daily settlement values from the November expiration over 45 consecutive trading days before and

on the business day prior to October 16th. The daily price limits are prohibited from being set below \$10 per thousand board feet. If the lead month of the futures contract settles at the daily price limit, the limit for the following trading day will be expanded by 50% and will remain in place until a daily settlement occurs within the expanded limit.

Using this calculation, daily price limits will be \$19 per thousand board feet, expandable to \$29 per thousand board feet. Going forward, the futures contract will be on the schedule set forth in the paragraph above, with new daily price limits effective the first trading day of each May and November.

Appendix A provides amendments to the Daily Settlement Procedure Document and Appendix B provides amendments to CME Rule shows the relevant amendments Rule 20112.D. ("Daily Price Limits") in blackline format.

For additional information, please contact Alison Coughlin at 312-338-7171 or Alison.Coughlin@cmegroup.com or Candice Lucas at 312-930-3365 or Candice.Lucas@cmegroup.com.

Appendix A

Daily Settlement Procedure Document

Random Length Lumber Futures

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~~ **14:59:30** and ~~13:05:00~~ **15:00:00** 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 ~~13:04:30~~ **14:59:30** and ~~13:05:00~~ **15:00:00** 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 ~~13:04:30~~ **14:59:30** and ~~13:05:00~~ **15:00:00** 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 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.

Appendix B
CME Rulebook
Chapter 201
Random Length Lumber Futures
(additions underscored; deletions ~~struck through~~)

20102. TRADING SPECIFICATIONS

20102.D. Daily Price Limits

Daily price limits for Random Length Lumber futures are reset every six months. The first reset date would be the first trading day in May based on the following: Daily settlement prices are collected for the nearest July contract over 45 consecutive trading days before and on the business day prior to April 16th. The average price is calculated based on the collected settlement prices and then multiplied by five percent. The resulting number, rounded to the nearest \$1 per thousand board feet, or \$10 per thousand board feet, whichever is higher, will be the new initial price limit for Random Length Lumber futures and will become effective on the first trading day in May and will remain in effect through the last trading day in October.

The second reset date would be the first trading day in November based on the following: Daily settlement prices are collected for the nearest November contract over 45 consecutive trading days before and on the business day prior to October 16th. The average price is calculated based on the collected settlement prices and then multiplied by five percent. The resulting number, rounded to the nearest \$1 per thousand board feet, or \$10 per thousand board feet, whichever is higher, will be the new initial price limit for Random Length Lumber futures and will become effective on the first trading day in November and will remain in effect through the last trading day in next April.

There shall be no trading in Random Length Lumber futures at a price more than the initial price limit above or below the previous day's settlement price. Should the lead contract month settle at limit, the daily price limits for all contract months shall increase by 50 percent the next business day, rounded up to the nearest \$1 per thousand board feet. If the lead futures contract month does not settle at the expanded limit the next business day, daily price limits for all contract months shall revert back to the initial price limit the following business day.

There shall be no price limit in the expiring month contract beginning on the first Business Day of the contract month.

~~There shall be a daily price limit of \$15.00 per thousand board feet above or below the previous day's settlement price.~~

~~If the contract nearest to expiration that is subject to a daily limit is quoted at the limit bid or limit offer as the last price in the designated settlement period, without regard to CME trading venue, for two successive days, then the price limit shall be raised to \$25.00 per thousand board feet for all contracts subject to a daily limit.~~

~~Unless the contract nearest to expiration that is subject to a daily price limit of \$25.00 is quoted at the limit bid or limit offer as the last price in the designated settlement period, without regard~~

~~to CME trading venue and without regard to market direction, the price limits shall revert to \$15.00 per thousand board feet on the next Business Day.~~
