



Special Executive Report

DATE: February 27, 2020

SER#: 8540

SUBJECT: Amendments to the Lean Hog Futures Contract

Pending Commodity Futures Trading Commission (“CFTC” or “Commission”) approval, Chicago Mercantile Exchange, Inc. (“CME” or “Exchange”) will amend the Lean Hog Futures contract (the “Contract”) as more specifically summarized below.

Contract Title	Rulebook Chapter	Clearing Code	CME Globex Code	CME ClearPort Code
Lean Hog Futures	152	LN	HE	LN

Specifically, the Exchange is requesting approval to:

1. Amend Rule 15202.D. (“Daily Price Limits”) of the Contract to replace the current fixed daily price limit regime (consisting of a fixed price limit and expansion mechanism) with a variable price limit regime which will be price-based and reset annually. The mechanism herein is similar to the variable price limit mechanism, which has been previously approved by the Commission and implemented by The Board of Trade of the City of Chicago, Inc. (“CBOT”) in 2014 on grain and oilseed futures (see [SER 7075](#) dated April 22, 2014);
2. Amend Rule 15202.D. to adjust the current daily price limits of the Contract to \$3.75/cwt., expandable to \$5.50/cwt. from \$3.00/\$4.50 initial and expanded limit based on the price-based methodology and observation from 2019;
3. Amend Rule 15202.D. regarding the triggering of expanded daily limits and the reversion back to initial limits. Currently, expanded limits are triggered if any of the front three (3) contract months settle at the initial daily limit. Pursuant to the amendments to the Rule, an expansion will be triggered should any of the front eight (8) contract months settle at limit. (Note: according to the listing schedule of the Contract, the front eight (8) contract months of the Contract encompass one (1) calendar year); and
4. Amend Rule 15202.D. regarding the reversion back to the initial daily price limit from the expanded limit. Currently, daily price limits revert from the expanded limit back to the initial limit on the following business day when none of the front three (3) contracts settle at the expanded limit. Pursuant to the amendments to the Rule, daily price limits will remain expanded until all of the front eight (8) contract months settle below the initial level (collectively, the “Rule Amendments”).

The Rule Amendments are provided in Appendix A below in blackline format.

Pending CFTC approval, the Exchange intends to implement the Rule Amendments effective on Sunday, April 12, 2020 for trade date Monday, April 13, 2020.

Should you have any questions regarding this Special Executive Report, please contact either: Jim Sullivan, Director, Commodity Research and Product Development, 312-930-2308, Jim.Sullivan@cmegroup.com, or Sarah Calhoun, Director, Livestock Products, 312-338-2888, Sarah.Calhoun@cmegroup.com.

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

APPENDIX A
CME Rulebook
(additions underscored)

Chapter 152
Lean Hog Futures

(Pending CFTC Approval)

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15202. TRADING SPECIFICATIONS (up to and including April 10, 2020)

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15202.D. Daily Price Limits

There shall be no trading at a price more than \$.030 per pound above or below the previous day's settlement price, except that there shall be no daily price limits in the expiring month contract during the last 2 Trading Days. In the event that any of the first three listed contract months settle at limit, the daily price limits for all contract months shall expand to \$.045 per pound on the next Business Day. If none of the first three listed futures contract months settle at the expanded limit the next Business Day, daily price limits for all contract months shall revert back to \$.030 per pound on the following Business Day. During the last two days of trading, the expiring month contract shall be excluded from triggering expanded limits.

15202. TRADING SPECIFICATIONS (commencing April 13, 2020 and up to and including August 31, 2020)

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15202.D. Daily Price Limits

There shall be no trading at a price more than \$0.0375 per pound above or below the previous day's settlement price, except that there shall be no daily price limits in the expiring month contract during the last 2 Trading Days. In the event that any of the first eight listed contract months settle at limit, the daily price limits for all contract months shall expand to \$0.0550 per pound on the next Business Day. If none of the first eight listed Lean Hog contracts subject to price limits settles at a price change equal to or greater than \$0.0375 on the next business day, daily price limits for all contract months shall revert back to \$0.0375 per pound on the following Business Day. During the last two days of trading, the expiring month contract shall be excluded from triggering expanded limits.

15202. TRADING SPECIFICATIONS (commencing September 1, 2020 and beyond)

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Daily price limits for Lean Hog 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 4.5 percent. The resulting number, rounded down to the nearest \$0.0025 per pound, will be the new initial price limits for Lean Hog 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 two days of trading, the expiring contract month shall be excluded from triggering expanded limits.

There shall be no trading in Lean Hog futures at a price more than the initial price limit above or below the previous day's settlement price. Should any Lean Hog 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 Lean Hog contracts subject to price limits settles at a price change equal to or greater than the initial price limit on 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 limits on the current month contract during the last two trading days.

[Remainder of Rule Unchanged]