MARKET REGULATION ADVISORY NOTICE
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Exchange	**CBOT**
Subject	**Settlement Procedures in CBOT Agricultural Futures**
Rule References	**Rule 813**
Advisory Date	**September 9, 2008**
Advisory Number	**CBOT RA0815-1**
Effective Date	**September 16, 2008**

Pilot Program to Settle to CME Globex Activity Expanded to Rough Rice Futures

Effective September 16, 2008, Rough Rice futures will be added to the pilot program presently operating in Wheat futures whereby settlement prices are based on CME Globex activity. This Advisory Notice updates the prior notice on settlement procedures to reflect the changes to the settlement procedures for Rough Rice futures.

Settlement Procedures for CBOT Agricultural Futures That Settle to Pit Activity

For CBOT agricultural contracts that settle based on pit trading activity, the Pit Committee, in consultation with exchange staff, will settle the lead month contract at the price within the closing range that in its estimation is most representative of the price at which the preponderance of the pit volume traded during the close.

Contract months other than the lead month will settle based upon spread relationships established in the pit during the closing period. To the extent that relevant spreads trade at multiple price levels during the closing period, the Pit Committee, in consultation with exchange staff, will imply the settlement price from the spread value which it estimates is most representative of the price at which the preponderance of the spread volume traded in the pit during the closing period. For contracts that close on a call, the Pit Committee will rely on spread prices established in the period preceding the call close during which MOC spread orders are executed.

In the absence of spread trading activity during the closing period, the exchange will rely on other available market information to determine the appropriate settlement price.

Limit Markets: If the lead month trades exclusively at its limit price or is locked limit during the closing period, the contract will settle at the limit price. In this event, the most actively traded outright contract that is not at limit will be used as the anchor price for determining the settlement prices of the other contracts; however, no contract will settle through its price limit and any contract that trades exclusively at its limit price or is locked limit during the closing period will settle at its limit price. When price limits are lifted on a spot month contract and the other months in that contract are locked limit, the spot month will settle based upon the outright activity in the spot month rather than on spread relationships.

For contracts that settle electronically, expanded price limits will be based on CME Globex activity rather than on pit activity.

General: If a settlement price creates risk management concerns, CME Clearing reserves the right to calculate settlement variation using an alternate price. The alternate price will be determined by CME Clearing.

Electronic Settlement Pilot Program in Wheat and Rough Rice Futures

Exchange staff in the Globex Control Center ("GCC") will settle the first five CBOT Wheat futures contracts and all Rough Rice futures contracts based upon CME Globex activity rather than pit activity.

The GCC will settle the lead month Wheat and Rough Rice futures contracts at the volume weighted average price ("VWAP") of the outright trades executed in the lead month contract on CME Globex from 1:14:00 to 1:15:00 p.m. in Wheat and Rice, rounded to the nearest tick.

The expiring contract (when it is not the lead month) or the first deferred contract (when the lead month is the expiring contract) will be settled by GCC based upon the spread relationship with the lead month. GCC will calculate the VWAP of the relevant spread traded on CME Globex during the period from 1:14:00 to 1:15:00 p.m. and, provided a minimum of 50 spreads trade in Wheat or 5 spreads trade in Rice, will imply the settlement price from the lead month settlement and the spread's VWAP. If fewer than the designated minimum quantity of spreads trade during the relevant period, GCC will use the midpoint of the bid/offer in the spread at 1:15:00 p.m. to imply the settlement price.

The next three contract months in Wheat and all subsequent contract months in Rough Rice will be settled in chronological order based upon spread relationships with the contracts already settled. For each contract, GCC will calculate the VWAP of the traded spreads involving that contract and any previously settled contracts to determine implied prices and, provided that the minimum quantity of spreads trade, will calculate the VWAP of those implied prices to establish the settlement price for that contract month. If fewer than minimum quantity of spreads trade, GCC will use the midpoint of the bid/offer in the relevant spreads at 1:15:00 p.m. to imply prices for the contract and will settle the contract at the median implied price.

Contract months beyond the fifth listed contract month in Wheat will be settled by the Pit Committee, in consultation with Exchange staff, based upon spread relationships. In the absence of material spread trading activity in the pit during the close, the exchange will rely on other available market information to determine an appropriate settlement price.

Notwithstanding the foregoing, in the event the aforementioned calculations cannot be made or if the GCC, in its sole discretion, determines that anomalous activity yields results that are not representative of the fair value of the contract, the GCC may determine an alternative settlement price.

Example: Assume May 08 is the Expiring Month and July 08 is the Lead Month

Month	Settlement	Basis for Settlement
July 08	8.67	Volume = 758, VWAP = 8.67

		July is lead month – use outright VWAP
May 08	8.52¾	May/July volume is 206; VWAP of spreads is -14¼
		Spread volume > 50 – imply May settlement from VWAP of spread
Sep 08	8.81½	May/Sep volume is 15; VWAP is -28¾ ; Bid/Offer is -29 @ -28¼
		July/Sep volume is 25; VWAP is -14½; Bid/Offer is -14½ @ -14¼
		Combined spread volume < 50 – use median implied from Bid/Offers = 8.81½
Dec 08	8.99	May/Dec volume is 4; VWAP is -46; Bid/Offer is -46½ @ -45¾
		July/Dec volume is 91; VWAP is -32; Bid/Offer is -32¼ @ -31¾
		Sep/Dec volume is 5; VWAP is -17½ ; Bid/Offer is -18 @ -17½
		Combined spread volume > 50 – use VWAP implied from spreads = 8.99
Mar 09	9.13¾	May/Mar volume is 0; Bid/Offer is -61¾ @ -60
		July/Mar volume is 0; Bid/Offer is -47½ @ -46
		Sep/Mar volume is 0; Bid/Offer is -33½ @ -32
		Dec/Mar volume is 0; Bid/Offer is -15 @ -13¾
		Combined spread volume < 50 – use median implied from Bid/Offers = 9.13¾

Wheat and Rough Rice Futures Settlement on Last Trading Day: On the expiring contract's last trading day, the expiring contract will settle based on the VWAP of the outright CME Globex trades in the expiring contract and the implied values from the expiring month/lead month spreads executed on the CME Globex platform between 12:00:00 and 12:01:00 p.m.

In the absence of outright or spread trades during this period, the settlement price will be the best bid or best offer in the expiring contract at 12:00:50 p.m., whichever is closer to the last trade price. If there is not a bid/offer pair in the expiring contract at that time, the settlement price will be the best bid or offer implied by the bid/offer in the spread at 12:00:50 p.m., whichever is closer to the last outright trade price in the expiring contract.

Only bids and offers that remain active through expiration at 12:01:00 p.m. will be considered in these calculations. In the event there is insufficient activity to make the aforementioned calculations, the exchange may rely on earlier data or other available market information to determine an appropriate settlement price.

Questions regarding this advisory may be directed to the following individuals:

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